

Spheria Emerging Companies Limited (ASX:SEC)

1HFY25 Results & Portfolio Update

Disclaimer

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

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Agenda

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

SEC Company Update

1HFY25 Highlights

1HFY25 Profit	Company Performance ¹	Dividends ²	Yield	Yield (including franking)
\$10.8m	11.3%	7.0c	5.8%³	8.3%⁴

- 1HFY25 net profit after tax of \$10.8m
- Company Performance of 11.3%, +5.8% above benchmark⁵ of 5.5% (also +2.5% p.a. above benchmark since inception)
- Total quarterly dividends declared for the half-year of 7.0 cents per share (fully franked)²
- Trailing dividend yield equal to 5.8%³ (8.3%⁴ including franking)
- SEC Board resolves to reinstate a modified conditional proposal after the 2024 conditional proposal successfully reduced the NTA discount

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

2. Comprising September 24 quarter dividend of 3.5 cents (paid 12 November 2024) and December 24 quarter dividend of 3.5 cents (paid 12 February 2025).

3. Trailing dividend yield based on total quarterly dividends declared for calendar year 2024 of 13.4 cents, calculated on share price as at 31 December 2024 of \$2.30.

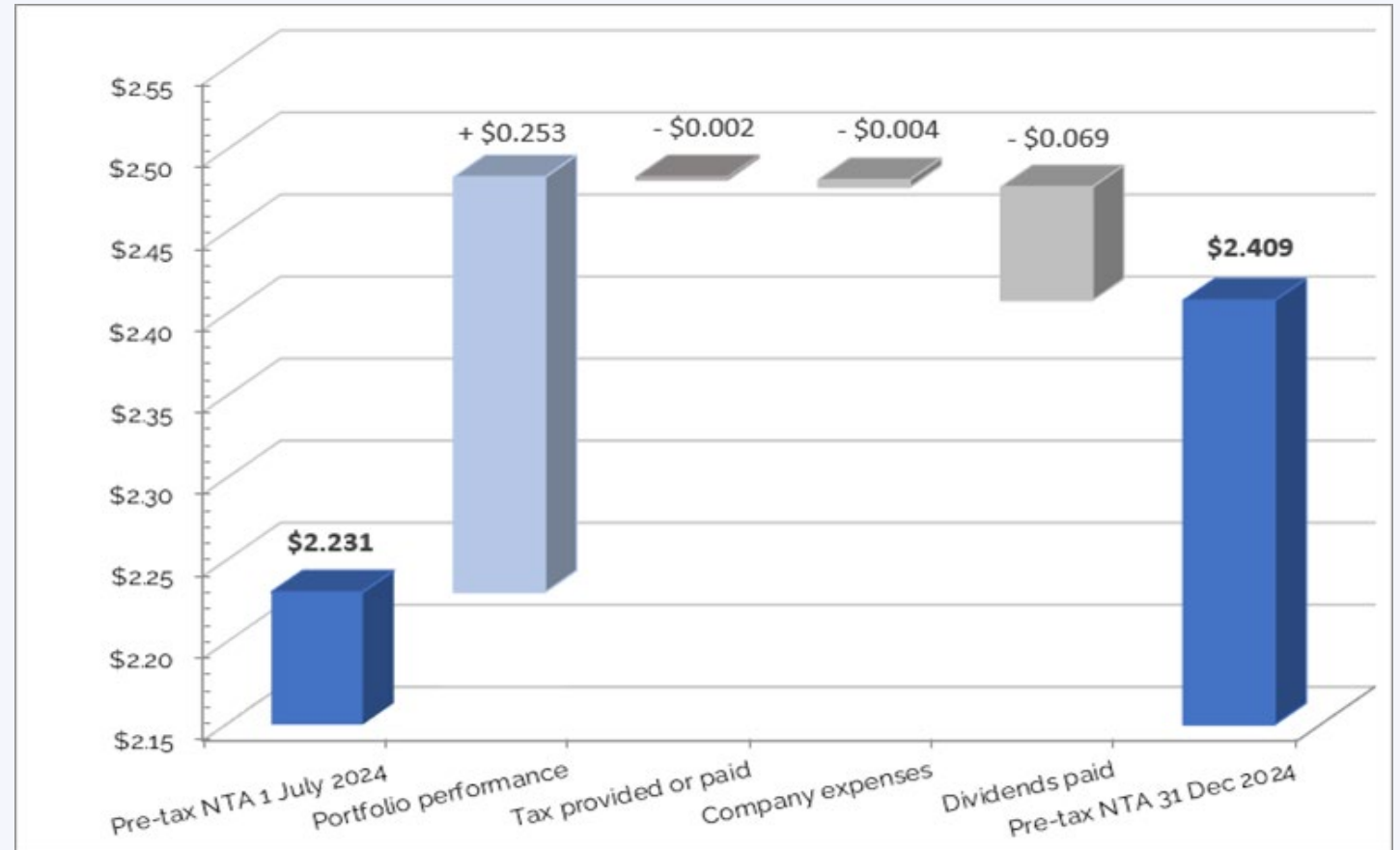
4. Trailing dividend yield including franking credits based on total quarterly dividends declared for calendar year 2024 of 13.4 cents, calculated on share price as at 31 December 2024 of \$2.30, using 30% tax rate.

