



Spheria Emerging Companies  
Limited

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ACN 621 402 588

29 August 2019

Company Announcements  
ASX Limited  
Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

Dear Shareholder,

### Conference call reminder and presentation on full year results

Please join us tomorrow, 30 August 2019, from 11:00am – 11:30am (AEST) for a conference call to hear an update on the Company's results and investment portfolio from Director of the Company, Adrian Whittingham and Portfolio Managers of Spheria Asset Management (the Manager), Matthew Booker and Marcus Burns.

#### Dial in details

Within Australia: 1300 628 593

Outside Australia: +613 9067 7903

The presentation slides are available below and will also be made available on our website before the start of the conference call.

Yours sincerely,

Calvin Kwok  
Company Secretary

Spheria Emerging Companies Limited

ACN 621 402 588



# Spheria Emerging Companies Limited

ASX : SEC

FY2019 Results and Portfolio Update



# Agenda

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

# Spheria Emerging Companies (ASX: SEC)

## Full year results FY2019

FY19 profit	Portfolio performance <sup>1</sup>	Company performance <sup>2</sup>
<b>\$3.2m</b>	<b>1.8%</b>	<b>0.1%</b>

	Interim Dividend	Final Dividend	Full Year Dividend	Annualised yield*
<b>Cash</b>	2.0c	4.0c	6.0c	3.4%
<b>Grossed-up</b> (100% franking)	2.9c	5.7c	8.6c	4.9%

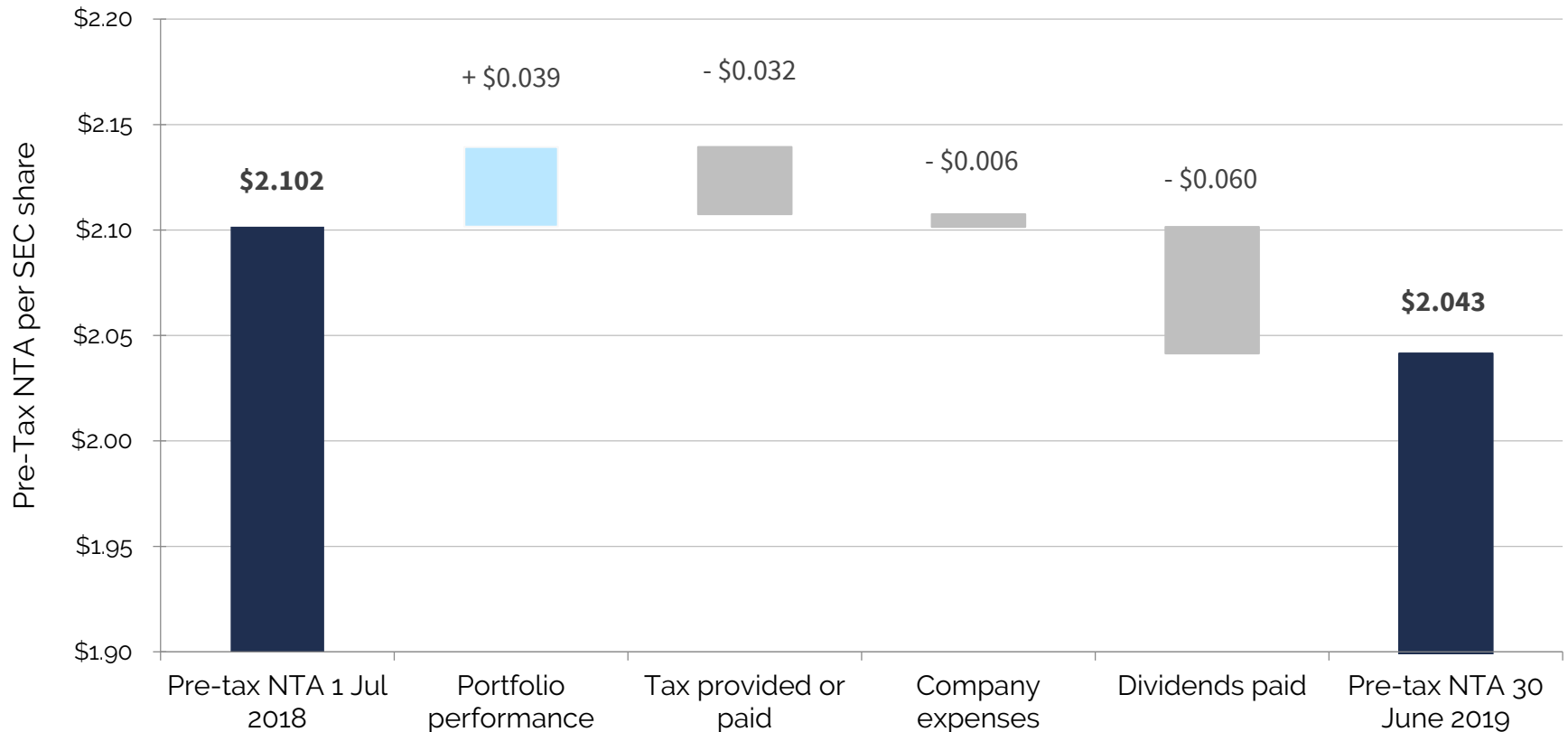
Final Dividend Amount	Dividend ex-date	Record date	Payment date
4.0 cents per share	5 September 2019	6 September 2019	20 September 2019

