

Spheria Emerging Companies Limited (ASX:SEC)

2023 Annual General Meeting

21 November 2023

Agenda

1. Chairman's Address
2. Formal Business
3. Investment Update
4. Questions

Chairman's Address

Chairman's Address

Investment Objectives

The Company's investment objectives are to:

- outperform the benchmark, the S&P/ASX Small Ordinaries Accumulation Index, over each full investment cycle (which the Manager considers to be a period of typically 3 to 5 years); and
- provide capital growth (over each investment cycle) and income.

The Company aims to generate total Shareholder return via a combination of capital growth and income to regularly pay fully franked dividends to Shareholders.

Chairman's Address

Objective 1: Outperform the benchmark

Company Performance¹

- 2.6% annualised outperformance from inception to 30 June 2023 (+6.0% p.a. compared to benchmark 3.4% p.a.)
- 1.7% annualised outperformance from inception to 31 October 2023:

Performance - 31 October 2023	6 months	1 year	3 years p.a.	Inception p.a.
Company	-12.7%	-8.3%	+4.1%	+3.6%
Benchmark ²	-10.3%	-5.1%	+0.5%	+1.9%
Difference	-2.4%	-3.2%	+3.6%	+1.7%

¹ Calculated as the Company's investment portfolio performance after fees excluding tax on realised and unrealised gains/losses and other earnings, and after Company expenses. Inception date 30 November 2017.

² S&P/ASX Small Ordinaries Accumulation Index.

Chairman's Address

Objective 2: Provide Capital Growth and Income

1. Company Performance and TSR Performance

Performance	30 June 2023	31 October 2023
Company Performance ¹ (since inception)	6.0% p.a.	3.6% p.a.
TSR Performance ² (since listing date)	2.9% p.a.	2.2% p.a.

2. TSR Performance Breakdown

- Share price of \$1.79³ compared to an IPO issue price of \$2.00
- Dividends of \$0.458 paid by the Company since inception, equivalent to 3.6% per annum

As at 31 October 2023	6 months	1 year	3 years p.a.	Inception p.a.
TSR Performance	-4.5%	-1.0%	+7.1%	+2.2%
- Capital Return	-6.8%	-5.3%	+3.0%	-1.4%
- Income Return	+2.3%	+4.3%	+4.1%	+3.6%

¹ Calculated as the Company's investment portfolio performance after fees excluding tax on realised and unrealised gains/losses and other earnings, and after Company expenses. Inception date 30 November 2017