5. S&P/ASX Small Ordinaries Accumulation Index.

NTA breakdown for 1HFY25

Portfolio performance less dividends paid leads to an increase in NTA per share

- Pre-tax NTA increased by \$0.178 from \$2.231 at 30 June 2024 to \$2.409 at 31 December 2024
- Portfolio performance and dividends paid drive NTA changes.



Performance History

Since inception Company outperformance of 2.5% p.a.

SEC Company performance

SEC Limited Net Performance as at 31st January 2025

Period	3 month	1 year	3 year (pa)	5 year (pa)	Since Inception (pa)	Inception Date
SEC Ltd.	5.2%	13.7%	5.4%	8.2%	7.9%	30/11/2017
S&P/ASX Small Ordinaries Accumulation Index	2.7%	12.3%	3.1%	4.3%	5.4%	
Outperformance	2.5%	1.4%	2.3%	3.9%	2.5%	

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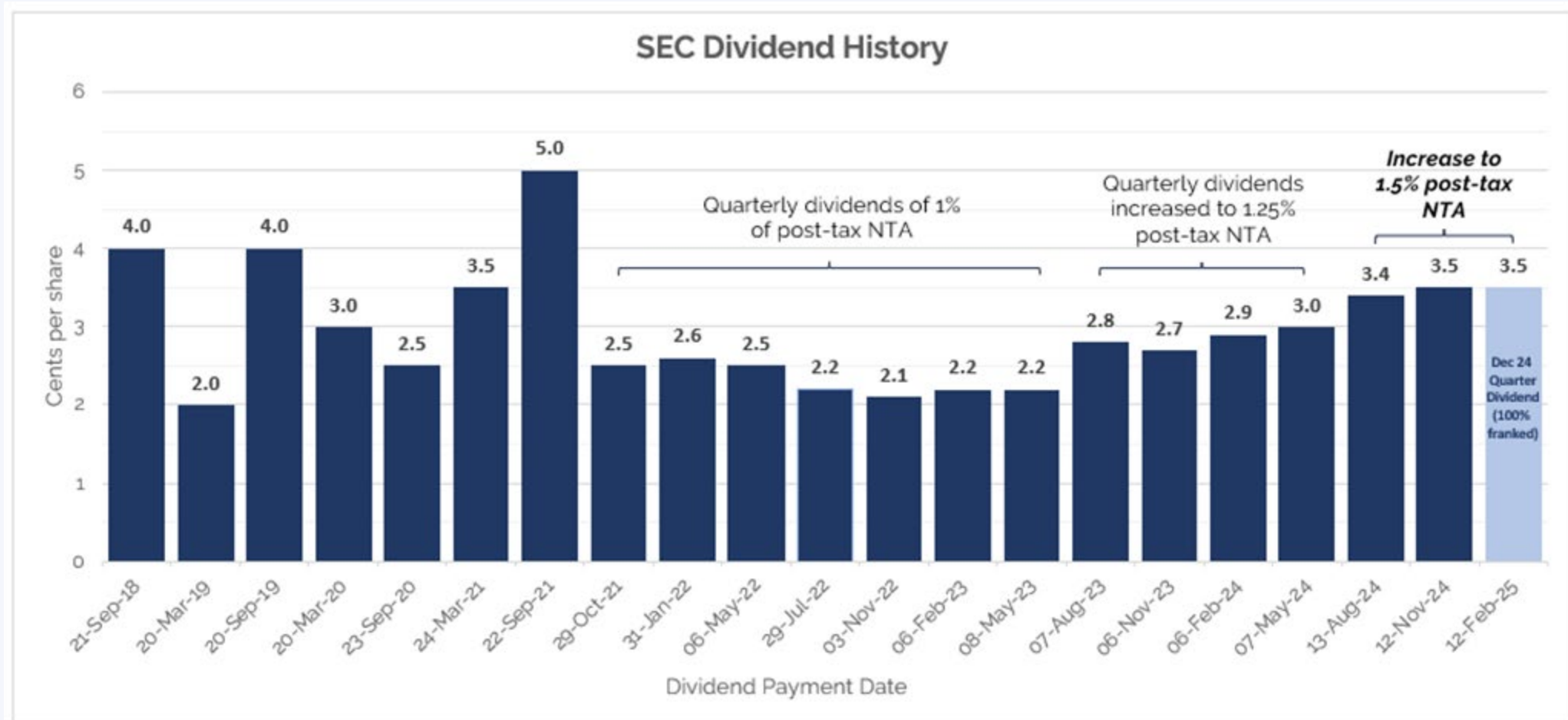
Company's performance is calculated as the Company's investment portfolio performance after fees excluding tax on realised and unrealised gains/losses and other earnings, and after company expenses