\* Based on share price as at 30 June 2019 of \$1.76.

<sup>1</sup> Shows how the portfolio, for which the Manager is responsible, has performed after deducting management fees, costs and taxes and performance fees (if applicable).

<sup>2</sup> Calculated as movement in Company's pre-tax NTA, which includes tax on realised gains and other earnings, but excludes any provisions for tax on unrealised gains, assuming the re-investment of any dividends paid by the Company.

# NTA breakdown for FY19



Source: Spheria Emerging Companies

# Performance History

## SEC Portfolio performance

<b><i>Net Portfolio Performance as at 30th Jun 2019</i></b>						
<b>Period</b>	<b>1 month</b>	<b>3 month</b>	<b>6 month</b>	<b>1 year</b>	<b>Since Inception (pa)</b>	<b>Inception Date</b>
SEC Mandate	-1.9%	1.7%	14.3%	1.8%	6.0%	30/11/2017
Small Ordinaries Accumulation Index	0.9%	3.7%	16.8%	1.9%	6.1%	
Outperformance	-2.8%	-2.1%	-2.5%	-0.2%	-0.1%	

## SEC NTA performance

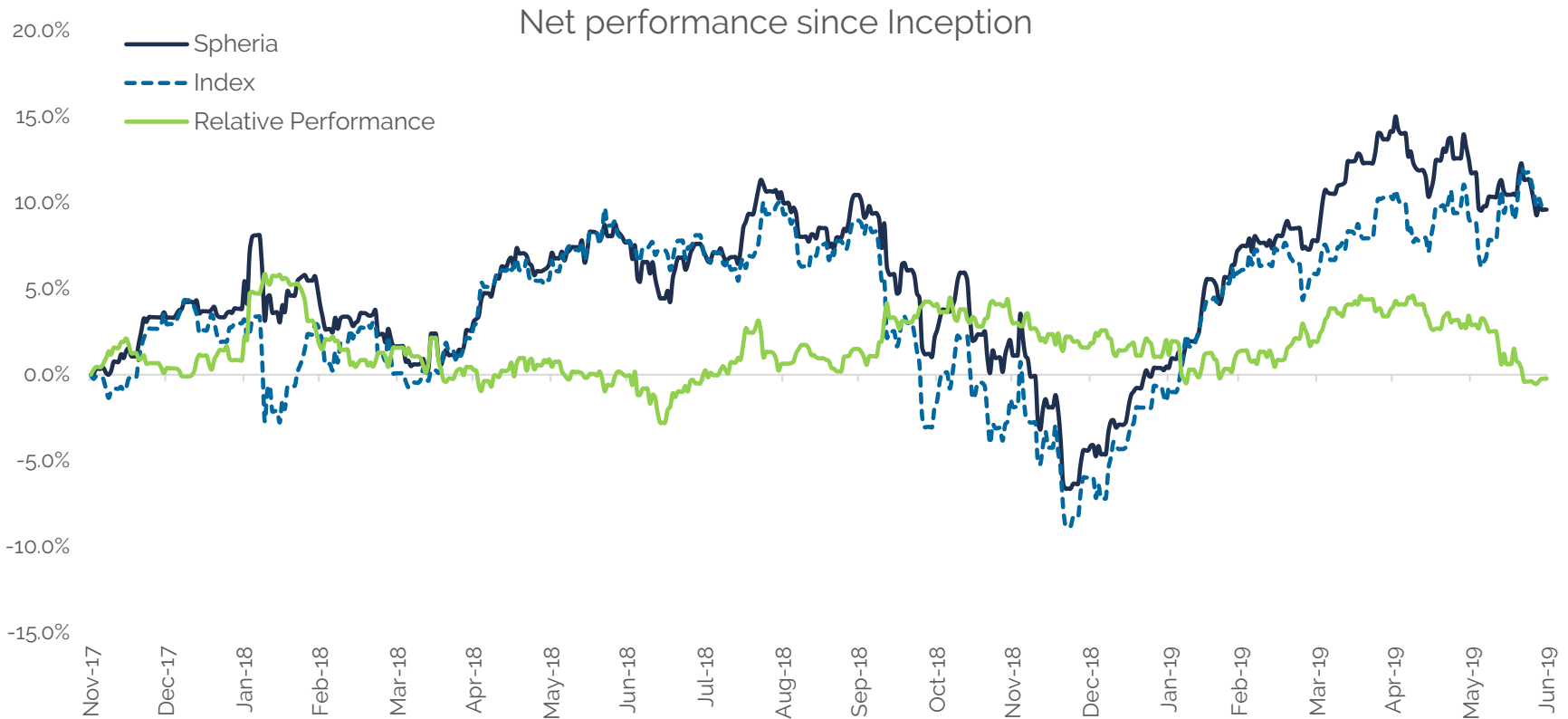
<b><i>SEC Limited Performance 30th Jun 2019</i></b>						
<b>Period</b>	<b>1 month</b>	<b>3 month</b>	<b>6 month</b>	<b>1 year</b>	<b>Since Inception (pa)</b>	<b>Inception Date</b>
Company's Performance	-2.3%	0.8%	12.1%	0.1%	3.2%	30/11/2017
Benchmark	0.9%	3.7%	16.8%	1.9%	6.1%	