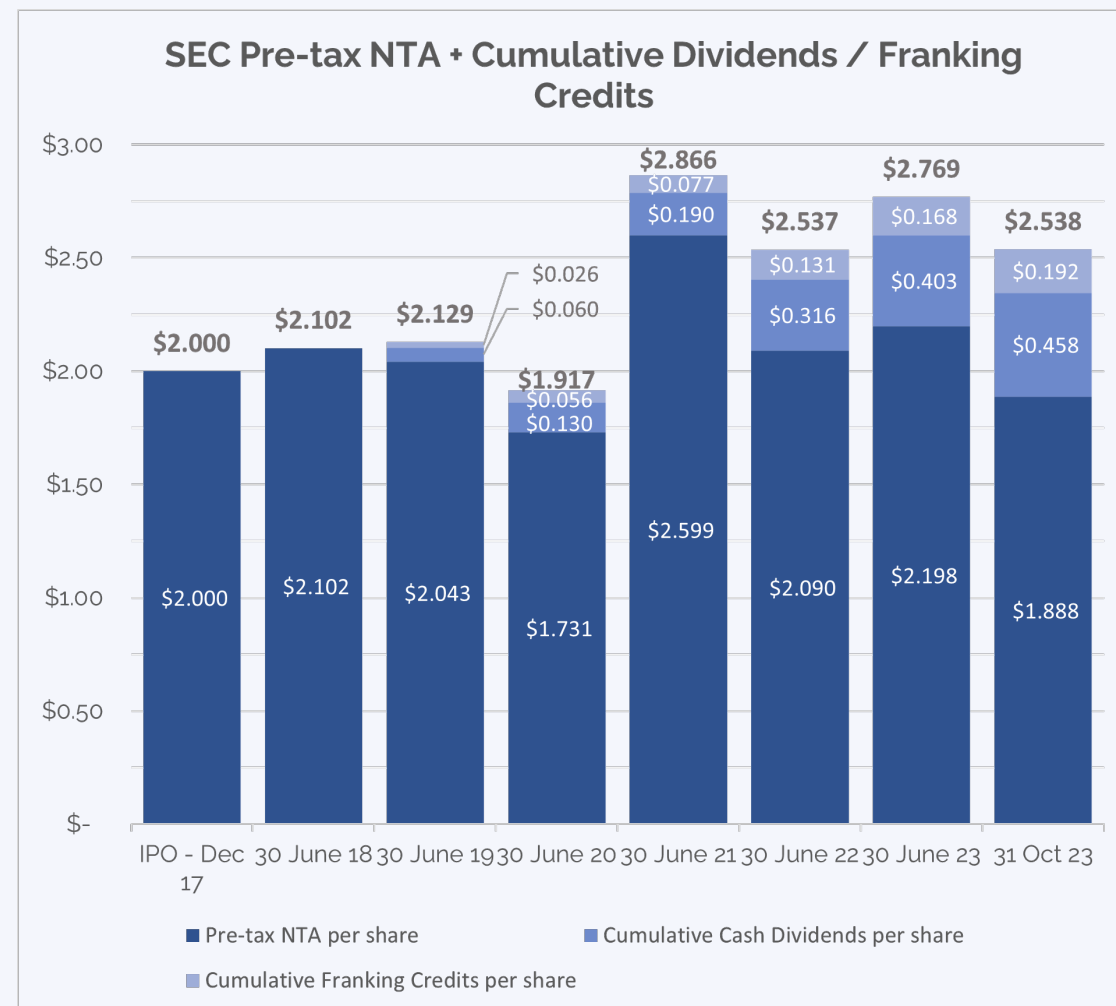
² Measured as movement in share price adjusted for dividends paid during the period. Listing date 5 December 2017.

³ As at 31 October 2023

Chairman's Address

Objective 2: Provide Capital Growth and Income

- Looking back since the IPO of the Company until today:
 - Pre-tax NTA is slightly lower than IPO value, despite portfolio outperformance, driven by low returns from Australian small cap shares over this period
 - Distributed dividends (and franking credits) have been the primary driver of shareholder returns over the period and have increased significantly since the Company implemented a revised dividend strategy in Q3 2021



