

# Spheria Emerging Companies Limited (ASX:SEC)

Half-year 1HFY22 Results & Portfolio Update

2 March 2022

# Disclaimer

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

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# Agenda

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

# SEC Company update

# Half-year 1HFY22 Highlights

1HFY22 profit	Company performance <sup>1</sup>	Dividends <sup>2</sup>	Yield	Yield (including franking)
\$9.6m	+8.1%	5.1c	4.0% <sup>3</sup>	5.8% <sup>4</sup>

- 1HFY22 net profit after tax of \$9.6m
- Company performance of +8.1%, Portfolio outperformance of +2.7%
- Two quarterly dividends declared during the period totalling 5.1 cents per share (fully franked)<sup>2</sup>
- Trailing dividend yield equal to 4.0%<sup>3</sup> (5.8%<sup>4</sup> including franking)
- DRP to commence upon payment of March 2022 quarterly dividend

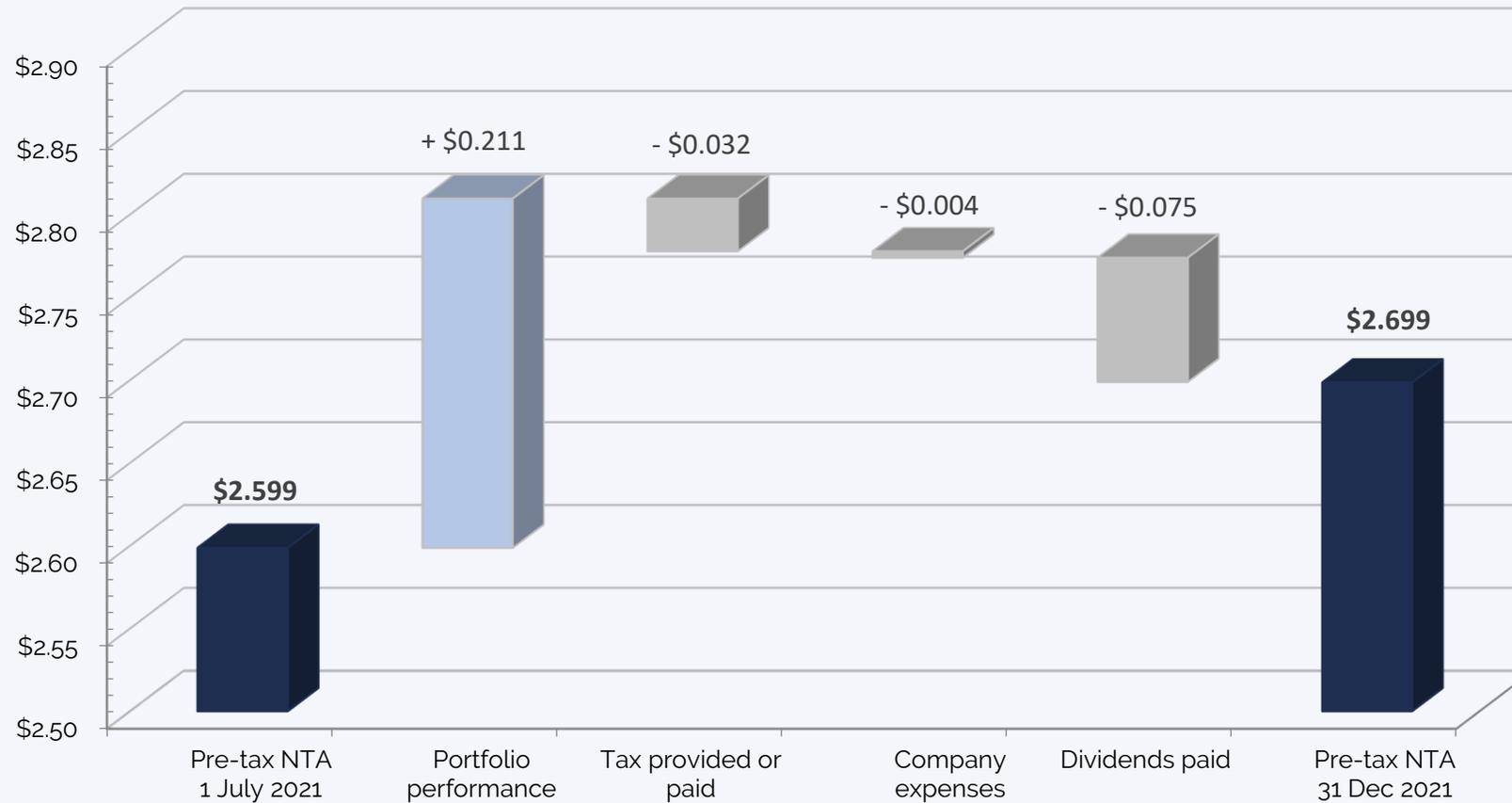
<sup>1</sup> Calculated as the Company's investment portfolio performance after fees excluding tax on realised and unrealised gains/losses and other earnings, after Company expenses.

