



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

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

28 February 2023

By Electronic Lodgement

Market Announcements Office
ASX Limited
20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

Shareholder webinar reminder and presentation on half-year results

The Board invites you to the upcoming shareholder webinar today at 11.00am (AEDT). The webinar will provide an update on the Company's half-year financials and investments from the Company's Director and Spheria Asset Management's Portfolio Manager, Matt Booker.

Shareholders are invited to register at the following link: [SEC 1HF23 Results Webinar](#)

The presentation slides are available below.

Authorised by:

Calvin Kwok
Company Secretary

Sphera Emerging Companies Limited (ASX:SEC)

1HFY23 Results & Portfolio Update

28 February 2023

Disclaimer

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

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Agenda

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



SEC Company Update

1HFY2023 Highlights

1HFY23 Profit	Company performance ¹	Dividends ²	Yield	Yield (including franking)
\$4.3m	+4.0%	4.3c	4.8%³	6.8%⁴

- 1HFY23 net profit after tax of \$4.3 million
- Company Performance of +4.0%, - 3.0% compared to benchmark⁵ of +7.0% (+2.0% p.a. to benchmark since inception date of 30 November 2017)
- Quarterly dividends declared for the half-year of 4.3 cents per share (fully franked)²
- Trailing dividend yield equal to 4.8%³ (6.8%⁴ including franking)

¹ 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.

² Comprising September 22 quarter dividend of 2.1 cents (paid 3 November 2022) and December 22 quarter dividend of 2.2 cents (paid 6 February 2023).

³ Trailing dividend yield based on total quarterly dividends for calendar year 2022 of 9.0 cents, calculated on share price as at 31 December 2022 of \$1.89.

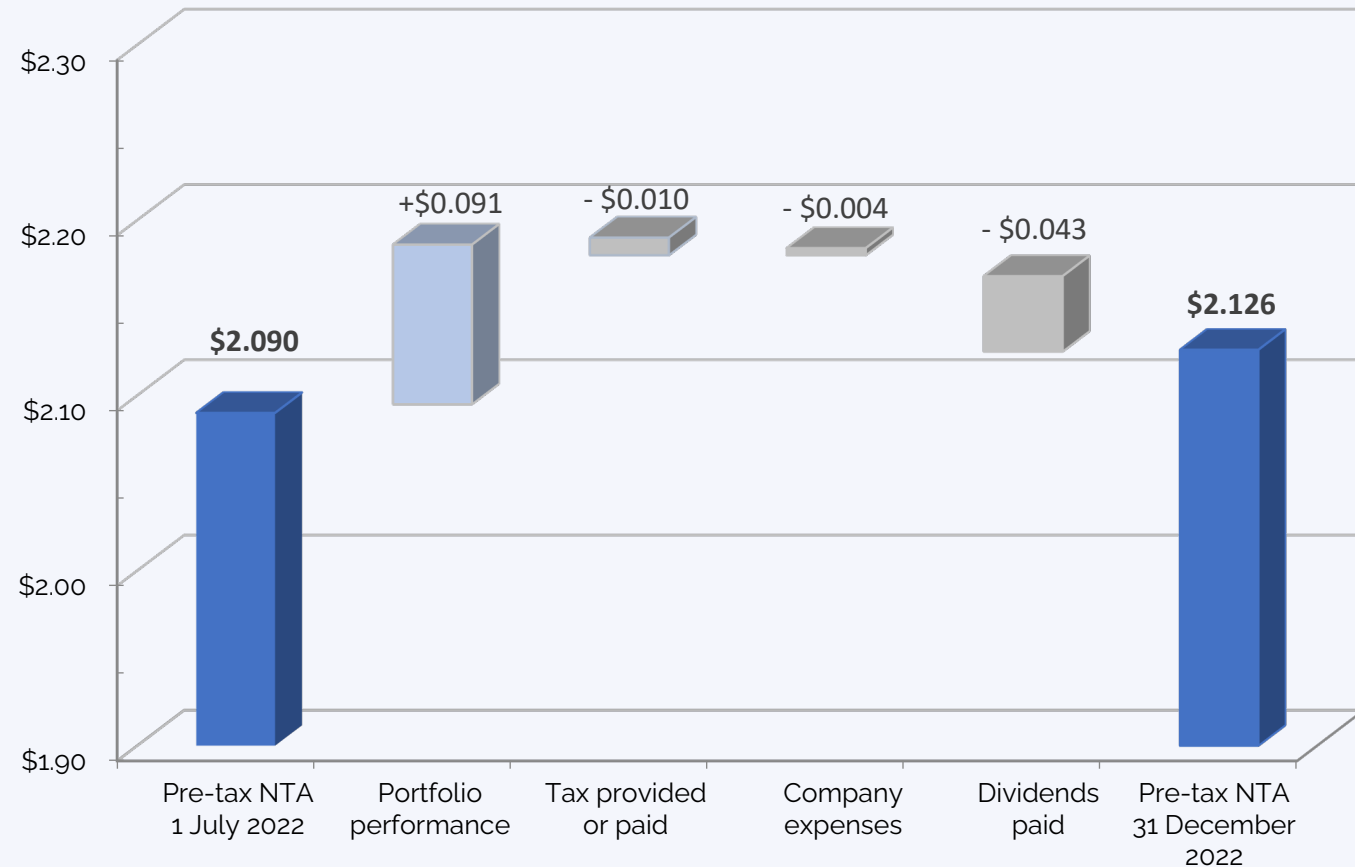
⁴ Trailing dividend yield including franking credits based on total quarterly dividends for calendar year 2022 of 9.0 cents, calculated on share price as at 31 December 2022 of \$1.89, using 30% tax rate.