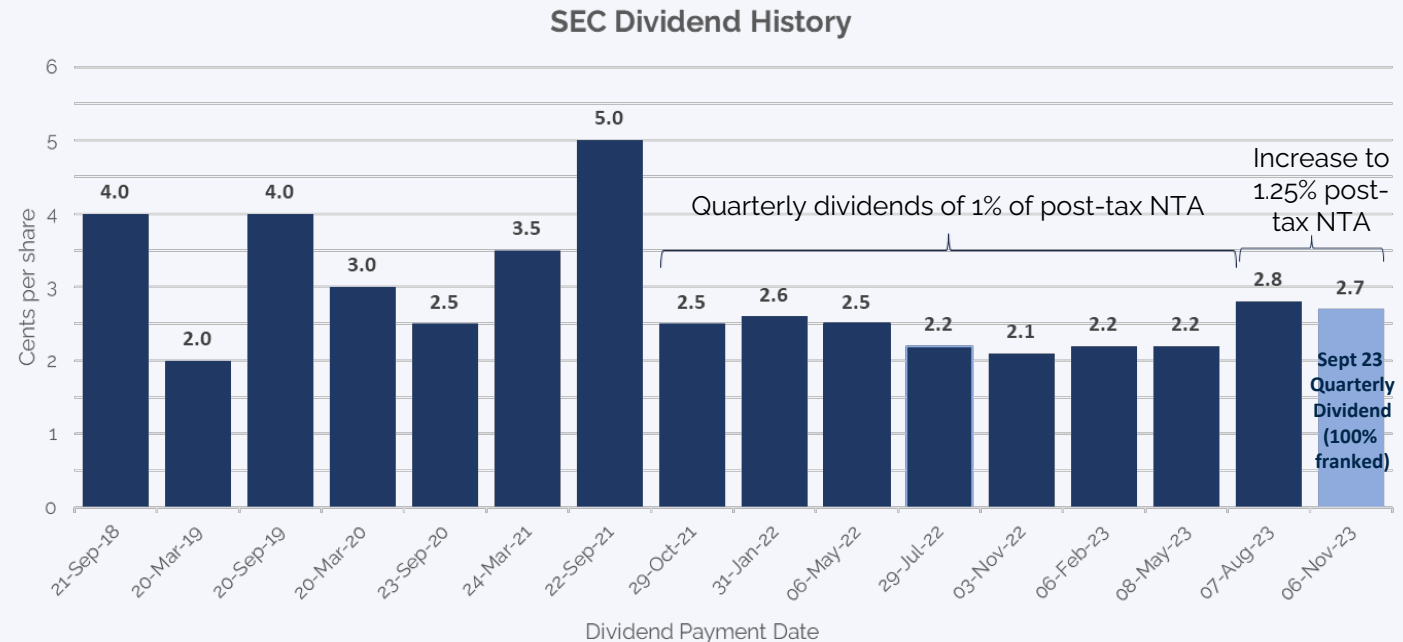
1 Pre-tax NTA per share values are shown as at the dates noted. Dividend and franking credit values represent the cumulative amount of dividends paid by the Company during the period from IPO through to each period end date.

2 A 26% corporate tax rate applied to franking credits for dividends paid during year ended 30 June 2021. A 30% corporate tax rate applied to franking credits for other years.

Chairman’s Address

Spotlight on Dividends

- Total FY23 quarterly dividends of 9.3 cents per share
- Target dividend yield was increased to 5% of NTA p.a. (7.1% including franking) from the June 2023 quarter, paid quarterly at 1.25% of post-tax NTA
 - Even higher yield when reflected as % of current share price given discount to NTA
 - Sept 2023 quarterly dividend of 2.7 cents per share paid recently on 6 November

