

Spheria Emerging Companies Limited

ACN 621 402 588



Spheria Emerging Companies Limited

ASX : SEC

2020 Annual General Meeting

25 November 2020

Agenda

1. Chairman's Address
2. Formal Business
3. Investment Update and Q&A (from 10:30am)

Chairman's Address

Mr Jonathan Trollip

Chairman's Address

Overview

The Company

Spheria Emerging Companies Limited (ASX: SEC)

- SEC offers investors access to an actively managed Australian and New Zealand small cap equities portfolio
- IPO raised \$132 million and listed on the ASX on 5 December 2017. \$120 million of net assets as at 31 October 2020¹.

¹ based on pre-tax NTA

The Manager

Spheria Asset Management Limited

- Believes free cash flow drives valuations in the medium to long term with risk assessment a critical overlay
- Identifies smaller companies where the future value of cash flows can be reasonably ascertained and the companies are assessed to be trading at a discount to their intrinsic value

Chairman's Address

Investment Objective

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, with the aim of regularly paying fully franked dividends to Shareholders.

Chairman's Address

Company Details

Manager

Spheria Asset Management

Board of Directors

- Jonathan Trollip (Chairman)
- Lorraine Berends
- Adrian Whittingham
- Alex Ihlenfeldt (Alternate)

Shares ¹	
<i>Outstanding</i>	61,259,696
<i>Price</i>	\$1.68
<i>Market capitalisation</i>	\$102.9m
NTA ²	
Pre-tax (Which includes tax provided for on realised gains)	\$1.965
Post-tax (Which includes tax provided for on realised and unrealised gains/losses)	\$2.023

¹ As at 31 October 2020

² As at 31 October 2020, excluding deferred tax assets relating to capitalised issue cost related balances and income tax losses.

Chairman's Address

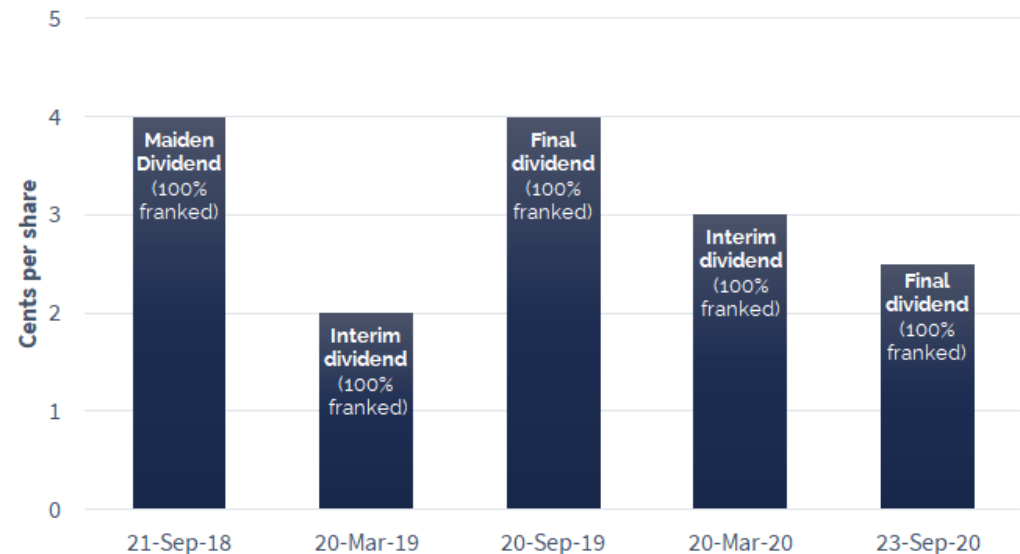
Dividends

- Final dividend of 2.5 cents per share
- Annual dividend of 5.5c per share equivalent to a yield of 3.3%¹ or 4.7% grossed up for franking
- Commitment to pay at least 6.0c per share of annual dividends in FY2021 and FY2022 (100% franked)
- Equivalent to a 3.6%¹ yield (5.1% including franking)

Source: Spheria Emerging Companies.