<sup>2</sup> September 21 quarter dividend of 2.5 cents (paid 31 October 2021) plus December 21 quarter dividend of 2.6 cents (paid 31 January 2021).

<sup>3</sup> Trailing dividend yield when combined with FY21 final dividend of 5.0 cents per share, calculated on share price as at 31 December 2021 of \$2.50.

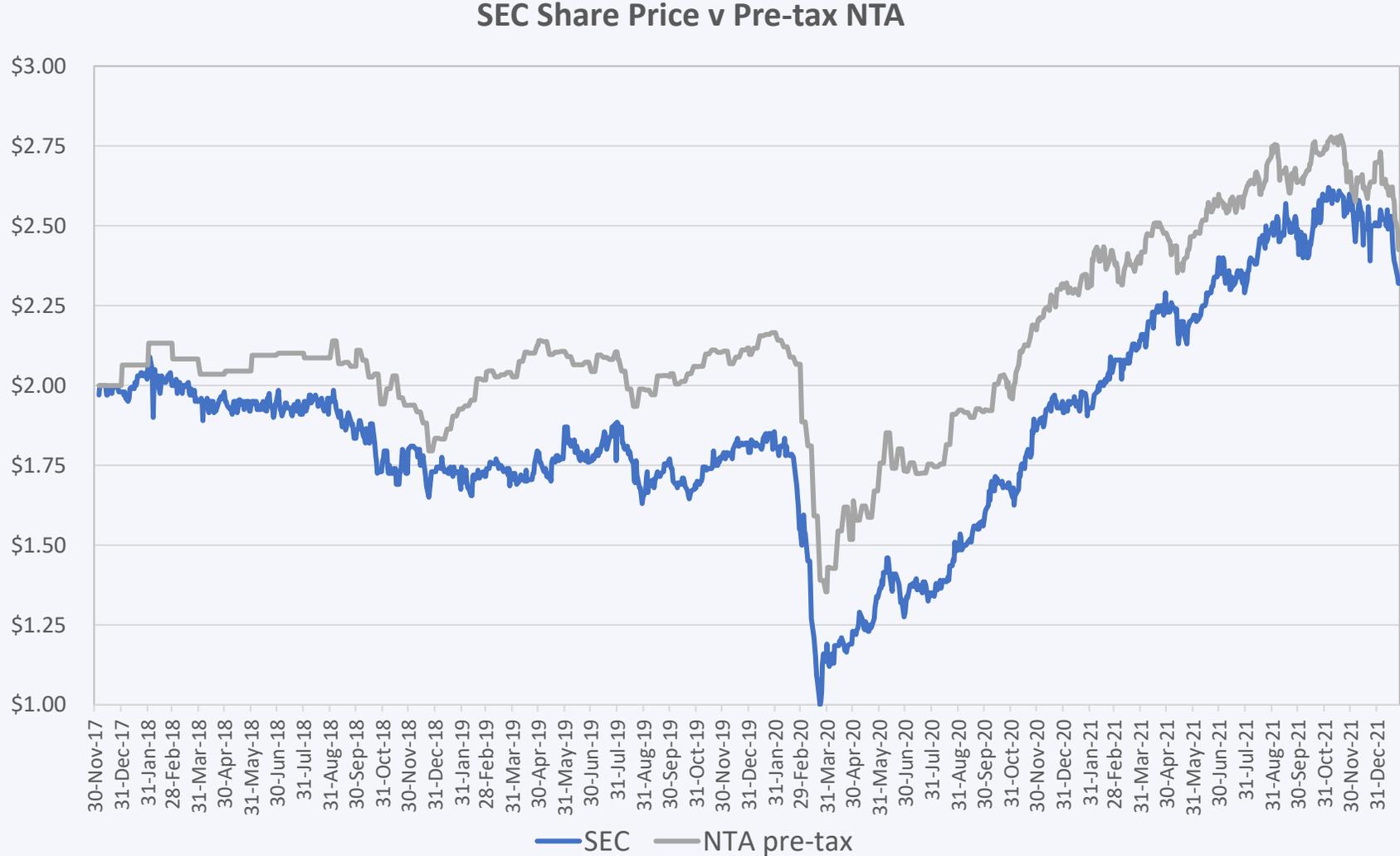
<sup>4</sup> Trailing dividend yield when combined with FY21 final dividend of 5.0 cents per share, calculated on share price as at 31 December 2021 of \$2.50 using 30% tax rate.

