

Spheria Emerging Companies Limited

ACN 621 402 588



Spheria Emerging Companies Limited

ASX : SEC

FY2019 Results and Portfolio Update

Agenda

1. SEC Company update
2. Portfolio update
3. Questions

Spheria Emerging Companies (ASX: SEC)

Full year results FY2019

FY19 profit	Portfolio performance ¹	Company performance ²
\$3.2m	1.8%	0.1%

	Interim Dividend	Final Dividend	Full Year Dividend	Annualised yield*
Cash	2.0c	4.0c	6.0c	3.4%
Grossed-up (100% franking)	2.9c	5.7c	8.6c	4.9%

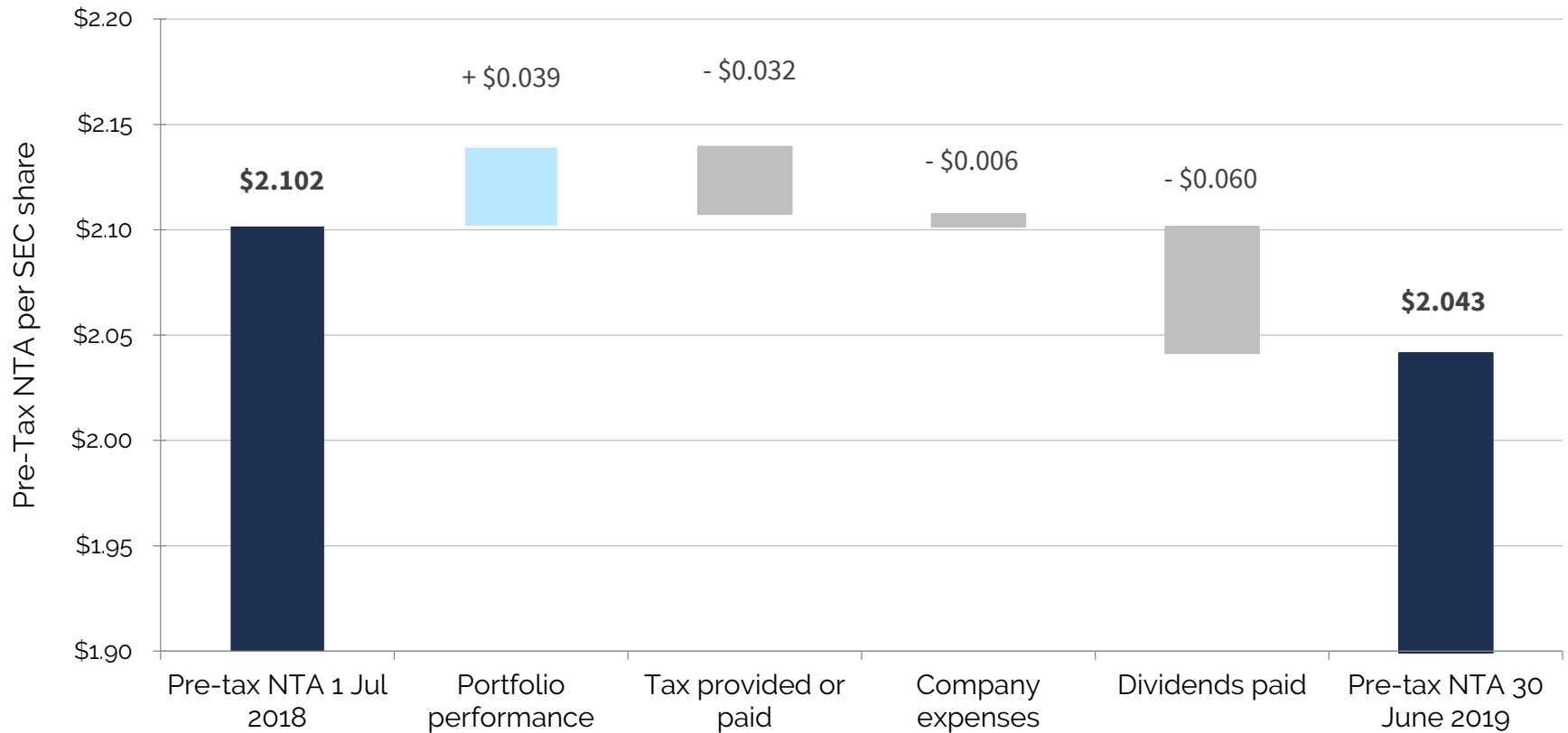
Final Dividend Amount	Dividend ex-date	Record date	Payment date
4.0 cents per share	5 September 2019	6 September 2019	20 September 2019

* Based on share price as at 30 June 2019 of \$1.76.