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

All p.a. returns are annualised

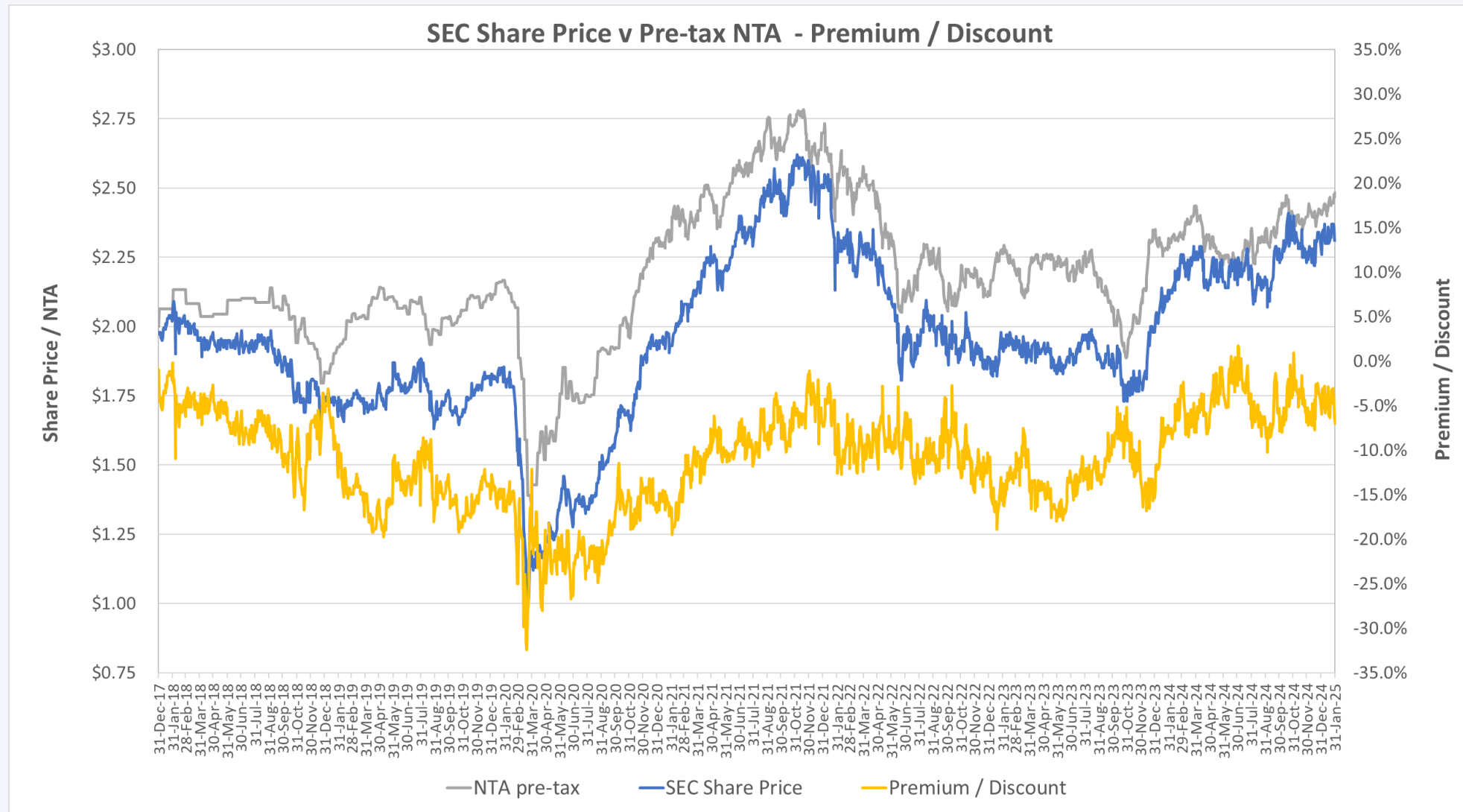
Dividends

Since Q2 2024, dividend target raised to 6.0% p.a. (excl. franking) paid at a quarterly rate of 1.5% of post-tax NTA