# NTA breakdown for 1HFY22



Source: Spheria Emerging Companies

# SEC share price vs NTA



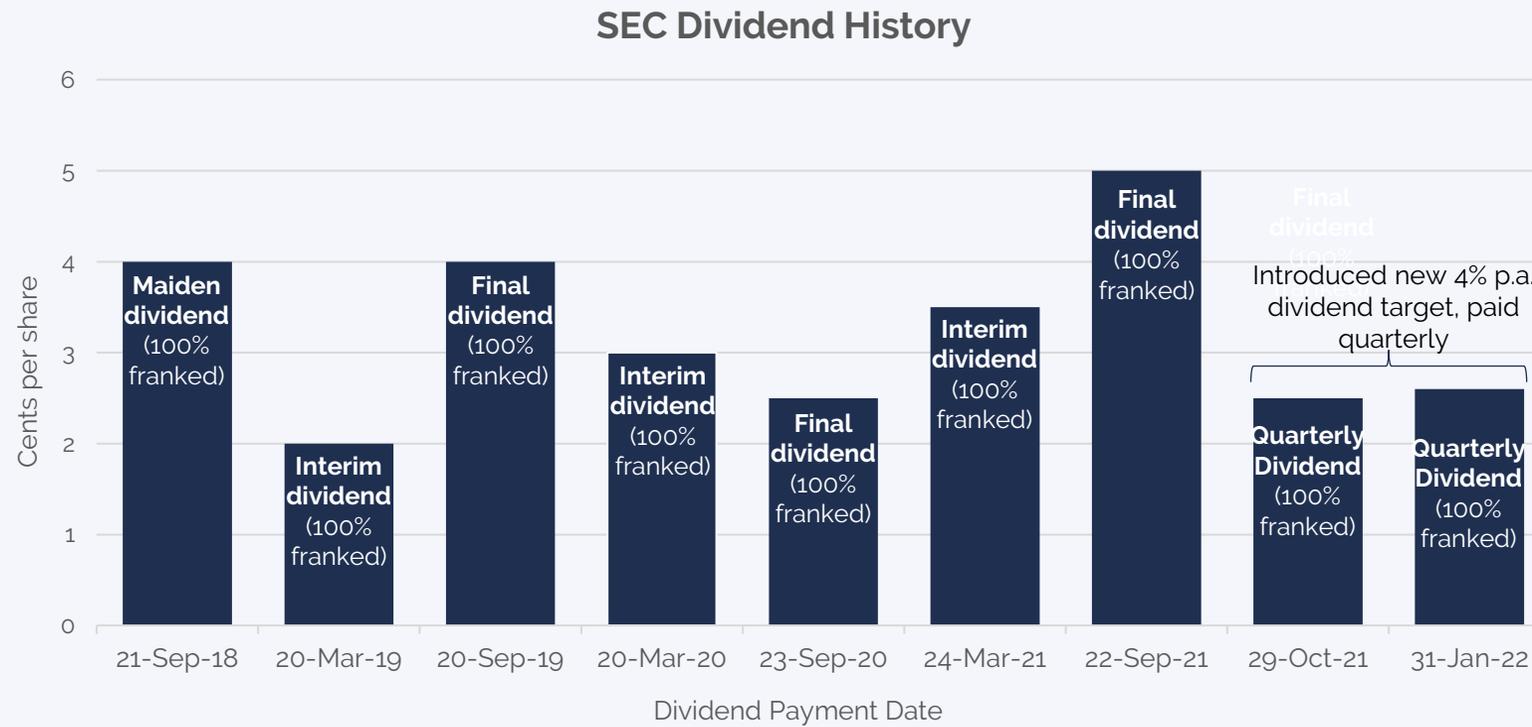
Source: Spheria Emerging Companies, Bloomberg



# Dividends

1HFY22 – two quarterly dividends paid totaling 5.1c

- September 2021 (2.5c) and December 2021 (2.6c) quarterly dividends, equivalent to 1% of the post-tax NTA at the quarter-end
- Total dividends since IPO of 29.1 cents per share