¹ Shows how the portfolio, for which the Manager is responsible, has performed after deducting management fees, costs and taxes and performance fees (if applicable).

² Calculated as movement in Company's pre-tax NTA, which includes tax on realised gains and other earnings, but excludes any provisions for tax on unrealised gains, assuming the re-investment of any dividends paid by the Company.

NTA breakdown for FY19



Source: Spheria Emerging Companies

Performance History

SEC Portfolio performance

Net Portfolio Performance as at 30th Jun 2019						
Period	1 month	3 month	6 month	1 year	Since Inception (pa)	Inception Date
SEC Mandate	-1.9%	1.7%	14.3%	1.8%	6.0%	30/11/2017
Small Ordinaries Accumulation Index	0.9%	3.7%	16.8%	1.9%	6.1%	
Outperformance	-2.8%	-2.1%	-2.5%	-0.2%	-0.1%	

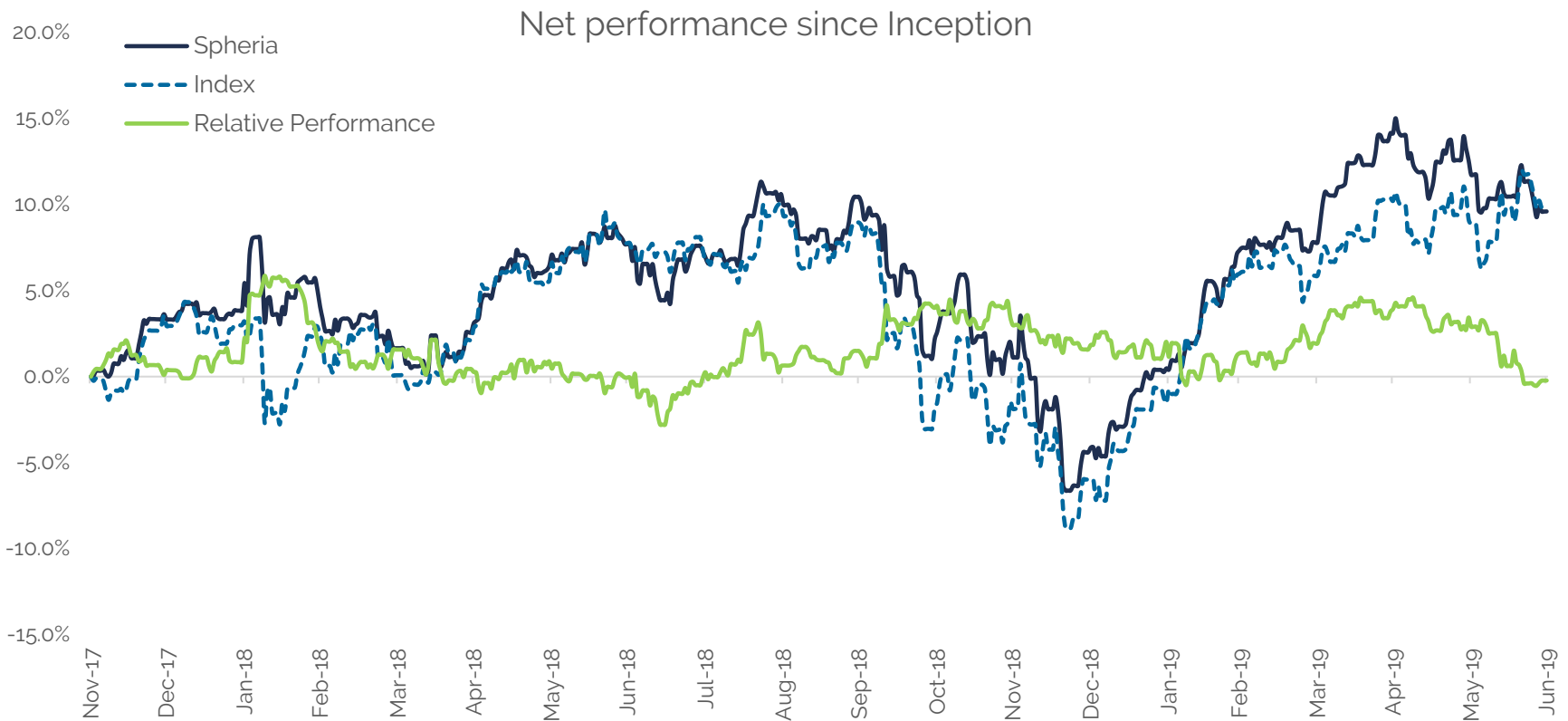
SEC NTA performance

SEC Limited Performance 30th Jun 2019						
Period	1 month	3 month	6 month	1 year	Since Inception (pa)	Inception Date
Company's Performance	-2.3%	0.8%	12.1%	0.1%	3.2%	30/11/2017
Benchmark	0.9%	3.7%	16.8%	1.9%	6.1%	

Net portfolio performance are net of management fees.

Company's performance is calculated as movement in Company's pre-tax NTA, which includes tax on realised gains and other earnings, but excludes any provisions for tax on unrealised gains. The Benchmark is pre-tax, S&P/ASX Small Ordinaries Accumulation Index

SEC portfolio performance

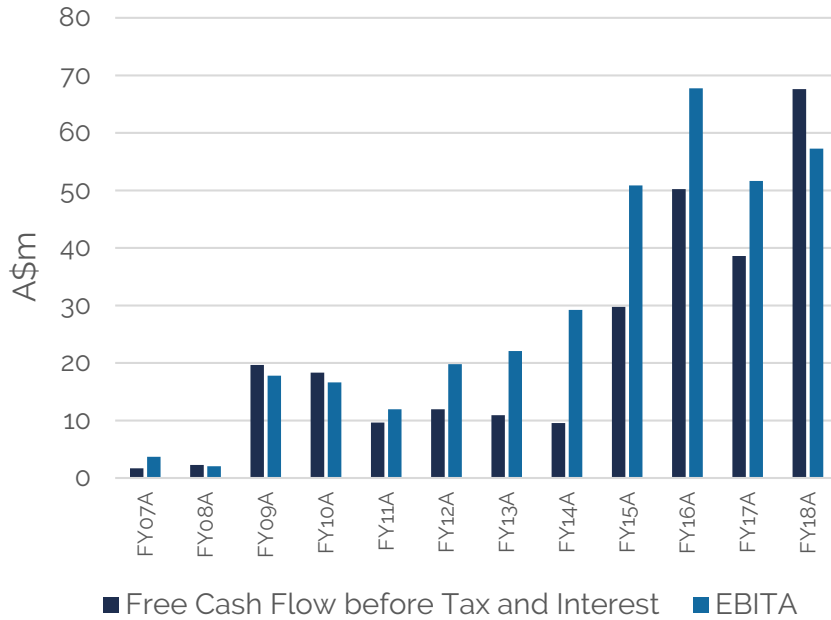


Net Portfolio performance = investment performance of mandate after investment management fees but before taxes.