Net portfolio performance are net of management fees.

Company's performance is calculated as movement in Company's pre-tax NTA, which includes tax on realised gains and other earnings, but excludes any provisions for tax on unrealised gains. The Benchmark is pre-tax, S&P/ASX Small Ordinaries Accumulation Index



# SEC portfolio performance

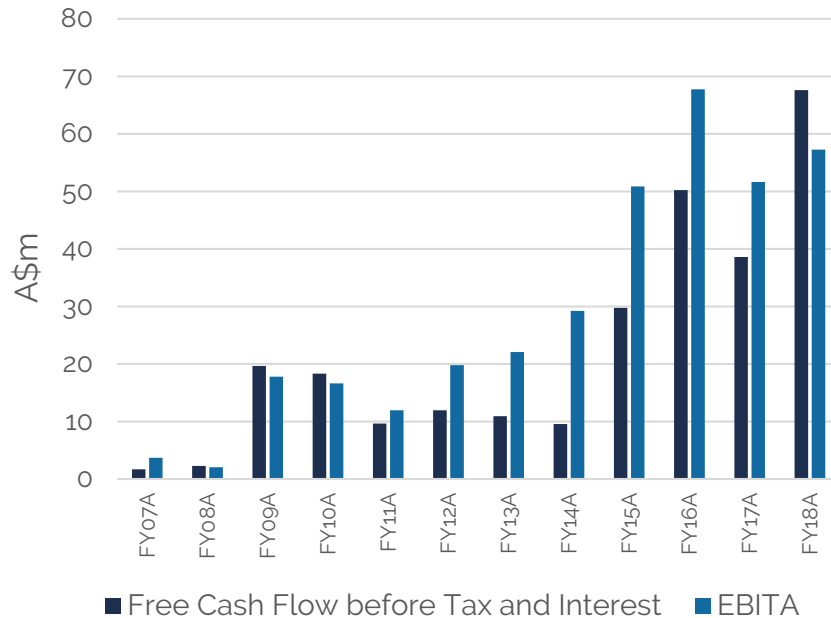


Net Portfolio performance = investment performance of mandate after investment management fees but before taxes.