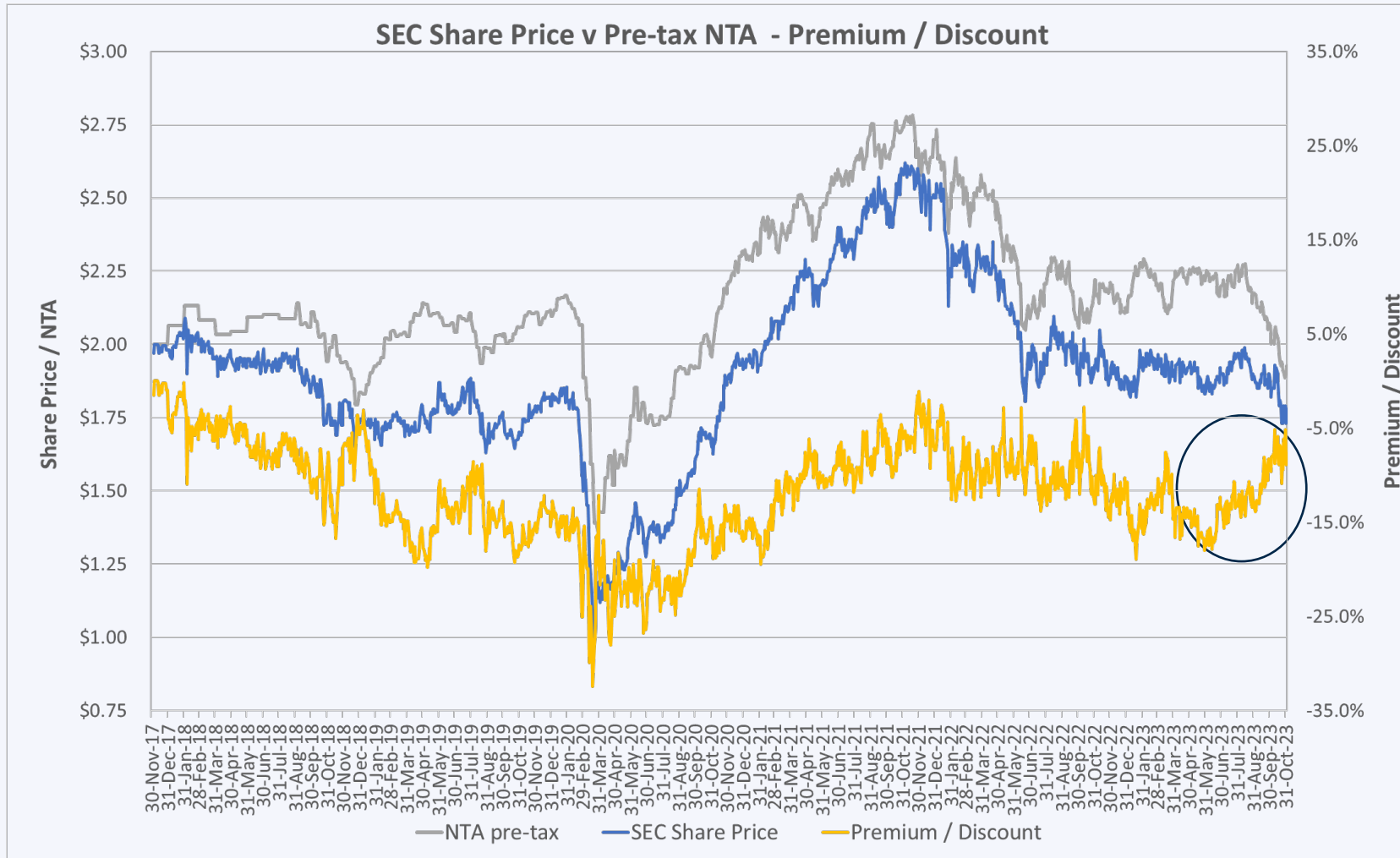


Source: Spheria Emerging Companies.

Chairman’s Address

Share price vs NTA

- NTA discount has narrowed substantially to a range of 5%-10% over the last 12 months, aided by higher and more regular income and re-instatement of the on-market share buy-back
- Board remains very focused on the NTA discount and solutions to reduce it