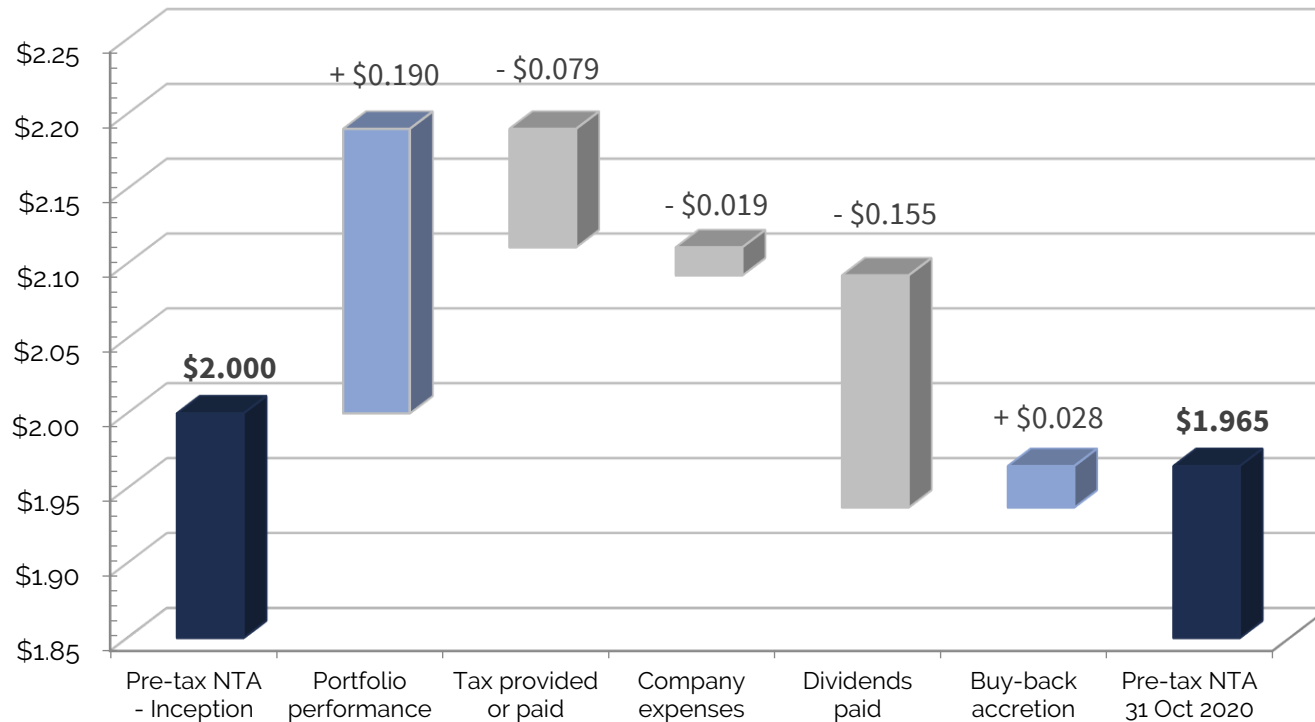
¹ Based on 31 October 2020 share price of \$1.68

Dividend History



Chairman's Address

NTA movement since IPO



Source: Spheria Emerging Companies.

* Values represented are the estimated cents per share impacts calculated using aggregated yearly values for each financial year since inception. Portfolio performance is after management and performance fees. ** Pre-tax NTA includes provision for tax on realised gains / losses and other earnings but excludes any provision for tax on unrealised gains / losses.

Chairman's Address

Company Performance

Company Performance¹

- 3.1% annualised from inception to 31 October 2020

	1 month	6 months	1 year	2 years p.a.	Inception p.a.
Company	1.8%	21.3%	-2.5%	3.2%	3.1%
Benchmark ²	0.5%	15.1%	-2.4%	5.7%	3.3%

TSR Performance³

- -2.7% annualised from listing date to 31 October 2020 (share price of \$1.68 compared to an issue price of \$2.00, with dividends of \$0.155 paid by the Company since inception)

NTA discount

- Share price of \$1.68 is a 14.5% discount to pre-tax NTA⁴

¹ Calculated as the Company's investment portfolio performance after fees excluding tax on realised gains and unrealised gains/losses and other earnings, and after Company expenses. Inception date 30 November 2017. ² S&P/ASX Small Ordinaries Accumulation Index ³ Measured as movement in share price adjusted for dividends paid during the period ⁴ As at 31 October 2020.

Chairman's Address

Initiatives to close the discount to NTA

The Board acknowledges the current discount to NTA and is concerned about this unsatisfactory position and remains committed to addressing the discount to NTA.

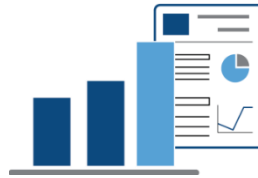
On-market share buy-back	<ul style="list-style-type: none"> • Already executed \$7.7m (7.7% of total shares in issue) since 1 July 2019. Increased buyback to 10% of shares (a further capacity of 1.45 million issued shares remains) • Buy-back has been accretive to NTA, adding \$0.028 per share to the NTA (to 31 October 2020) by buying shares at a discount to NTA.
Dividend Commitment	<ul style="list-style-type: none"> • Commitment to pay at least 6.0c per share of annual dividends in FY2021 and FY2022 (100% franked)
Shareholder engagement	<ul style="list-style-type: none"> • Shareholder communication – more regular insights by the Manager and Company updates by the Board • Transparency - Moved to daily NTA in May 2020, one of only a handful of ASX LICs to do so
Improve scale	<ul style="list-style-type: none"> • Company has considered but determined not to undertake acquisitions to improve scale
Other initiatives	<ul style="list-style-type: none"> • Other global best practice initiatives. Continually exploring

Chairman's Address

Shareholder Engagement



Regular shareholder
email updates



Daily NTA
announcement and
monthly updates



Half & full year
financial results



Website
Spheria.com.au



Media



Conference
presentations

Formal Business

Mr Jonathan Trollip

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 2020 be adopted.”

Formal Business

Resolution 1 - Proxies

Shares Voted

For	5,777,831	93.55%
Open	90,637	1.47%
Against	307,402	4.98%
Abstain	104,550	

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	4,255,578	67.18%
Open	110,637	1.75%
Against	1,968,504	31.07%
Abstain	20,702	

A photograph of the Aurora Borealis (Northern Lights) over a body of water at night. The sky is dark blue and black, filled with stars and the vibrant green and purple light of the aurora. The water in the foreground is calm, reflecting the lights. The horizon shows a dark, silhouetted landscape with some distant lights.

Formal Business Q&A

Investment Manager Update



Thank you for joining us

SEC Shareholder Enquiries

For general information and investment enquiries please contact the Share Registry, Automic.

T: 1300 288 664

E: hello@automic.com.au

For investment enquiries please contact Pinnacle

T: 1300 010 311

E: invest@spheria.com.au

Disclaimer

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

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