⁵ S&P / ASX Small Ordinaries Accumulation Index

NTA breakdown for 1HFY23

Market rise less dividends paid leads to an increase in NTA per share

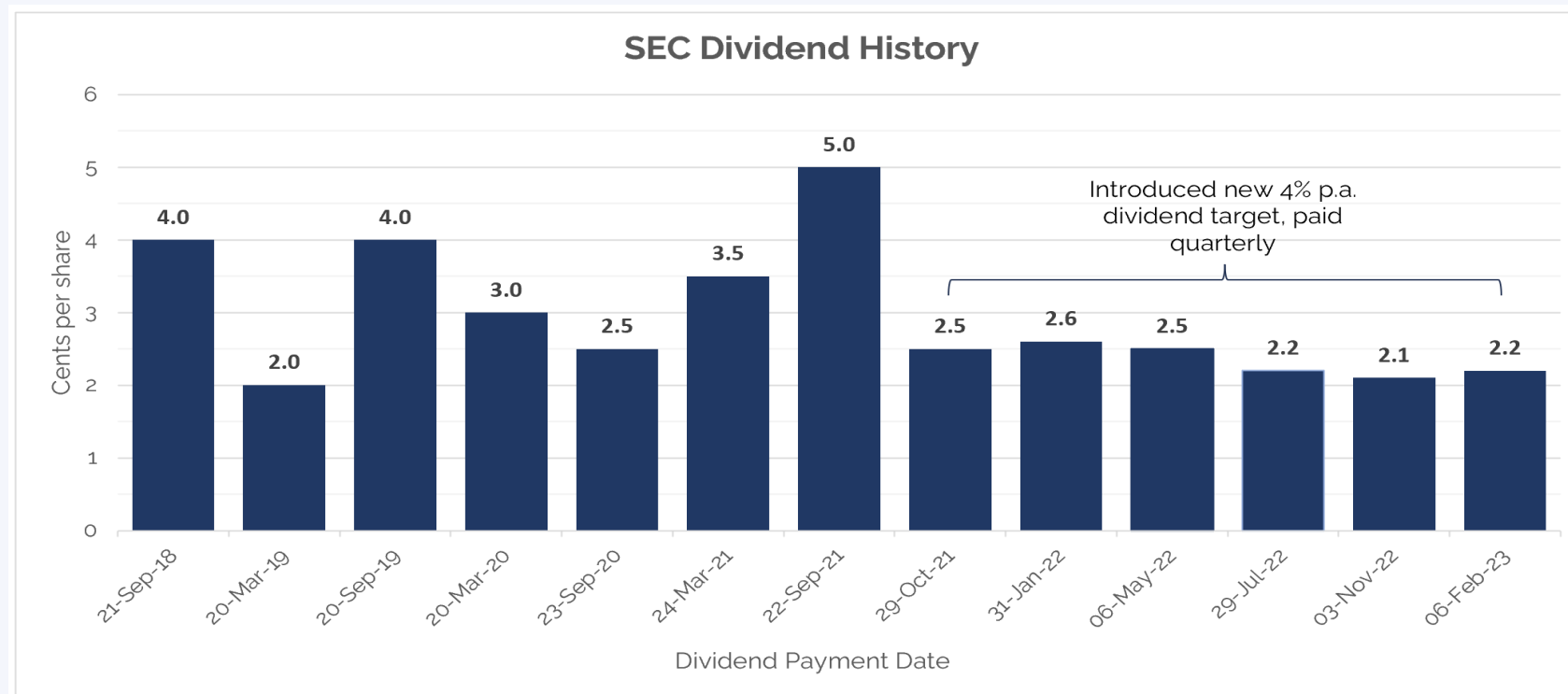
- Pre-tax NTA increased by \$0.036 from \$2.090 at 30 June 2022 to \$2.126 at 31 December 2022
- Post-tax NTA as at 31 December 2022 was \$2.180 per share, which was \$0.054 higher than pre-tax NTA, representing the value of tax on unrealised investment portfolio losses at period end, at the Company tax rate of 30%