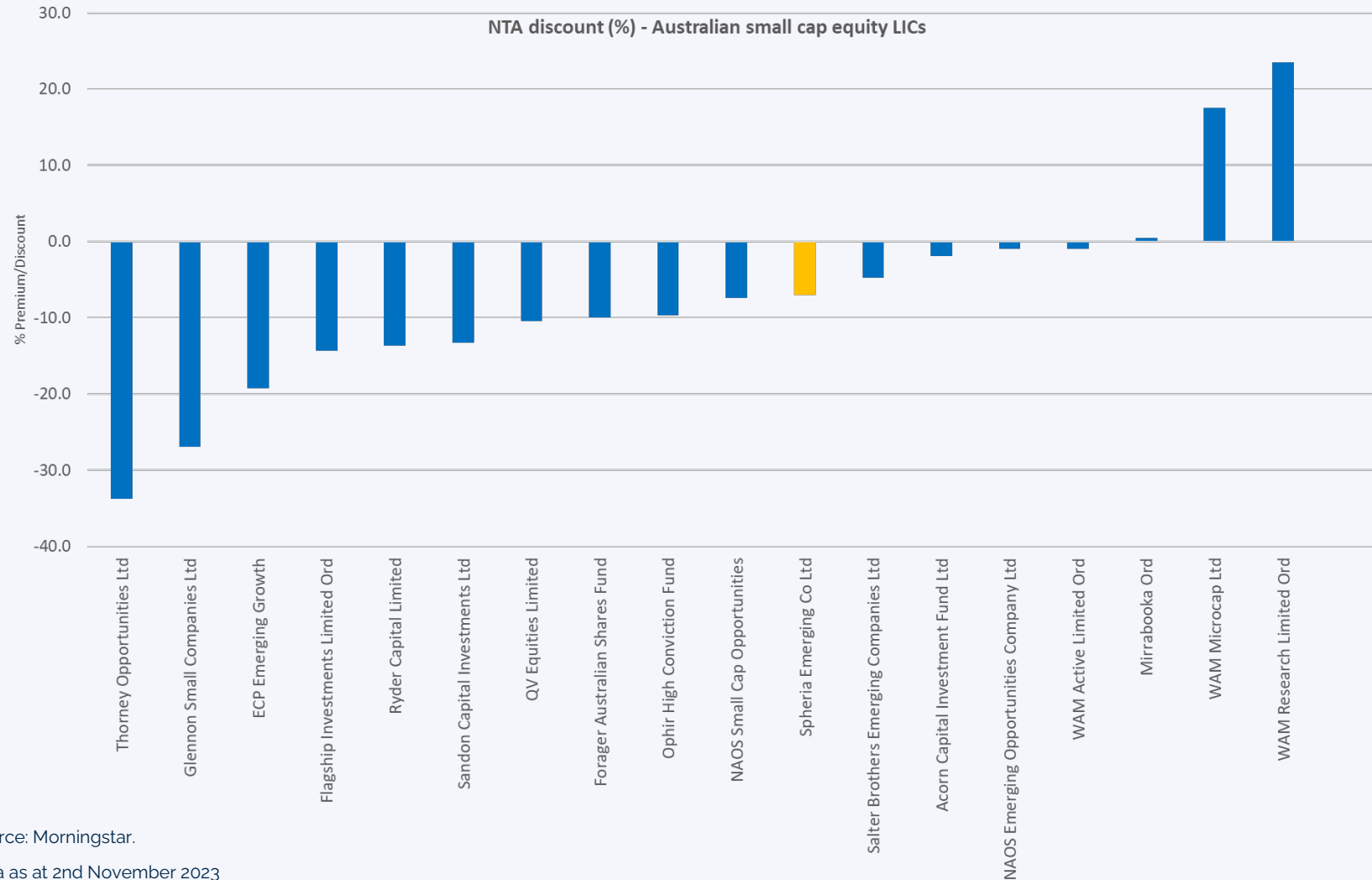


Source: Spheria Emerging Companies.
Data to 31 October 2023

Chairman's Address

Share price vs NTA

- NTA discount is one of the lowest of the small cap LICs on the ASX



Source: Morningstar.

Data as at 2nd November 2023

Formal Business

Formal Business – Financial statements and reports

Consideration of financial statements and reports

Formal Business – Resolution 1

Adoption of the Remuneration Report

To consider and, if thought fit, to pass the following resolution:

“That the Remuneration Report of the Company for the financial year ended 30 June 2023 be adopted.”

Formal Business – Resolution 1 - Proxies

Shares voted

For	1,588,361	84.40%
Open	137,368	7.30%
Against	156,142	8.30%
Abstain	19,268	

Formal Business – Resolution 2

Re-election of Lorraine Berends as a director

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That Ms Lorraine Berends, who retires by rotation in accordance with rule 6.7 of the Company’s Constitution and, being eligible, offers herself for re-election, be re-elected as a director of the Company.”