Significant improvement in the NTA Discount

Higher dividends and Conditional Proposal help tighten the NTA discount



Source: Spheria Emerging Companies, as at 31 January 2025

Reinstatement of condition proposal

- On 7th January 2025 – announced the results of the conditional proposal.
 - NTA discount over measurement period (Q4 2024) was 4.75%
 - This being <5% meant condition to undertake the proposal to convert to an open-end fund was not met
- On 26th February 2025, as part of the Company's interim results announcement, the Board announced the reinstatement of the conditional proposal with slight modifications:
 - Condition remains that NTA discount must be >5% over the measurement period
 - Measured as the daily average NTA discount over the measurement period for the **12 months** from 1 April 2025 to 31 March 2026 (measurement period)
 - If the condition is met (average daily NTA discount >5%), SEC will convene a shareholder meeting and put to a **shareholder vote** whether shareholders want SEC to remain as an LIC or undertake steps to convert into an open-end managed fund

SEC Portfolio Update

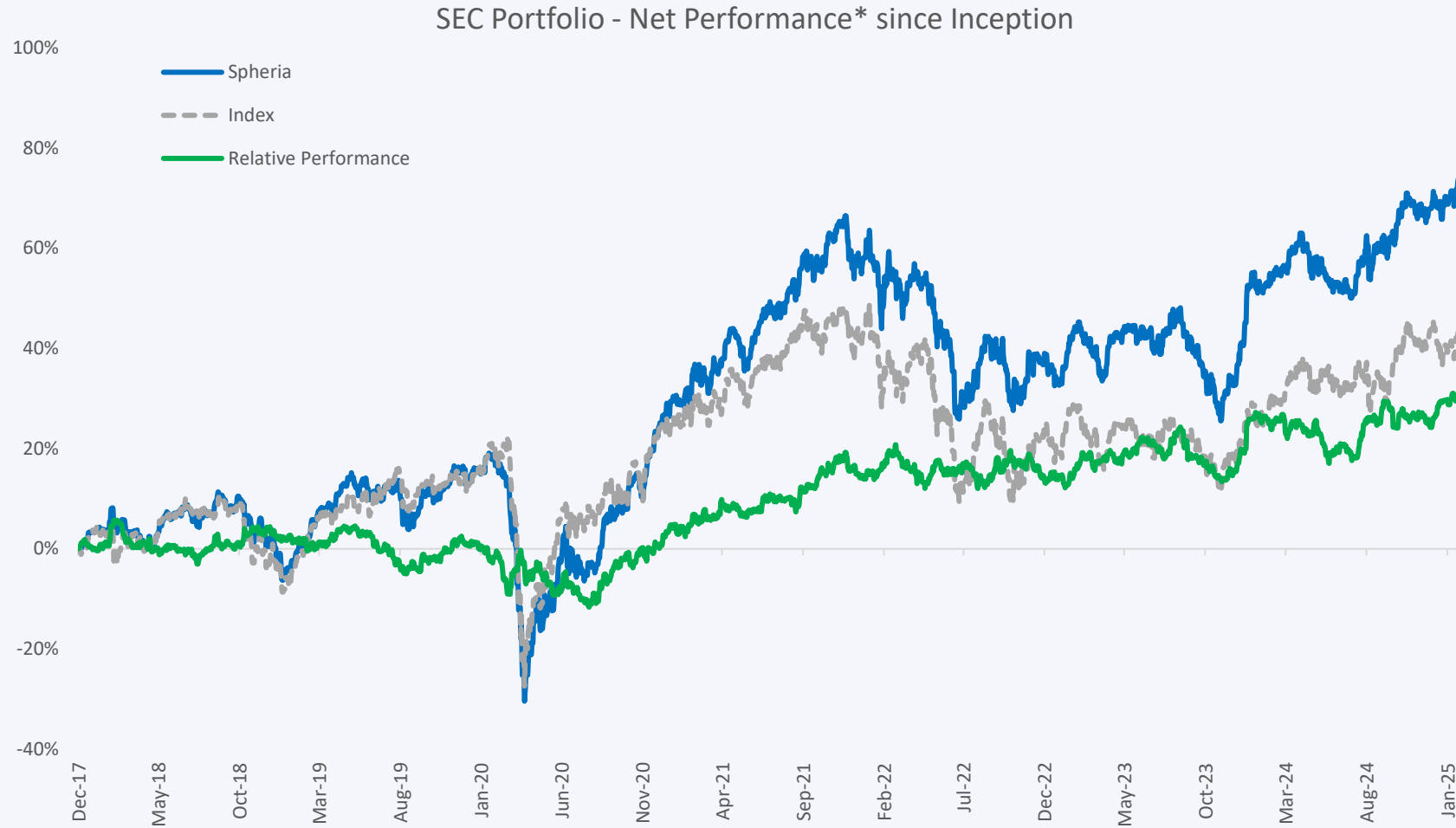
Spheria Asset Management Investment Process

