



Spheria Emerging Companies Limited
Level 35, 60 Margaret Street
Sydney NSW 2000

Telephone: 1300 010 311
Email: invest@pinnacleinvestment.com
ACN 621 402 588

26 November 2020

By Electronic Lodgement

Market Announcements Office
ASX Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam,

Amendment to Investment Manager Presentation

Please find attached an amended version of the Investment Manager Presentation. The amendments are on Slide 9.

Authorised by:

Calvin Kwok
Company Secretary

The background of the slide is a photograph of the Aurora Borealis (Northern Lights) over a calm lake at night. The lights are green and purple, reflecting on the water. A small wooden pier is visible on the right, and a person is standing on it. The sky is dark with stars visible.

Spheria Emerging Companies Limited

ASX : SEC

Annual General Meeting
25 November 2020



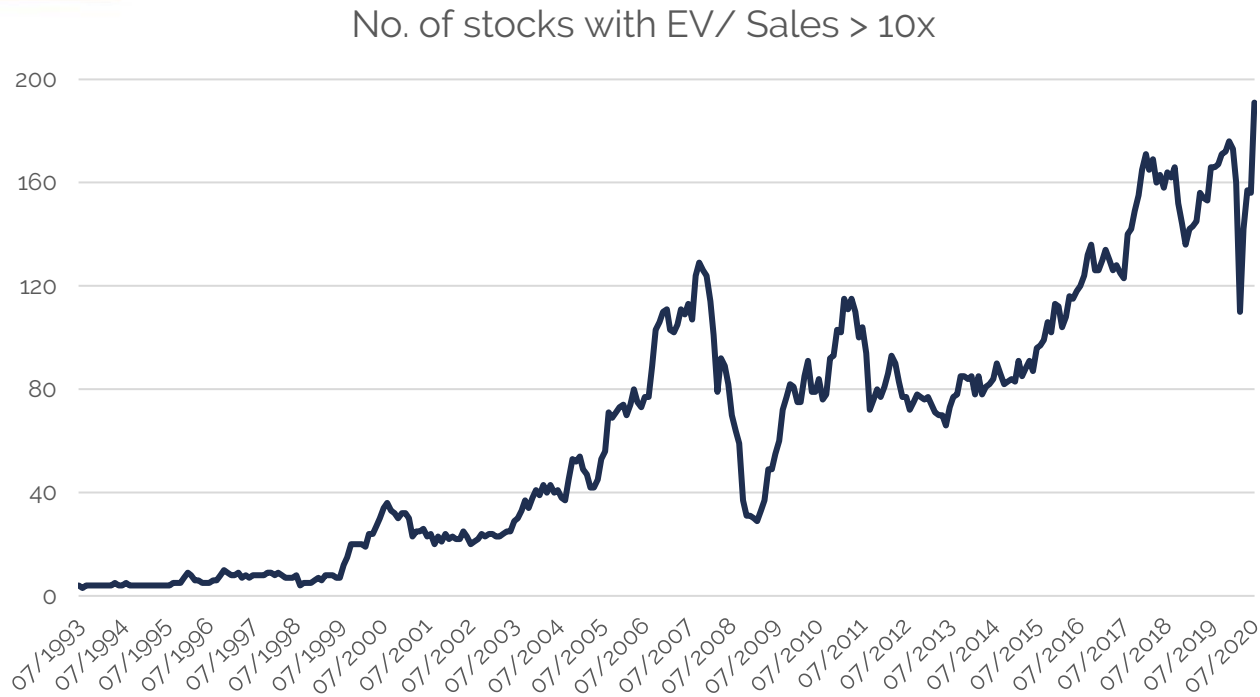
Agenda

1. SEC Company update
2. Smaller companies investing
3. Opportunities

Spheria Emerging Companies (SEC.ASX)

- SEC is a listed version of the **Spheria Australian Smaller Companies Fund**
- Designed to give investors exposure to:
 - **cash generative**
 - **lowly geared** smaller companies
 - with **supportive valuations**.
- SEC will typically have **20-65 stocks** (currently 53) with a max. weight of 5%
- Has consistently **paid dividends every 6 months** (since inception) in line with prospectus