Formal Business – Resolution 2 - Proxies

Shares voted

For	1,952,721	91.87%
Open	137,368	6.46%
Against	35,421	1.67%
Abstain	92,483	



Investment Manager Update

Fundamental investing shines through

Product Background

SEC is a listed version of the **Spheria Australian Smaller Companies Fund**

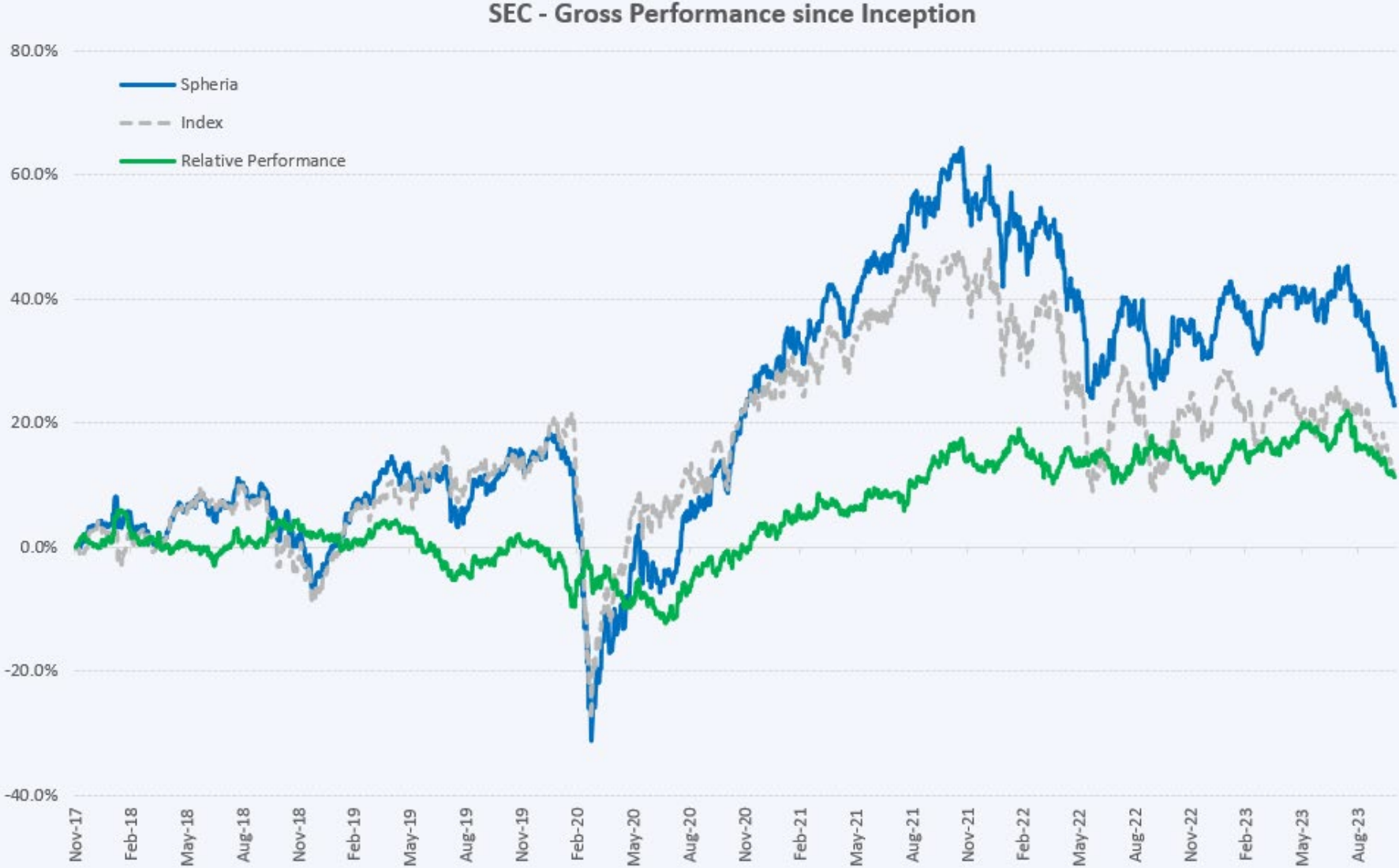
Designed to give investors exposure to:

- **cash generative**
- **lowly geared** smaller companies
- with **supportive valuations**

SEC will typically have **20-65 stocks** (currently 47) with a max. active weight of ~5%