How our investment process is different

- 1. Focus on quality businesses with risk control overlay**
 - Sustainable free cash flow generation through the cycle
- 2. Fundamental investment focus**
 - Free cash flow valuation model
 - Lowly geared balance sheets (ideally)
 - Discount to valuation
- 3. Keep an open mind (facts change)**
 - Inflection points, changes in management/strategy, shifts in industry structure
- 4. Market under researched and inefficient outside of larger companies**

SEC Portfolio Performance

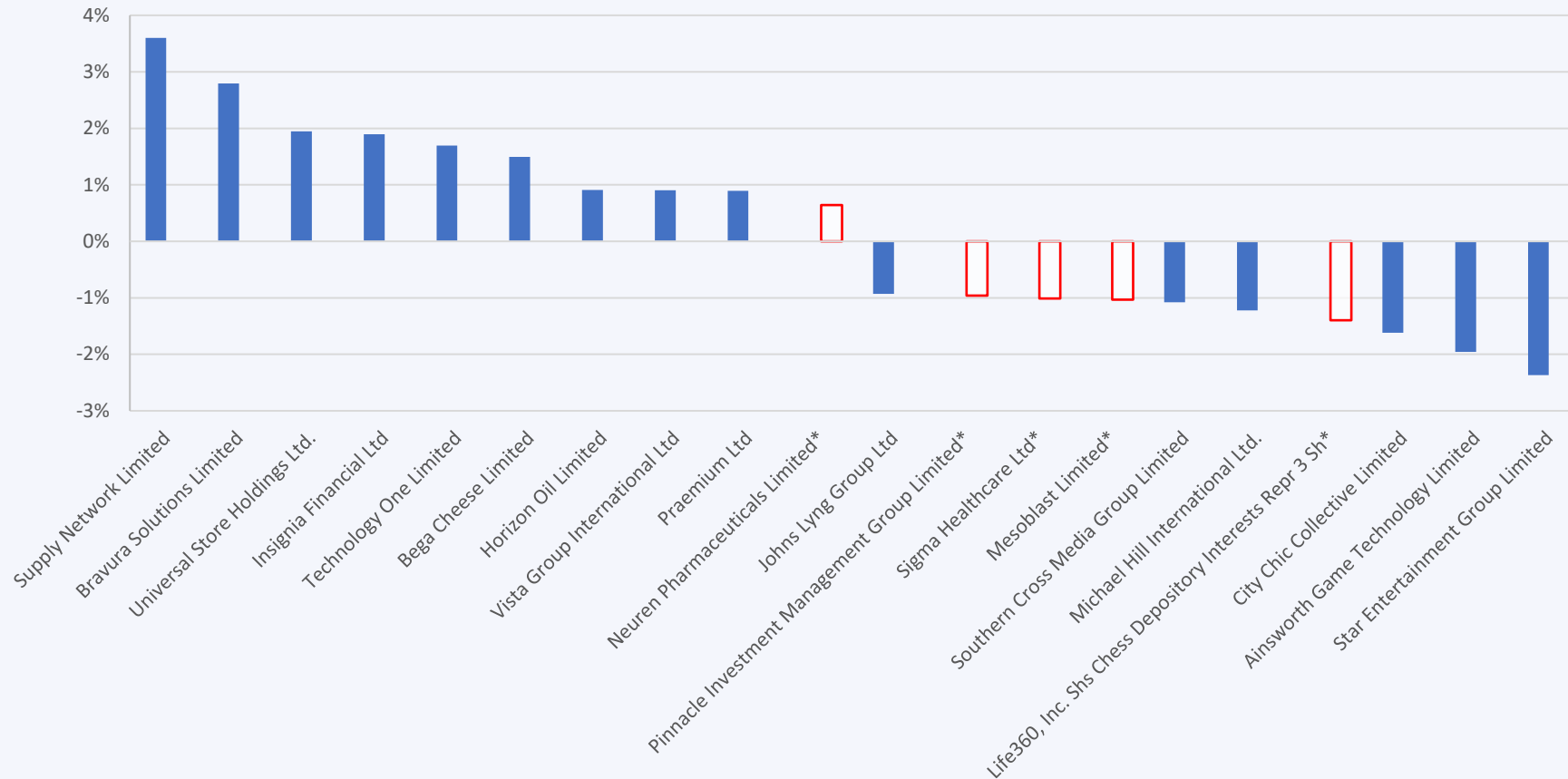
Strong relative performance over the last 4 years