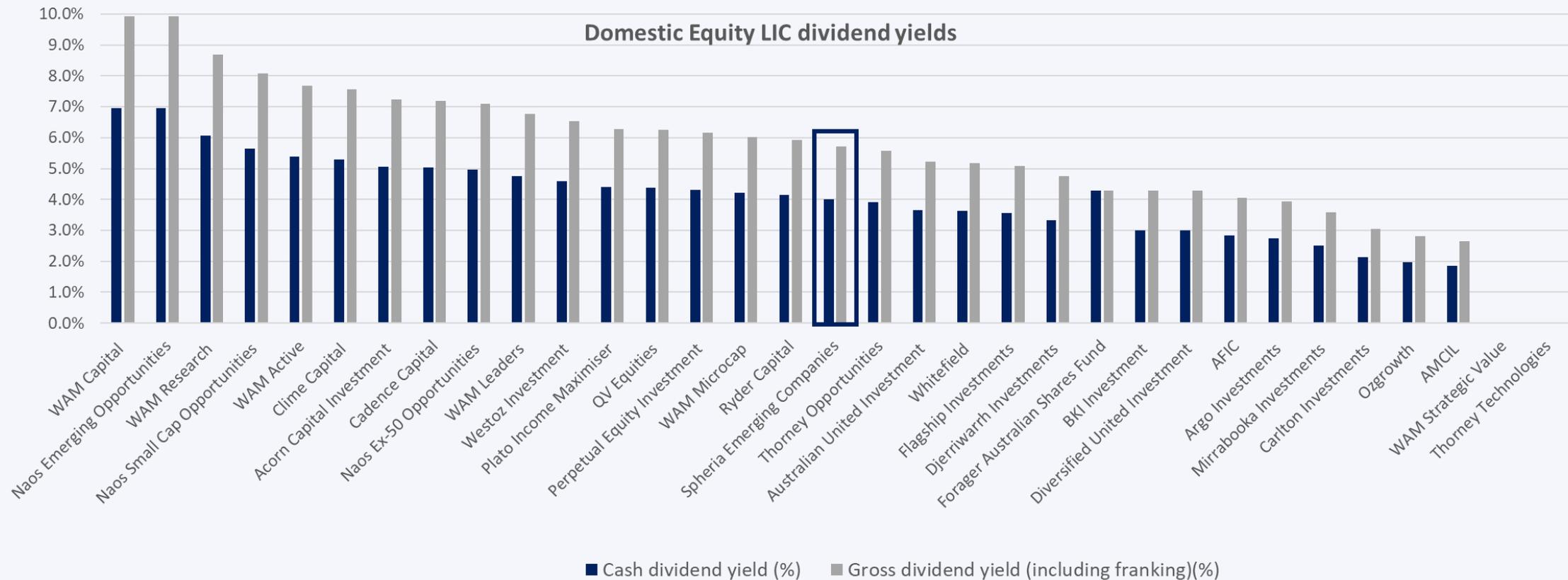


Source: Spheria Emerging Companies

# Dividends

4% cash dividend yield target, paid quarterly

- **Higher dividend:** Target of 4% of post-tax NTA p.a. (5.8% including franking) puts SEC in top half of Australian Equity LICs
- **More regular dividend:** Paid quarterly. Quarterly dividends already declared and paid for September 2021 and December 2021 quarters.
- **Dividend reinvestment plan (DRP):** In place for March 2022 dividend.



# Portfolio update

# Performance History

Investment performance update

## SEC Company performance

Performance as at 31st Jan 2022							
Period	1 month	3 month	6 month	1 year	3 year (pa)	Since Inception (pa)	Inception Date
SEC Company performance	-7.7%	-7.7%	-0.2%	15.2%	13.6%	9.7%	30/11/2017
S&P/ASX Small Ordinaries Accumulation Index	-9.0%	-8.0%	-4.6%	6.7%	10.1%	7.1%	
Outperformance	1.3%	0.3%	4.4%	8.5%	3.5%	2.7%	