Dividends

Delivering on the targeted 4% p.a. NTA dividend yield commitment

- Six consecutive quarterly dividends declared since moving to a quarterly dividend at 1% of post-tax NTA
- Targeted dividend yield of 4% of NTA (5.7% including franking), equal to trailing dividend yield of 4.8%¹ (6.8%² including franking) on share price as at 31 December 2022
- Total dividends since IPO of 38.1 cents per share (19% of the \$2.00 IPO price)



Source: Spheria Emerging Companies

¹Trailing dividend yield based on total quarterly dividends for calendar year 2022 of 9.0 cents, calculated on share price as at 31 December 2022 of \$1.89.

²Trailing dividend yield including franking credits based on total quarterly dividends for calendar year 2022 of 9.0 cents, calculated on share price as at 31 December 2022 of \$1.89, using 30% tax rate.

Performance History

Since inception Company outperformance of 2.0% p.a.

SEC Company performance

SEC Limited Net Performance as at 31st Dec 2022								
Period	1 month	3 month	FYTD	1 year	3 year (pa)	5 year (pa)	Since Inception (pa)	Inception Date
SEC Ltd.	-2.9%	4.0%	4.0%	-17.5%	4.8%	5.0%	5.5%	30/11/2017
S&P/ASX Small Ordinaries Accumulation Index	-3.7%	7.5%	7.0%	-18.4%	1.4%	2.9%	3.5%	
Difference	0.8%	-3.5%	-3.0%	0.9%	3.4%	2.1%	2.0%	

Past performance is not a reliable indicator of future performance.

Company's performance is 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 Benchmark is the S&P/ASX Small Ordinaries Accumulation Index.