*Net Portfolio performance = investment performance of mandate after investment management fees but before taxes. Inception date of 30/11/2017. Source: Spheria Asset Management to 31st January 2025

Stock Attribution – Top 10 and Bottom 10

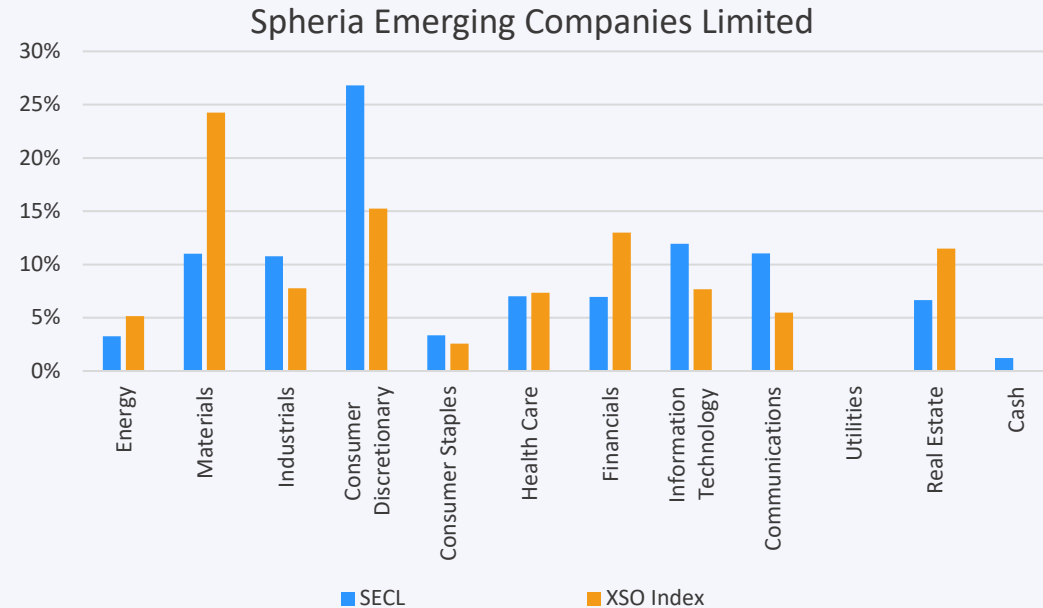
Spheria Emerging Companies - Attribution - 12 Month - January 2025