Has consistently paid dividends every 6 months and is now paying quarterly

Performance – Graphical Illustration

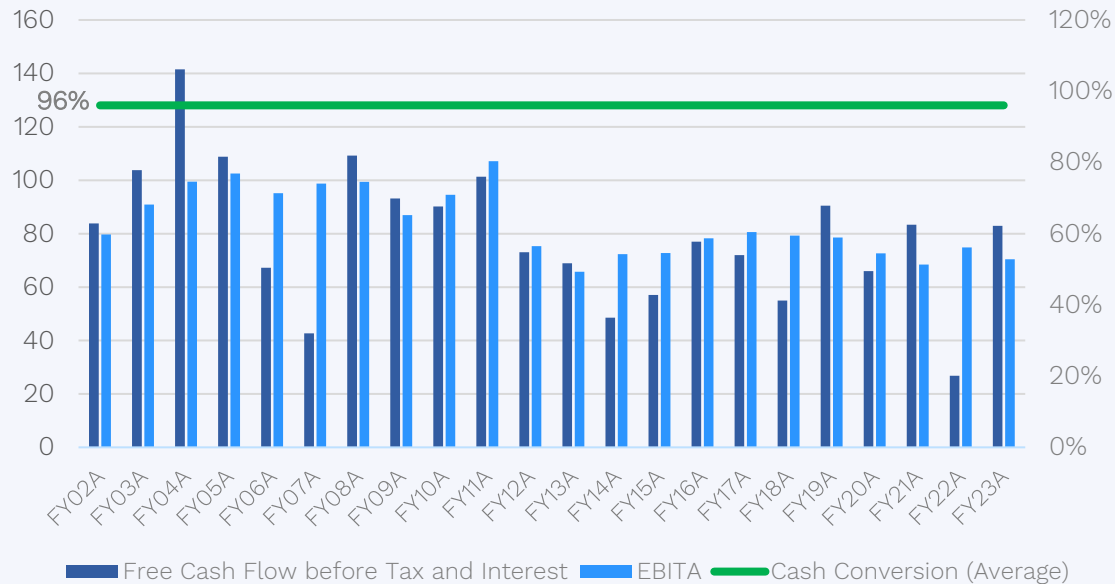


Source: IRESS, Spheria to 31st October 2023

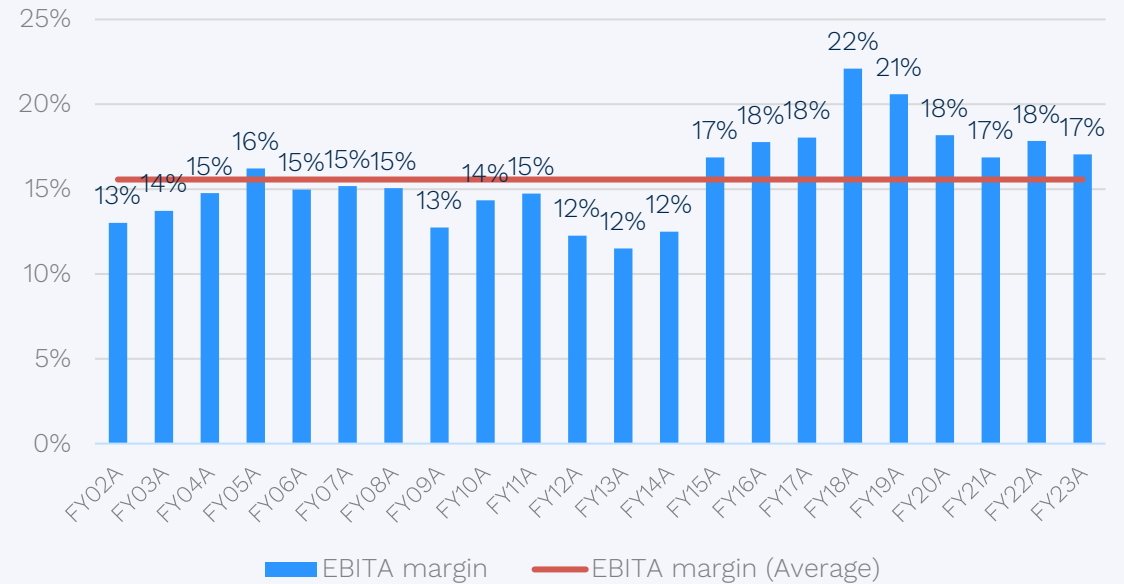


Consistent cash generator through housing cycles

Cash Flow Conversion (EBITA)