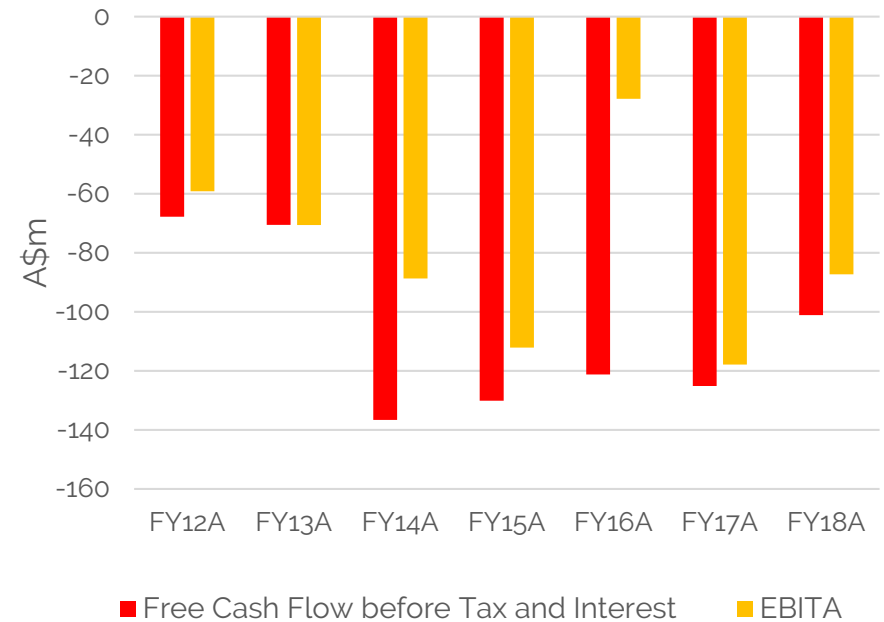
Source: Spheria Asset Management

# Investment philosophy

## Sirtex – Cash Flow Dynamics



## Mesoblast – Cash Flow Dynamics



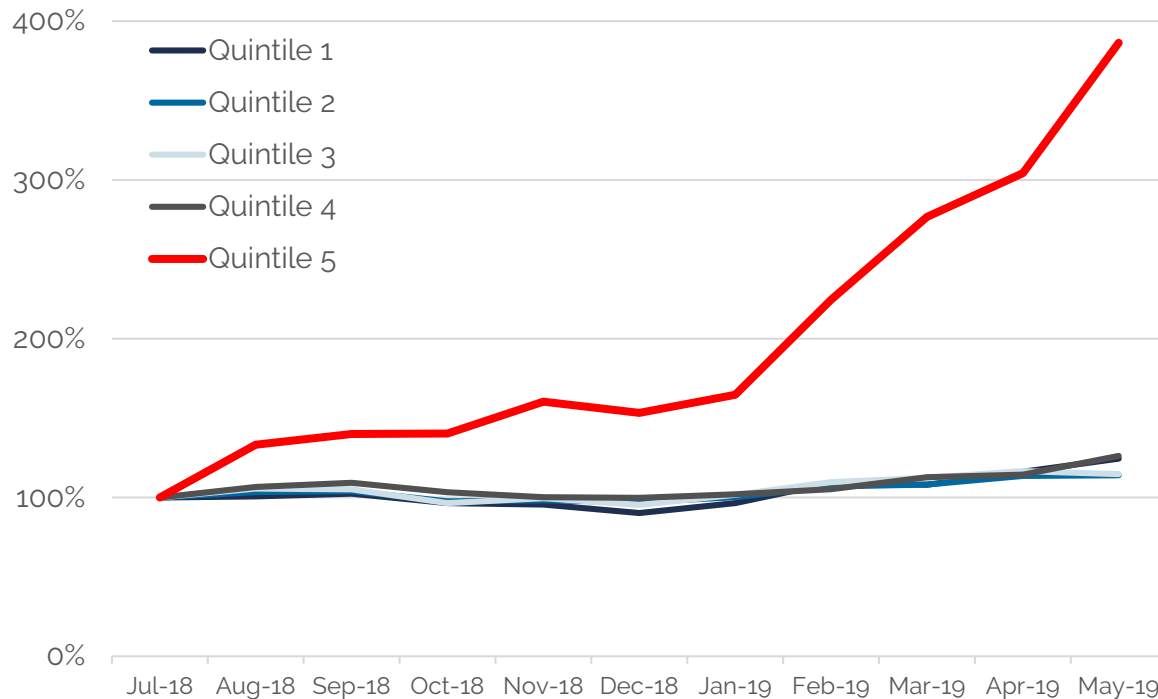
- Sirtex strong free cash flow generation versus Mesoblast burning ~\$100 million p.a.
- Both had market caps >\$800 million and similar enterprise values ~\$750 million.