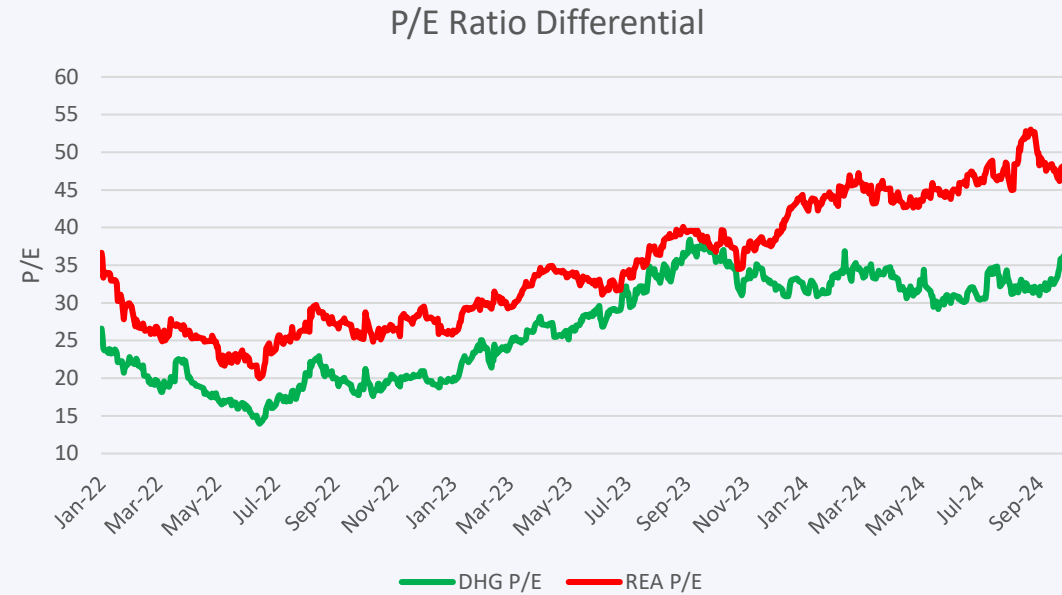
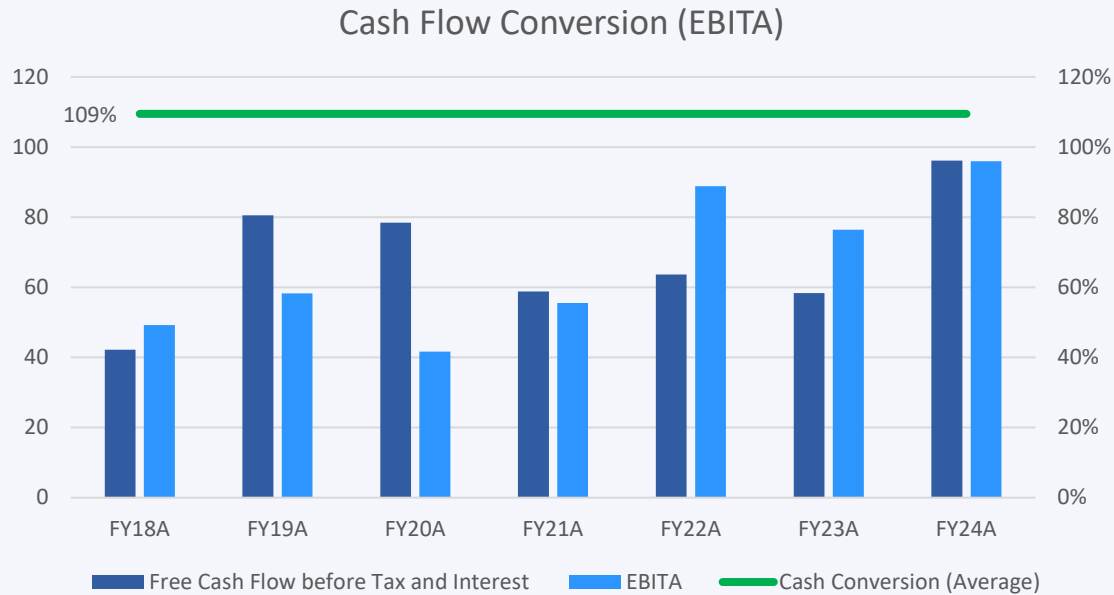
* Red Outline – companies we did not hold during the period
 Source : Bloomberg Data as at 31st January 2025.
 Companies mentioned on this slide are illustrative only and not a recommendation to buy or sell any particular security

Top 10 Holdings & Sector Exposure

Spheria Emerging Companies Limited		
Ticker	Company Name	% Portfolio
SNL	Supply Network	6.1
IFL	Insignia Financial	5.0
DRR	Deterra	4.7
HLS	Healius	4.6
FBU	Fletcher Building	4.2
SGM	Sims Limited	3.9
IRE	IRESS Limited	3.8
BGA	Bega Cheese Ltd	3.4
TNE	Technology One	3.1
UNI	Universal Store	3.1
Top 10		41.7