Unintended Consequences

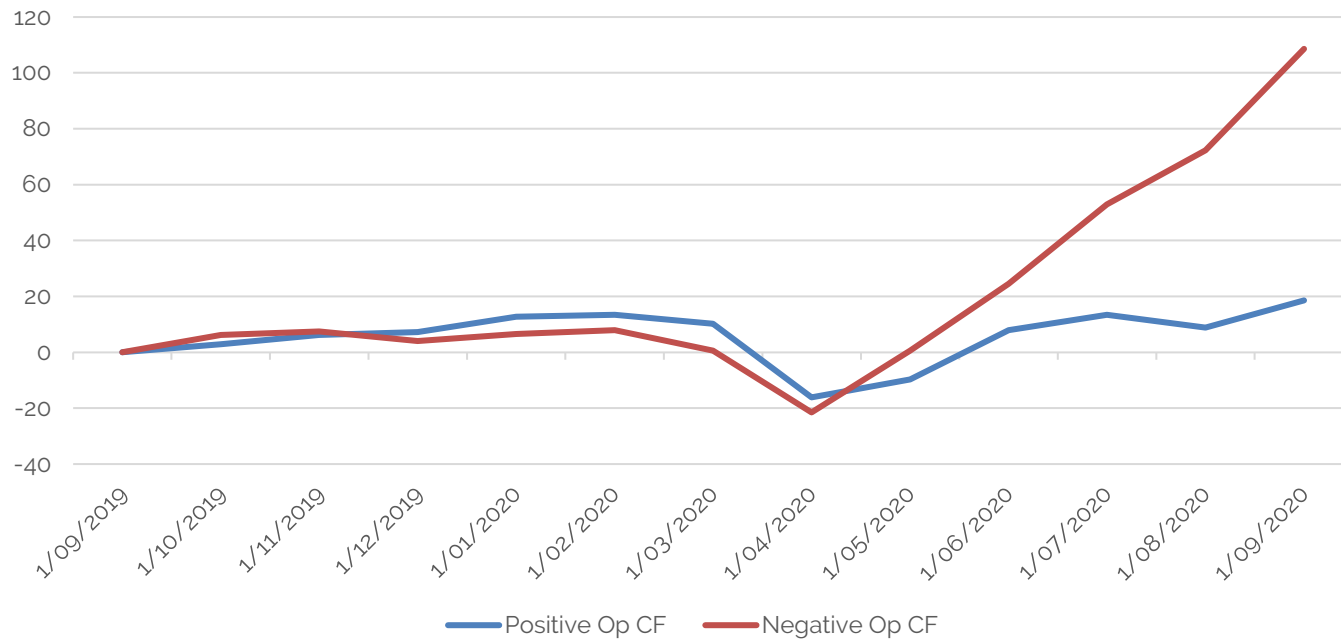


- EV/Sales > 10 is expensive in historical context
- Resource stocks, BNPL wannabes and speculative micro caps have inflated this bubble

Chart Source: Bloomberg data, ASX stocks with market cap > \$50m and EV/trailing sales multiple over 10x

The Less You Earn, The More You Are Worth

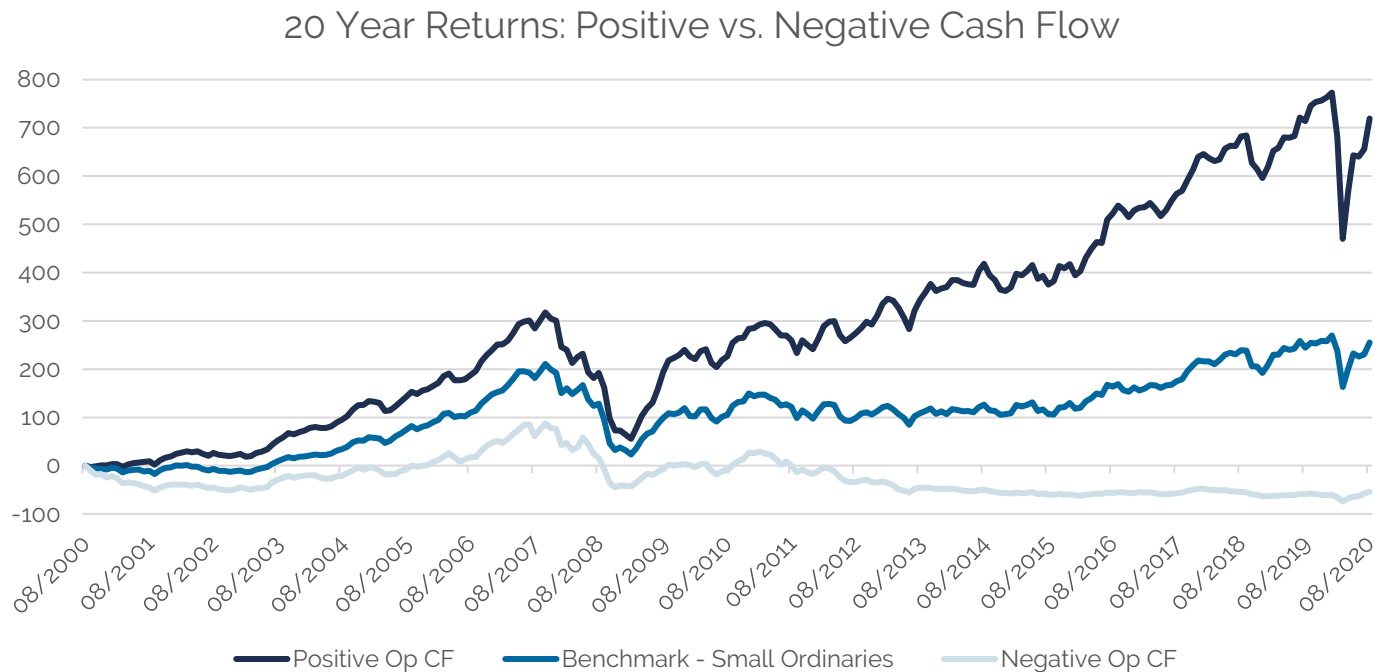
Smaller Companies Average Return – Prior 12 Months