All p.a. returns are annualised

SEC Portfolio Update

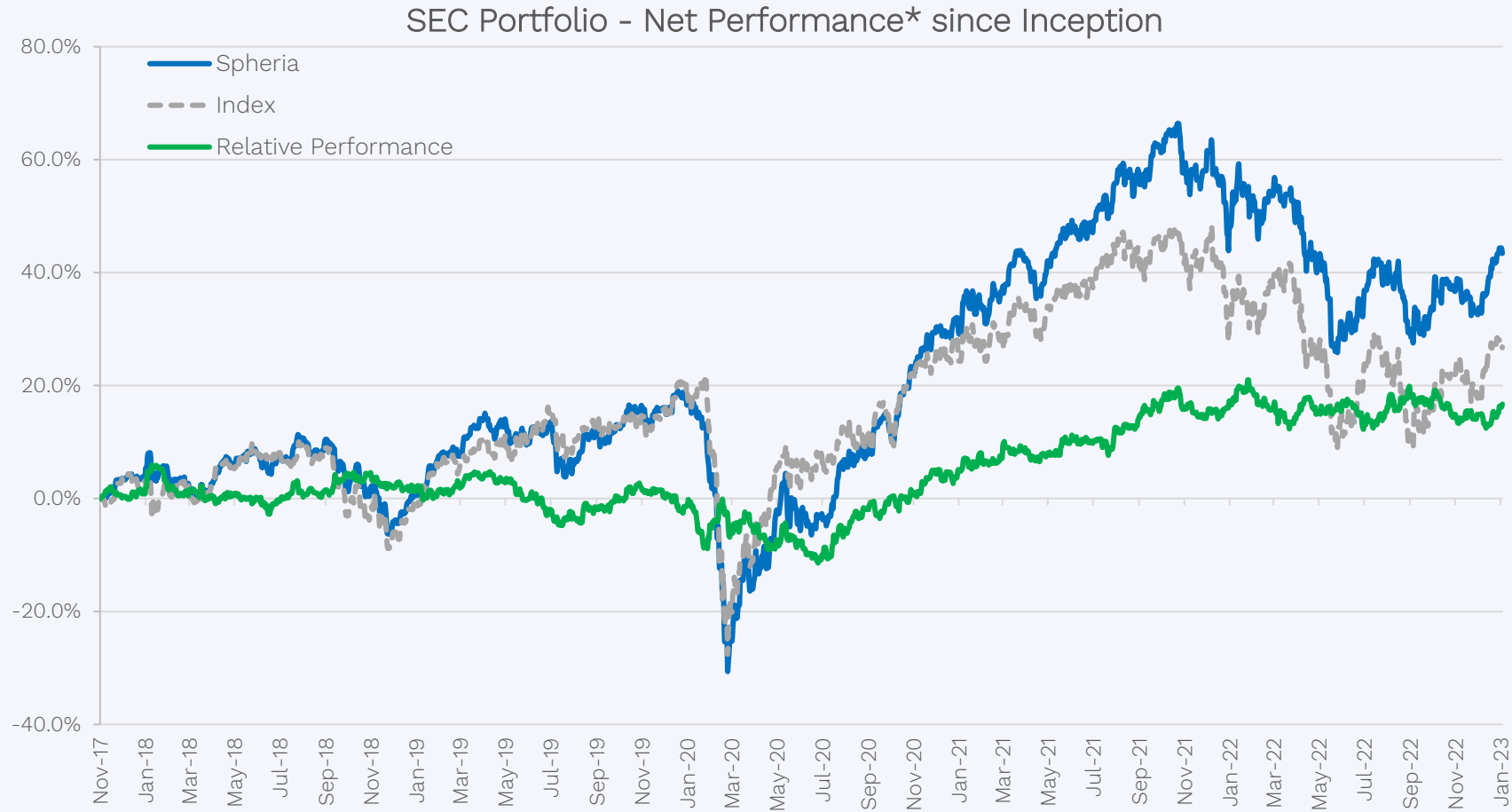
Spheria Asset Management Investment Process

How our investment process is different

1. **Focus on quality businesses with risk control overlay**
 - Sustainable free cash flow generation through the cycle
2. **Fundamental investment focus**
 - Free cash flow valuation model
 - Lowly geared balance sheets (ideally)
 - Discount to valuation
3. **Keep an open mind (facts change)**
 - Inflection points, changes in management/strategy, shifts in industry structure
4. **Market under researched and inefficient outside of larger companies**