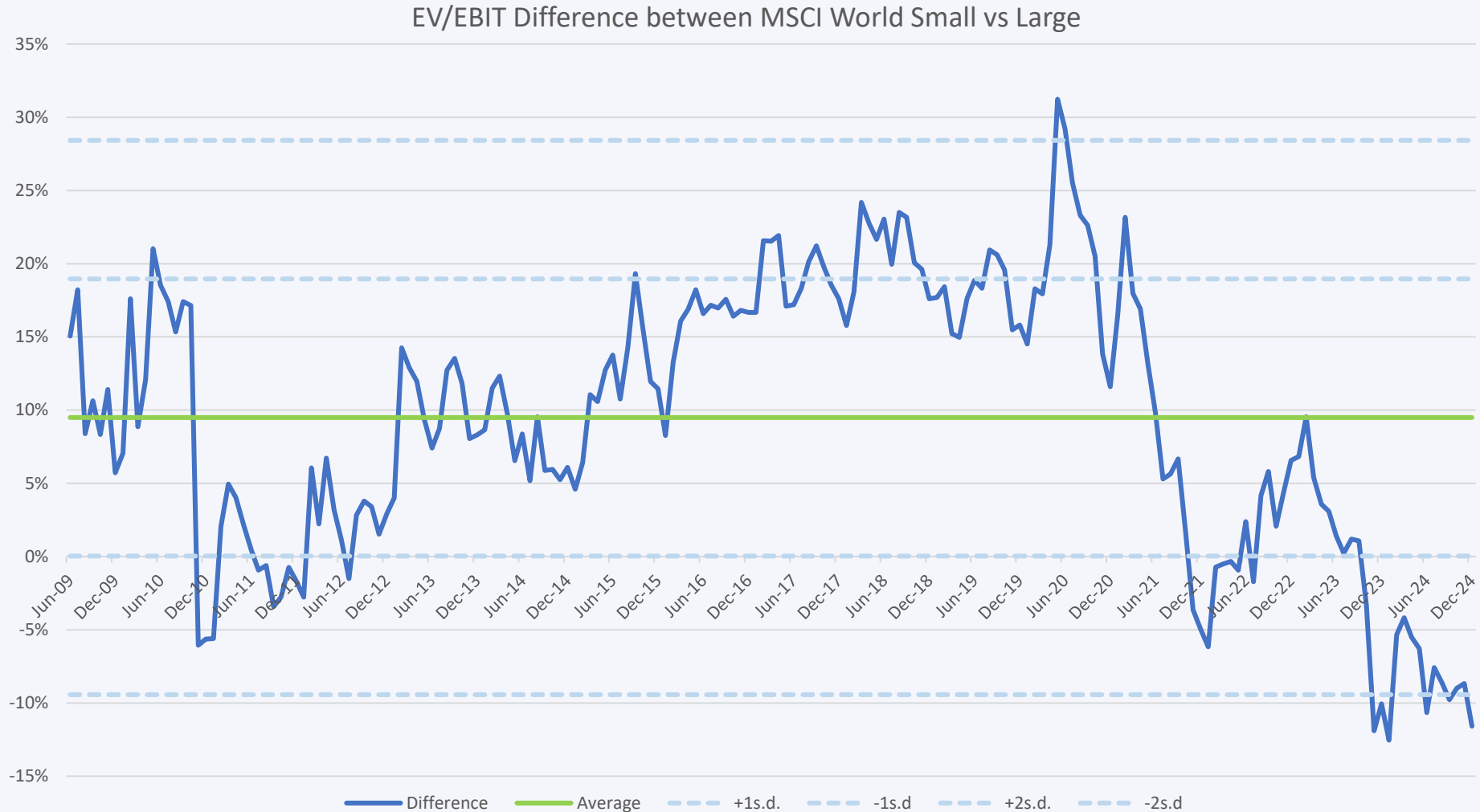
Opportunity in a two-player market



- Domain Holdings is the second leading property portal in the Australian market, operating in a near duopoly market
- It continues to remain under penetrated in several key markets outside of NSW and VIC
- Given duopoly market, business can push through mid-to-high single digit price increases annually
- Share price had fallen and the business had derated vs its closest peer, enabling us to enter the company
- The business recently received a takeover bid by CoStar Group at a ~35% premium, outcome is highly dependent on NEC

Very attractive entry point

Global Smalls are very cheap in a historical context vs large caps



Source: Bloomberg, to 31st December 2024. Cumulative performance.

Key Themes

- Moderating inflation and lower rates should be supportive for cyclically exposed companies, many of which have been out of favour over the last few years.
- Short term earnings risk remain; however, resumption of M&A activity seems likely.
- Conclusion - One of the better LT entry points into smaller caps vs. large caps we have seen for some time.
- SEC is an attractive way to invest in Aus small caps: The consistent quarterly full franked dividend combined with the reinstated conditional proposal should help to maintain a narrow NTA discount on SEC shares

Questions