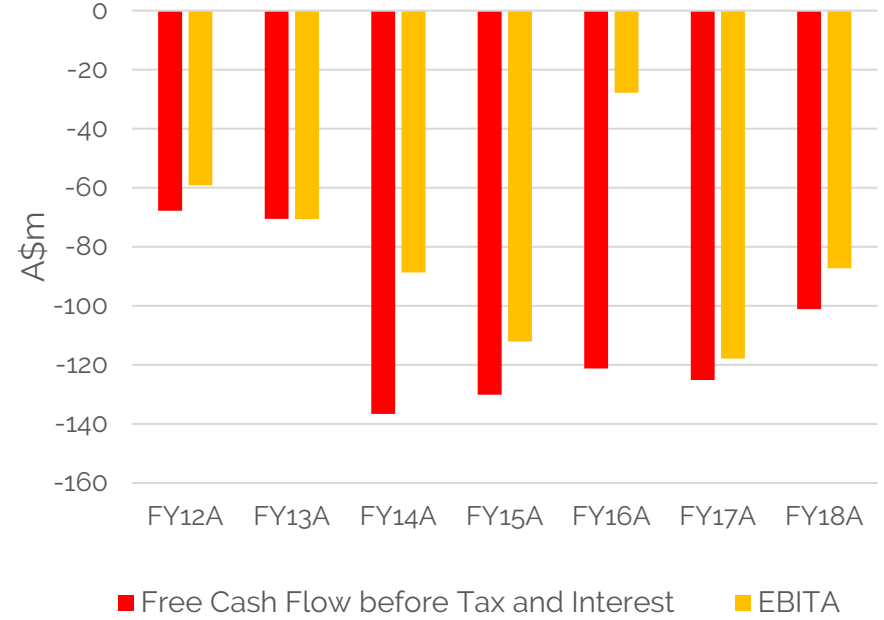
Source: Spheria Asset Management

Investment philosophy

Sirtex – Cash Flow Dynamics ✓



Mesoblast – Cash Flow Dynamics ✗

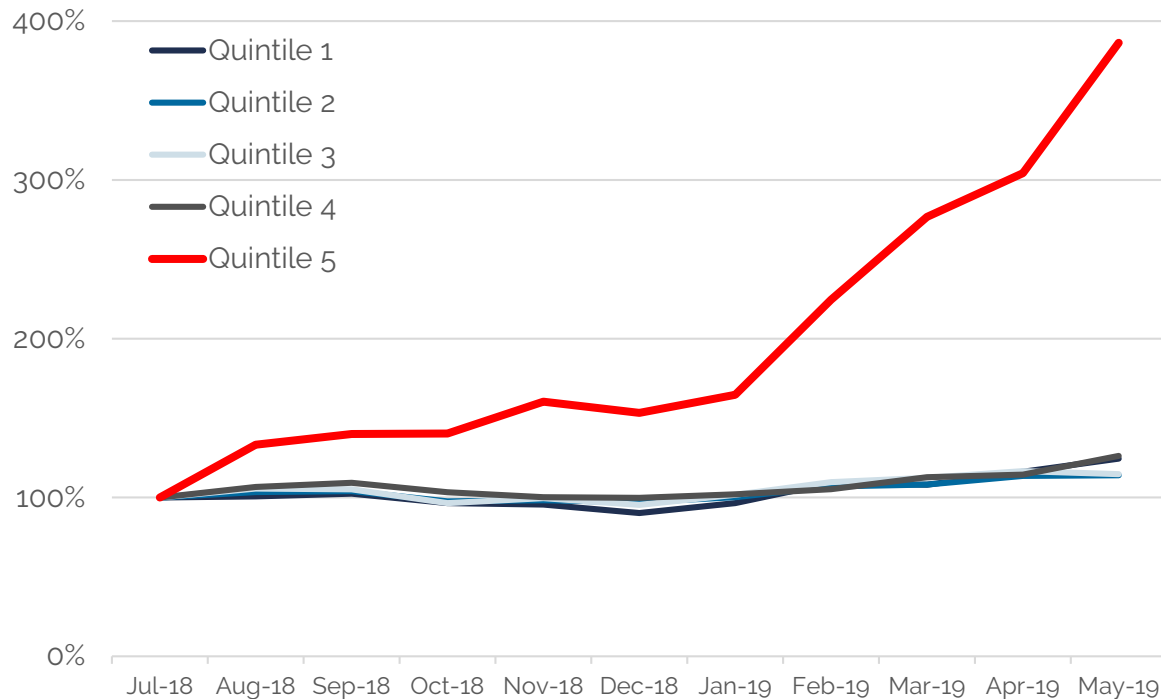


- Sirtex strong free cash flow generation versus Mesoblast burning ~\$100 million p.a.
- Both had market caps >\$800 million and similar enterprise values ~\$750 million.

