

Overall Commentary

The Company performance for the month of February was 0.0% (after fees), handsomely outperforming the S&P/ASX Small Ordinaries Accumulation Index by 2.8%.

The Company performed strongly over a very volatile results season. Some of the moves around results reflected either extremely pessimistic or overly optimistic assumptions going into numbers. This is one of the reasons we generally feel investing for “results” is a fraught strategy. Several companies we liked long term but had some short-term concerns around their earnings proved significantly more resilient than even we would have expected. Retail names like Universal Stores (UNI.ASX), AP Eagers (APE.ASX) and Harvey Norman (HVN.ASX) would sit in this bucket and yet all produced solid to good earnings with attendant share price appreciation.

In addition to strong organic results, Domain Holdings (DHG.ASX) got a bid from Costar Group of the USA who acquired a 17% shareholding late in the month. We entered the position on the back of strong business fundamentals notwithstanding its number two position in the Australian market behind REA (realestate.com.au). The bid of \$4.20 represented an approximate 35% premium to the undisturbed price.

Our sense is that this might be the precursor to a reasonable year in small cap M&A – rates are falling, the Australian Dollar has been weak, and valuations are attractive in many sectors of the small and microcap market, in our opinion.

Overweight positions in both Domain Holdings Australia (DHG.ASX, +59%) and Fletcher Building (FBU.ASX, +16%), and owning Bravura Solutions (BVS.ASX, +17%) were positive contributors over the month. The largest detractors from performance included overweight positions in IRESS (IRE.ASX, -15%), Healius (HLS.ASX, -11%) and Johns Lyng Group (JLG.ASX, -31%).

Company Facts

| | |
|---------------------------|---|
| Investment Manager | Spheria Asset Management Pty Limited |
| ASX Code | SEC |
| Share Price | \$2.310 |
| Inception Date | 30 November 2017 |
| Listing Date | 5 December 2017 |
| Benchmark | S&P/ASX Small Ordinaries Accumulation Index |
| Dividends Paid | Quarterly |
| Management Fee | 1.00% (plus GST) per annum ¹ |
| Performance Fee | 20% (plus GST) of the Portfolio's outperformance ² |
| Market Capitalisation | \$138.2m |

¹Calculated daily and paid at the end of each month in arrears.

²Against the Benchmark over each 6-month period to a high-water mark mechanism

Performance as at 28 February 2025

| | 1 Month | 3 Months | 1 Year | 3 Years p.a. | 5 Years p.a. | Inception p.a. ³ |
|------------------------|---------|----------|--------|--------------|--------------|-----------------------------|
| Company ¹ | 0.0% | 5.2% | 13.3% | 4.8% | 11.0% | 7.8% |
| Benchmark ² | -2.8% | -1.5% | 7.3% | 2.1% | 5.6% | 4.9% |
| Difference | 2.8% | 6.7% | 6.0% | 2.7% | 5.4% | 2.9% |

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

²Benchmark is the S&P/ASX Small Ordinaries Accumulation Index.

³Inception date is 30 November 2017. Past performance is not a reliable indicator of future performance. All p.a. returns are annualised.

NTA Tangible Assets (NTA)¹

Pre-Tax NTA²

2.477

Post-Tax NTA³

2.394

¹NTA calculations exclude Deferred Tax Assets relating to capitalised issue related balance and income tax losses.

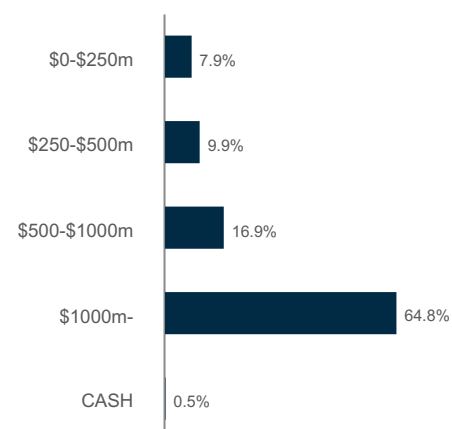
²Pre-tax NTA includes tax on realised gains/losses and other earnings, but excludes any provisions for tax on unrealised gains/losses.

³Post-tax NTA includes tax on realised and unrealised gains/losses and other earnings.

Top 10 Holdings

| Company Name | % Portfolio |
|-----------------------------------|-------------|
| Supply Network Limited | 6.2 |
| Healius Limited | 5.4 |
| Fletcher Building Limited | 4.6 |
| IRESS Limited | 4.5 |
| Deterra Royalties Limited | 4.2 |
| Sims Limited | 4.0 |
| Domain Holdings Australia Limited | 3.8 |
| Universal Store Holdings Limited | 3.1 |
| Bega Cheese Limited | 3.1 |
| Technology One Limited | 3.0 |
| Top 10 | 41.8 |

Market Cap Bands



Source: Spheria Asset Management

SEC Conditional Proposal

On 26th February, the Board announced that it had assessed the impact of the 2024 conditional proposal and deemed it to have been successful in contributing to the substantial reduction of the Company's discount to NTA during 2024. The effectiveness of the conditional proposal as a discount narrowing measure and the ongoing commitment by the Board to maintaining its focus on this issue has resulted in the Board deciding, in conjunction with the Manager, to reinstate a conditional proposal for the forthcoming year.

Under the reinstated and modified conditional proposal, for the twelve months from 1 April 2025 to 31 March 2026 (annual measurement period), should the average daily discount of the Company's share price to pre-tax NTA per share exceed 5% (NTA discount test), the Company will arrange for a meeting of shareholders to be convened to vote on whether the Company remains a LIC, or converts to a managed fund. This mechanism again provides a period of time for the market to provide guidance regarding the ongoing structure of the Company, while ultimately providing shareholders with the final determination.

Fund Ratings



Contact Us

For more information, please contact Pinnacle Investment Management Limited on 1300 010 311 or email distribution@pinnacleinvestment.com

Disclaimer

Spheria Emerging Companies Limited (the Company, ASX: SEC) is a listed investment company (LIC) that provides investors with access to an actively managed, Australian and New Zealand small and micro companies portfolio, designed for investors seeking capital growth and portfolio diversification. It is a confined capacity investment strategy that identifies smaller companies where the present value of cash flows can be reasonably determined and they are assessed to be trading at a discount to their intrinsic value. The smaller companies universe is more volatile and higher risk. An experienced investment manager in the small company end of the market is paramount to success, for this reason there are only a small number of listed investment companies offering access to a diversified small companies investment portfolio. Spheria Asset Management Pty Ltd (the Manager, Spheria), is the appointed investment manager and is a specialist team with a track record of navigating the higher risk opportunities at the small end of the market.

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