



Spheria Emerging Companies Limited (Company)
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By Electronic Lodgement

Market Announcements Office
ASX Limited
20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

ADDRESSING THE NTA DISCOUNT - CONDITIONAL PROPOSAL TO EXCHANGE SHARES IN SEC FOR UNITS IN SPHERIA AUSTRALIAN SMALLER COMPANIES FUND

Spheria Emerging Companies Limited (**ASX:SEC**) has traded at a discount to its net tangible asset (**NTA**) per share for most of the time since its IPO on 5 December 2017. This is despite strong performance of the Company's portfolio (2.8% p.a. net outperformance of the benchmark since IPO to 31 December 2023), improved transparency (e.g. daily NTA disclosure), an on-market share buy-back and the payment of more regular fully franked dividends, currently quarterly at a rate of 5% of post-tax NTA p.a.

Feedback from various shareholders is that while the Company has exceeded its objectives set out at IPO and they are very happy with the performance of the portfolio, they are nevertheless frustrated by the persistence of the NTA discount.

As a result, the Board of SEC, together with Spheria Asset Management Pty Limited (**Manager**), have agreed a proposal (**Proposal**) to address the NTA discount.

Under the Proposal, the average of the daily NTA discount of SEC, as measured by the daily closing share price relative to the pre-tax NTA on that same day, will be calculated over the period 1 October 2024 to 31 December 2024 (**Measurement Period**). If this average is at a greater than 5.00% discount, the Board of SEC intends to pursue avenues available to enable SEC shareholders to exchange their shares for units in Spheria Australian Smaller Companies Fund (**Fund**). This is currently expected to be by proposing to shareholders a Scheme of Arrangement (**Scheme**).

The Fund is an open-ended fund with an inception date of July 2016, and the Fund's strategy and portfolio is substantially the same as that of SEC. It is noted that units in the Fund are not currently exchange quoted, however it is expected that the Manager and the responsible entity of the Fund will take steps to seek to obtain admission to trading status for the Fund with the Australian Securities Exchange.

If a Scheme is proposed, the relevant Scheme documents will set out the terms of the Scheme including associated costs, as well as the legal, regulatory and tax implications. The Manager has agreed with SEC that, if a Scheme is implemented, the Manager will not be seeking any remuneration for agreeing to the early termination of the existing management agreement between SEC and the Manager. The independent directors of SEC acknowledge and thank the Manager for this.

If the average SEC NTA discount on the above basis is less than 5.00% over the Measurement Period, the Board will not proceed with the proposal and SEC will remain as a listed investment company (**LIC**).

In essence, the Proposal provides a period of time for the market to determine if shareholders' investment in SEC should remain in an LIC or convert to interests in an active ETF or a managed fund.

Shareholders are not required to take any action in relation to this announcement.

Shareholders are encouraged to contact Pinnacle, who handles investor relations on behalf of the Company, on **1300 010 311** or **distribution@pinnacleinvestment.com** should they have any questions.

The Board of Spheria Emerging Companies Limited has authorised this announcement to be released to the ASX.