Source: Spheria Asset Management, IRESS

The great re-rating

PE re-rating by PE quintiles over last year

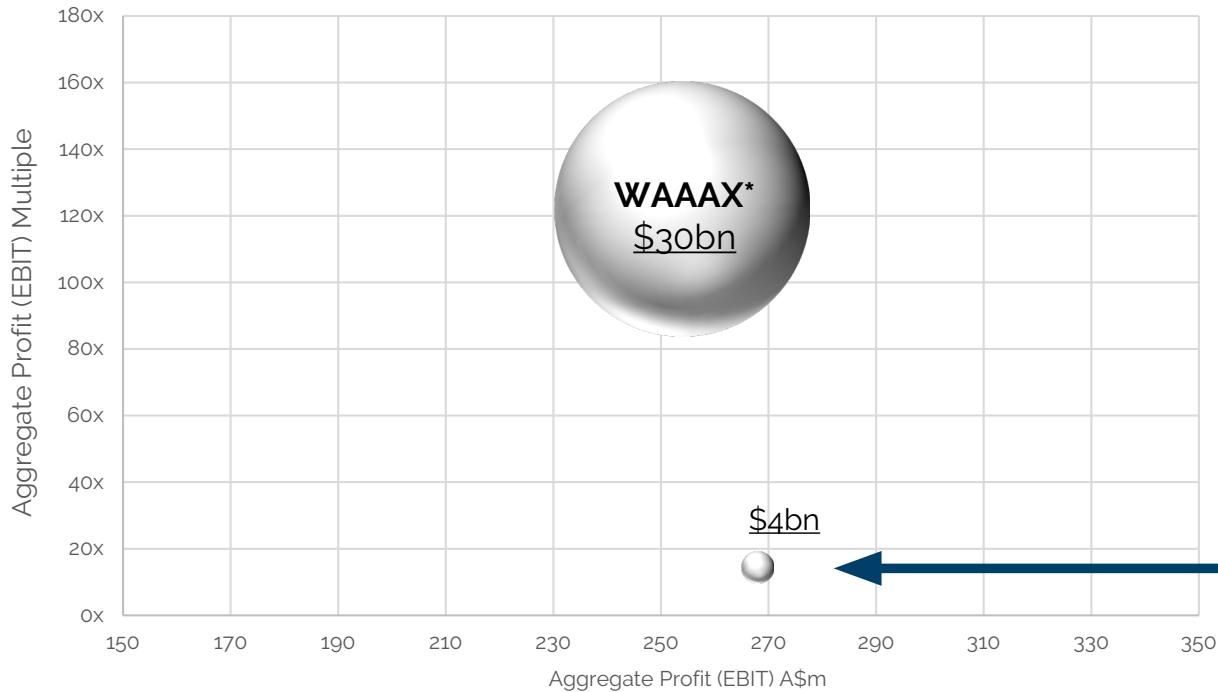


- Highest rated PE stocks one year ago, have had a huge **re-rating** during the year
- **Unjustified** by growth in earnings, likely driven by growth in quant/ passive funds.

Source: Spheria Asset Management

Relative valuations – WAAAX* vs Spheria Basket

Aggregate Market Valuations (A\$bn)