Source: Spheria Asset Management, IRESS



# The great re-rating

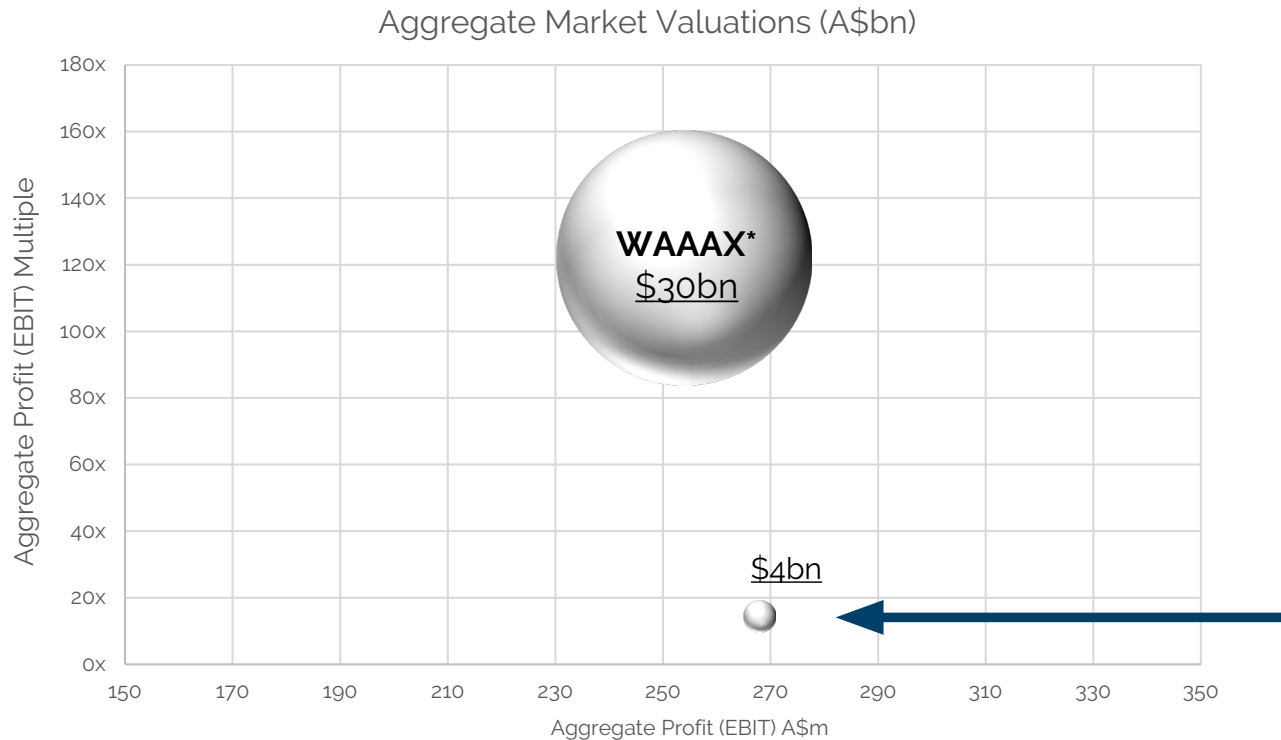
PE re-rating by PE quintiles over last year



- Highest rated PE stocks one year ago, have had a huge **re-rating** during the year
- **Unjustified** by growth in earnings, likely driven by growth in quant/ passive funds.