- Such is the upside down world we live in – negative operating cash flow outperformed

Chart Source: Bloomberg data: simple average return of stocks between (\$50m and 3.0bn market cap divided into positive op cash flow and negative op cash flow over prior 12 months.

However When the Weighing Machine Operates



- Back tested portfolio of positive operating cash flow vs. negative operating cash flow companies

Chart Source: Bloomberg data. Back tested returns of stocks between (\$50m and 3.0bn market cap divided into positive op cash flow and negative op cash flow over past 20 years.

SEC Performance

Company Performance* as at 31st October 2020

	1 month	6 month	1 year	Since Inception (p.a.)	Inception Date
Company	1.8%	21.3%	-2.5%	3.1%	30/11/2017
S&P/ASX Small Ordinaries Accumulation Index	0.5%	15.1%	-2.4%	3.3%	
Outperformance	+1.3%	+6.2%	-0.1%	-0.2%	

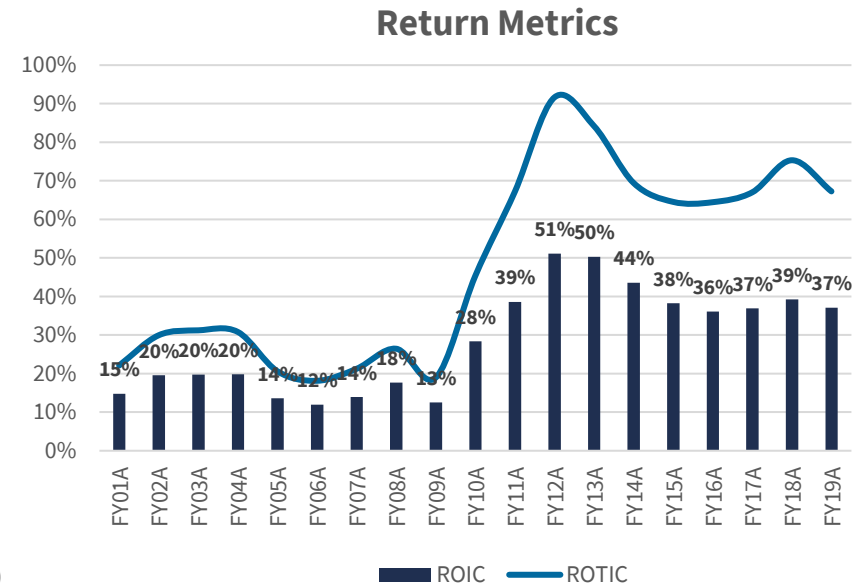
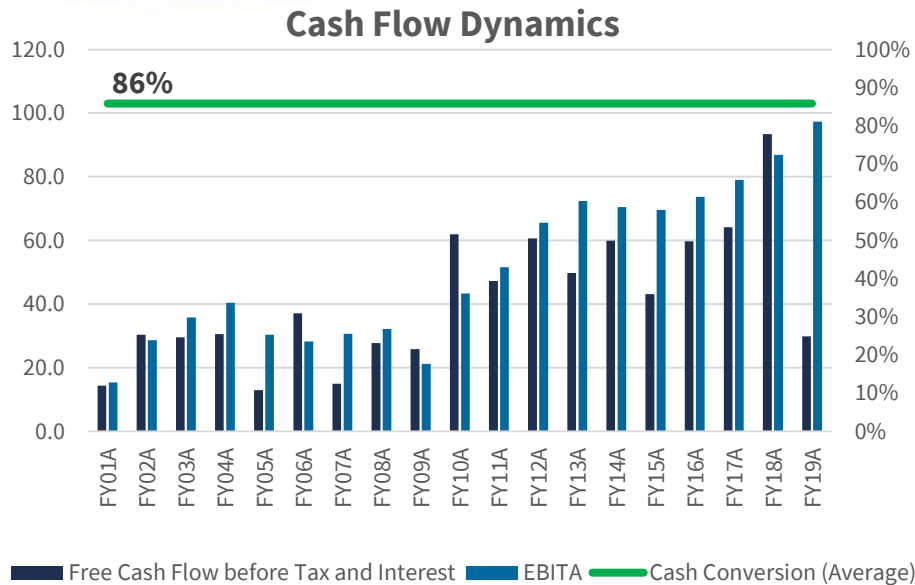
* Company performance is illustrative of performance only. Calculated as the Company's investment portfolio performance after fees excluding tax on realised and unrealised gains/losses and other earnings, and after company expenses Company performance excludes the impact of dividends paid by the Company and the accretive impact of the share buy back on the Company's NTA