*Past performance is not a reliable indicator of future performance.*

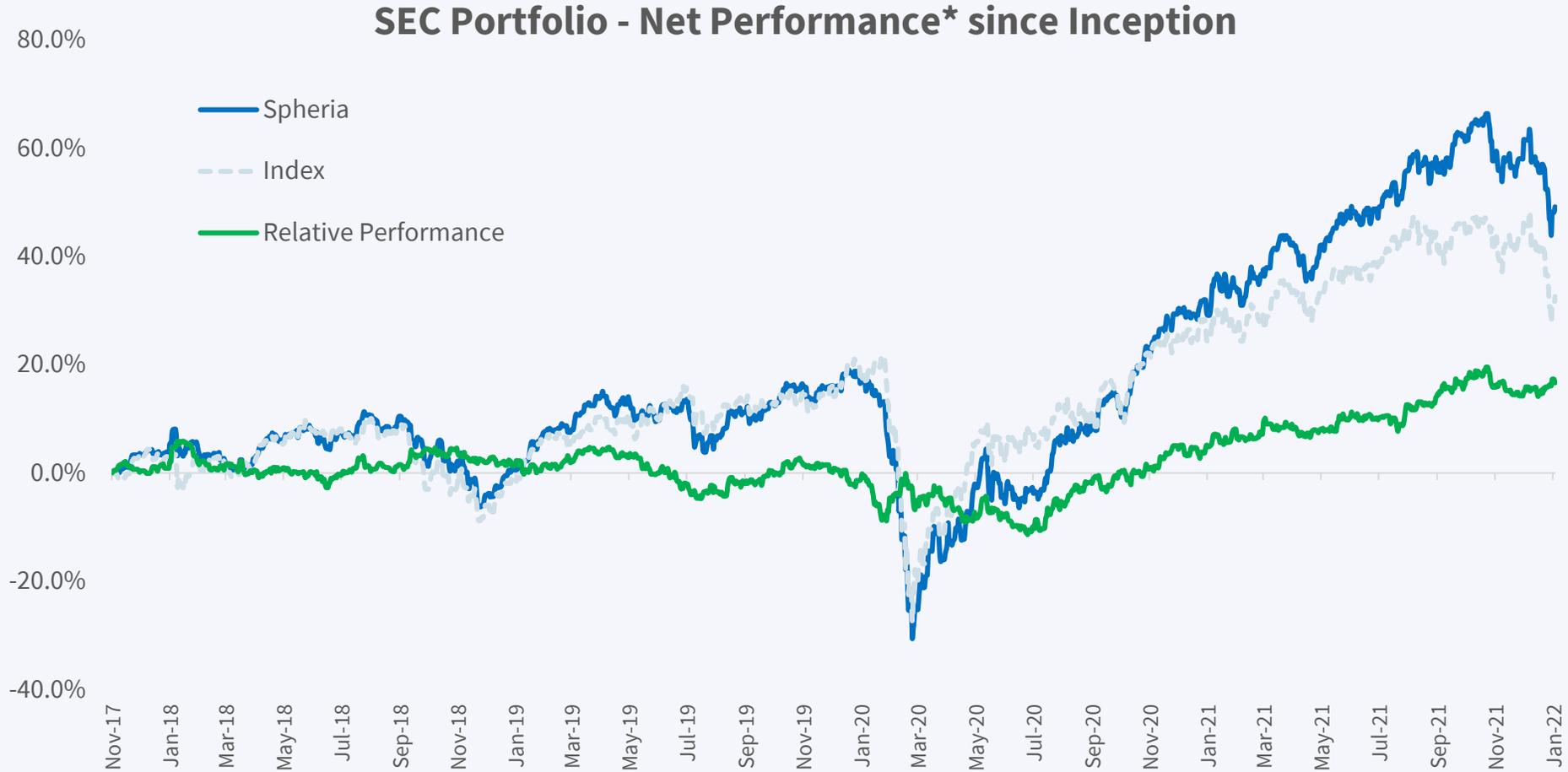
*Company's performance is calculated as the Company's investment portfolio performance after fees excluding tax on realised and unrealised gains/losses and other earnings, and after company expenses*