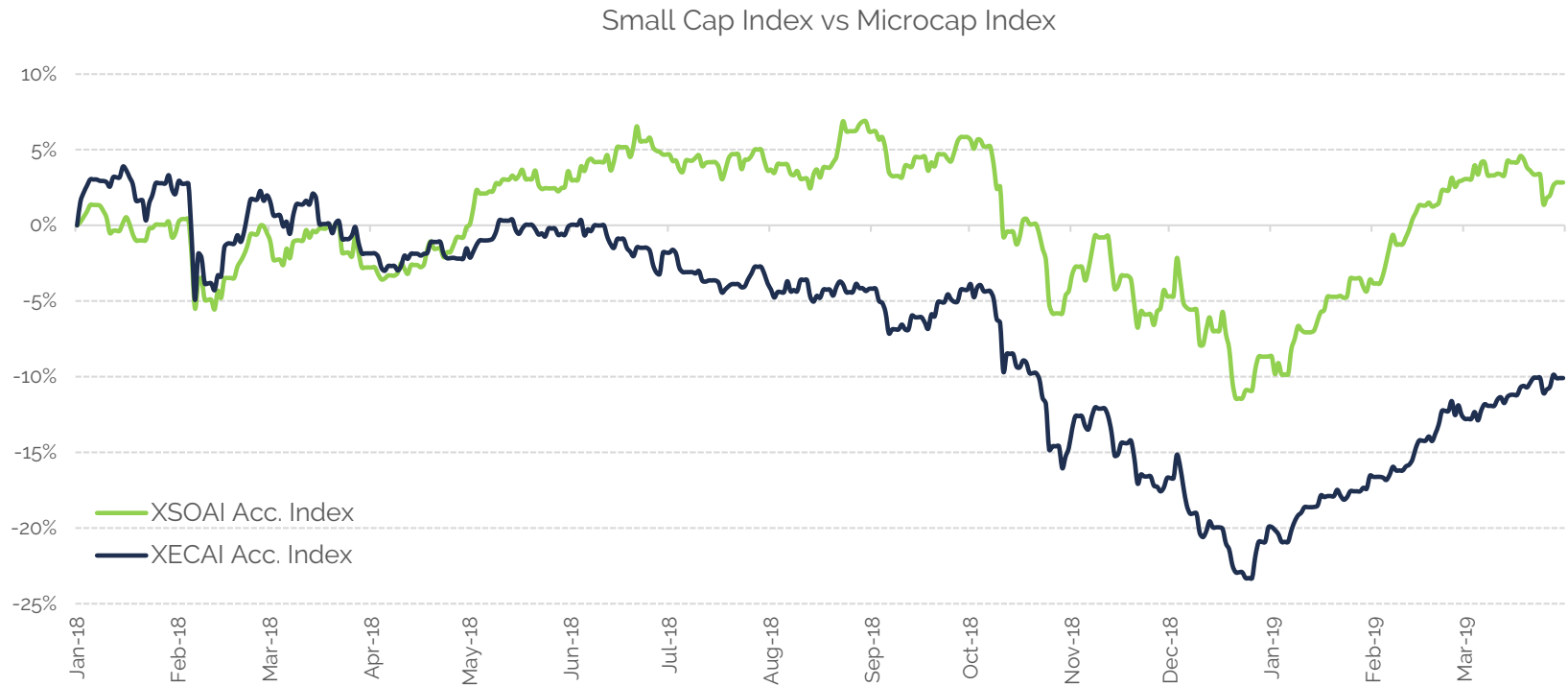


A select basket of five Spheria stocks is valued at only 12% of the WAAAX complex and yet has a similar level of profitability



* WAAAX consists of Wistech, Afterpay, Altium, Appen and Xero
Source: Spheria Asset Management

Microcaps continue to lag



Source: IRESS

Company Positions

Spheria Emerging Companies Limited – June 2019

Ticker	Name	% Portfolio
PTM	PLATINUM ASSET MANAGEMENT	4.8%
HT1	HT&E LTD	4.5%
BGA	BEGA CHEESE LTD	4.5%
HLS	HEALIUS LTD	4.4%
FBU	FLETCHER BUILDING LTD	4.3%
BKL	BLACKMORES LTD	3.9%
SGM	SIMS METAL MANAGEMENT LTD	3.8%
MND	MONADELPHOUS GROUP LTD	3.8%
CL1	CLASS LTD	3.7%
TNE	TECHNOLOGY ONE LTD	3.4%
Top 10		41.0%

Source: IRESS

Outlook

- Valuations inexpensive towards micro end of the smallcap market
- SEC beneficiary of M&A activity
 - cash flow generative businesses;
 - balance sheets strong; and
 - most importantly valuations attractive
- Economically sensitive stocks starting to offer good relative value

Initiatives to close the discount to NTA

Shareholder engagement

- **Investor communication** – more regular insights and video updates, Pinnacle listed products investor relations team
- **Investor events** - Pinnacle Listed Investments Summit, manager roadshow, industry events
- **Transparency** - Weekly NTA, NTA history chart on website

On-market buyback

- Up to \$5m (4% of shares) starting 1 July 2019

Alignment of interest with shareholders

- **Ownership** – Spheria Asset Management and staff own 558k shares

Questions



LIC Disclaimer

Spheria Emerging Companies Limited ACN 621 402 588 (SEC)

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