Breville (ASX:BRG)

The Sage of Europe

Breville®
Master Every Moment™

8



- An innovation led global player in the premium small domestic appliance space through the Breville (Australasia, North America, ROW) and Sage brands (Europe and Middle East)
- Solid history of earnings growth with good cash conversion and high ROIC
- Increasing R&D and marketing investment seeing accelerating top line growth from SKU and geographical expansion

Source: Spheria Asset Management, Morningstar

Company Positions

SEC holdings as at 31 October 2020

Company Name	% Portfolio
Class Limited	5.0
Ht&E Limited	4.1
Breville Group Ltd	3.7
Mortgage Choice Ltd	3.5
Adbri Limited	3.5
Fletcher Building	3.4
Sims Limited	3.3
City Chic Collective	3.3
Technology One	3.2
Corp Travel Limited	3.2
Top 10	36.3

Source: IRESS

Outlook

- Continued momentum in Fintech and GAAP (growth at any price) continues to leave opportunity in cyclicals, travel related and smaller cap stocks.
- Central Banks around the world have signaled continued interest in QE and further stimulus.
- The IPO pipeline is now active and we anticipate further M&A.
- A rotation is underway from speculation to valuation.

A photograph of the Aurora Borealis (Northern Lights) over a body of water at night. The aurora displays vibrant green and purple hues against a dark, star-filled sky. The lights reflect on the calm water below. In the distance, a range of mountains is visible under the twilight sky.

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.

Spheria Asset Management Pty Ltd ("Spheria") ABN 42 611 081 326, a corporate authorised representative (No. 1240979) of Pinnacle Investment Management Limited ("PIML") ABN 66 109 659 109, AFSL 322140, is the investment manager of Spheria Emerging Companies Limited ABN 84 621 402 588 ('SEC or the 'Company'). While SEC and Spheria believe the information contained in this communication is based on reliable information, no warranty is given as to its accuracy and persons relying on this information do so at their own risk. Subject to any liability which cannot be excluded under the relevant laws, SEC and Spheria disclaim all liability to any person relying on the information contained in this communication in respect of any loss or damage (including consequential loss or damage), however caused, which may be suffered or arise directly or indirectly in respect of such information. Any opinions and forecasts reflect the judgment and assumptions of SEC, Spheria and their representatives on the basis of information at the date of publication and may later change without notice. Disclosure contained in this communication is for general information only and was prepared for multiple distribution. The information is not intended as a securities recommendation or statement of opinion intended to influence a person or persons in making a decision in relation to investment. The information in this communication has been prepared without taking account of any person's objectives, financial situation or needs.

Unless otherwise specified, all amounts are in Australian Dollars (AUD).

Unauthorised use, copying, distribution, replication, posting, transmitting, publication, display, or reproduction in whole or in part of the information contained in this communication is prohibited without obtaining prior written permission from SEC and Spheria.