*Benchmark is the S&P/ASX Small Ordinaries Accumulation Index.*

*All p.a. returns are annualised*

Source: Spheria Emerging Companies

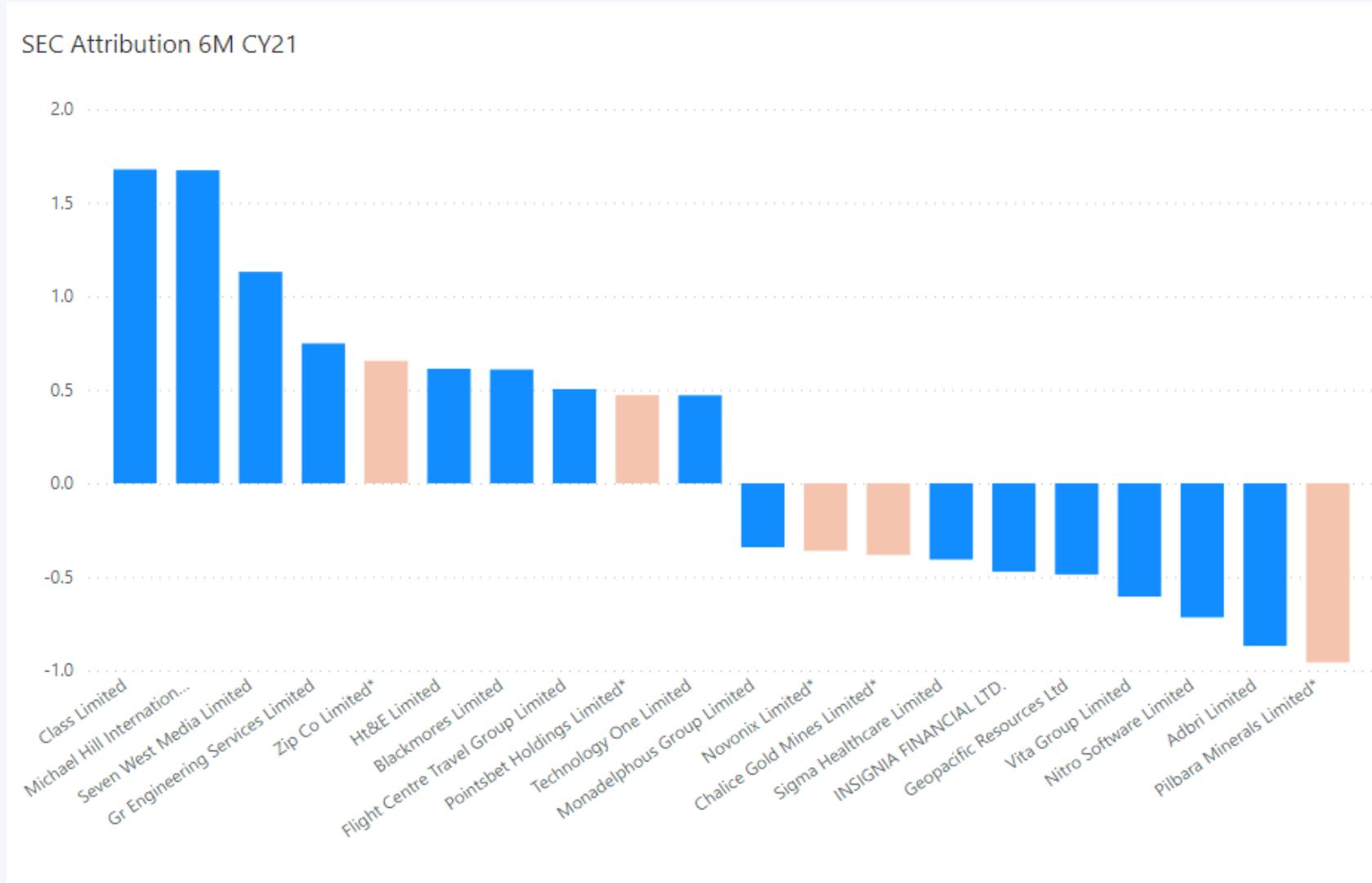
# Portfolio Performance since IPO



\* Net Portfolio performance = investment performance of mandate after investment management fees but before taxes. Past performance is not a reliable indicator of future performance.

Source: Spheria Emerging Companies

# SEC key stock contributors – 6 months to December 2021



Source: Spheria Emerging Companies  
 Blue = owned in SEC portfolio. Pink = not owned in the SEC portfolio but part of the benchmark.

# SEC Top 10 holdings

## Spheria Emerging Companies Ltd as of 31<sup>st</sup> January 2022

Company Name	% Portfolio
Invocare	4.8
Flight Centre	4.7
Michael Hill	4.6
Class	4.5
Blackmores	4.1
Seven West Media	3.9
IRESS	3.9
Adbri	3.7
H,t&E	3.4
Bega Cheese	3.3
<b>Top 10</b>	<b>40.8</b>

Source: Spheria Emerging Companies

# Outlook

- Despite the rally the share market remains inefficient providing significant opportunities
- Rising inflation and higher interest rates bode well for valuation centric investors
- The easy gains from buying the growth narrative at any price has disintegrated
- Tortoise vs the Hare – slow and steady wins the race

# Questions