Source: Spheria Asset Management

# Relative valuations – WAAAX\* vs Spheria Basket

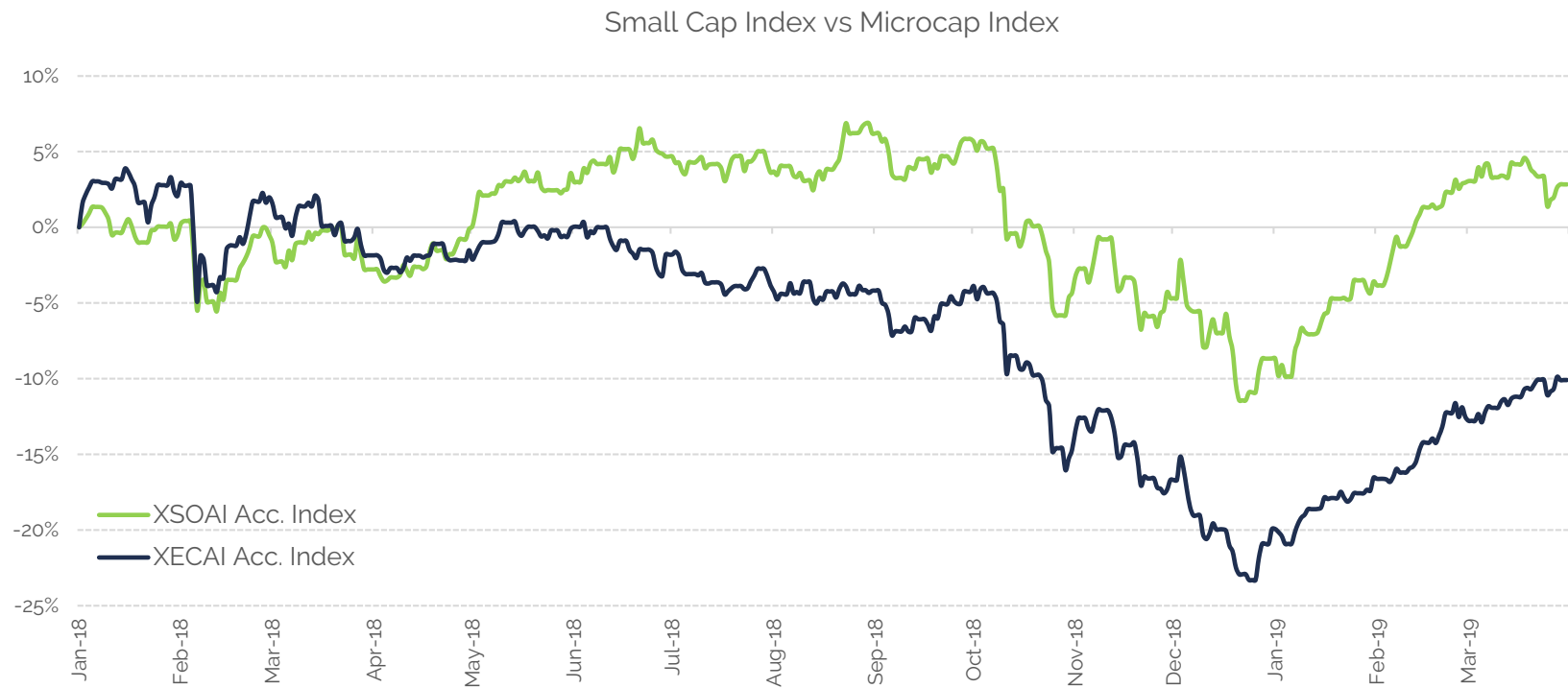


A select basket of five Spheria stocks is valued at only 12% of the WAAAX complex and yet has a similar level of profitability



\* WAAAX consists of Wistech, Afterpay, Altium, Appen and Xero  
Source: Spheria Asset Management

# Microcaps continue to lag



Source: IRESS

# Company Positions

## Spheria Emerging Companies Limited – June 2019

<b>Ticker</b>	<b>Name</b>	<b>% Portfolio</b>
PTM	PLATINUM ASSET MANAGEMENT	4.8%
HT1	HT&E LTD	4.5%
BGA	BEGA CHEESE LTD	4.5%
HLS	HEALIUS LTD	4.4%
FBU	FLETCHER BUILDING LTD	4.3%
BKL	BLACKMORES LTD	3.9%
SGM	SIMS METAL MANAGEMENT LTD	3.8%
MND	MONADELPHOUS GROUP LTD	3.8%
CL1	CLASS LTD	3.7%
TNE	TECHNOLOGY ONE LTD	3.4%
<b>Top 10</b>		<b>41.0%</b>

Source: IRESS

# Outlook

- Valuations inexpensive towards micro end of the smallcap market
- SEC beneficiary of M&A activity
  - cash flow generative businesses;
  - balance sheets strong; and
  - most importantly valuations attractive
- Economically sensitive stocks starting to offer good relative value

# Initiatives to close the discount to NTA

Shareholder engagement	<ul style="list-style-type: none"><li>• <b>Investor communication</b> – more regular insights and video updates, Pinnacle listed products investor relations team</li><li>• <b>Investor events</b> – Pinnacle Listed Investments Summit, manager roadshow, industry events</li><li>• <b>Transparency</b> – Weekly NTA, NTA history chart on website</li></ul>
On-market buyback	<ul style="list-style-type: none"><li>• Up to \$5m (4% of shares) starting 1 July 2019</li></ul>
Alignment of interest with shareholders	<ul style="list-style-type: none"><li>• <b>Ownership</b> – Spheria Asset Management and staff own 558k shares</li></ul>



# Questions



# LIC Disclaimer

Spheria Emerging Companies Limited ACN 621 402 588 (SEC)

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