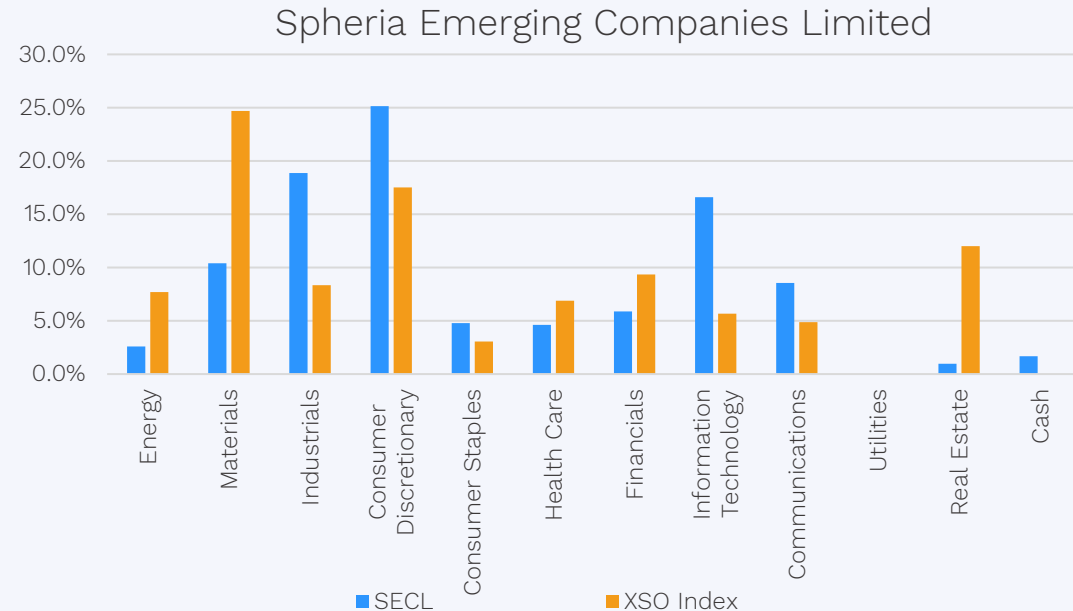
Margin Analysis



- GWA is a leading supplier of bathroom and kitchen products in Australia, the company's portfolio of brands includes Caroma, Methven and Dorf
- GWA has approximately 30% market share of the Australian toilet market
- Growth potential limited but generates high returns on tangible capital
- Trading on PE 10x FY24F and a fully franked dividend yield +7%

Top 10 Company Holdings and Sector Exposure

Spheria Emerging Companies Limited		
Ticker	Company Name	% Portfolio
IRE	IRESS Limited	4.8
BGA	Bega Cheese Ltd	4.2
SNL	Supply Network	4.0
ABC	Adbri Limited	3.9
LNK	Link Admin Hldg	3.8
DRR	Deterra	3.7
VGL	Vista Group Int Ltd	3.3
BVS	Bravura Solution Ltd	3.1
IFL	Insignia Financial	3.1
BRG	Breville Group Ltd	2.9
Top 10		36.7



Outlook

- Waves of selling across small cap complex with large industry funds exiting, retail investors deleveraging and hedge funds either reducing beta or shorting
- Compounded by a withdrawal of buying in anything with “warts” particularly earnings weakness whether it is perceived or real and/or companies with debt
- Market repeating past cycles of crowding into "growth" complex for perceived safety
- The valuation dispersion providing a significant opportunity for long term investors
- We are well positioned in a diverse range of companies covering value to growth (at a reasonable price)

Questions

Disclaimer

Note: Past performance is not a reliable indicator of future performance.

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