SEC Portfolio Performance

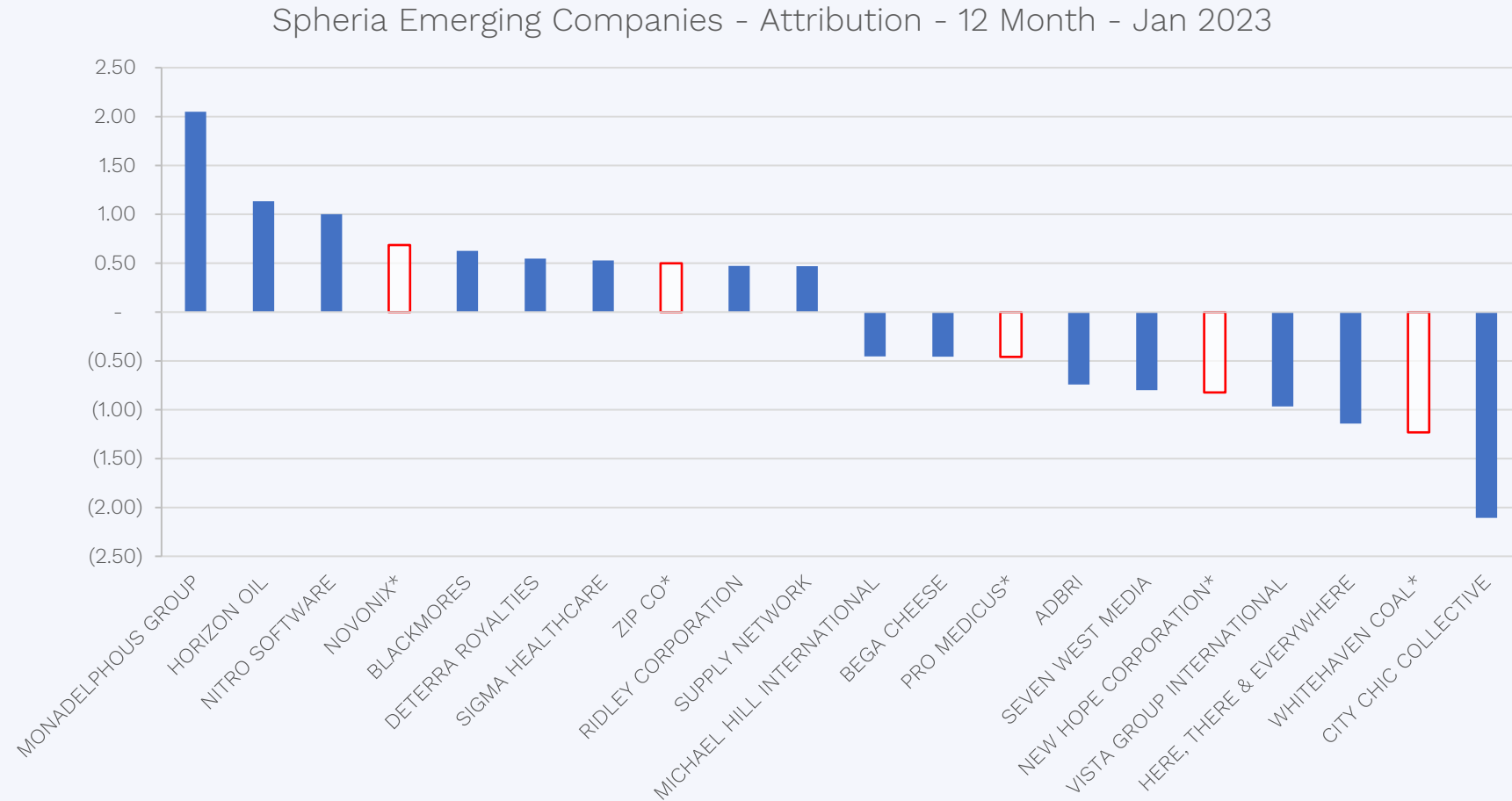
Strong relative performance in the last two years



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

Source: Spheria Asset Management to 31st January 2023

SEC Portfolio - stock attribution

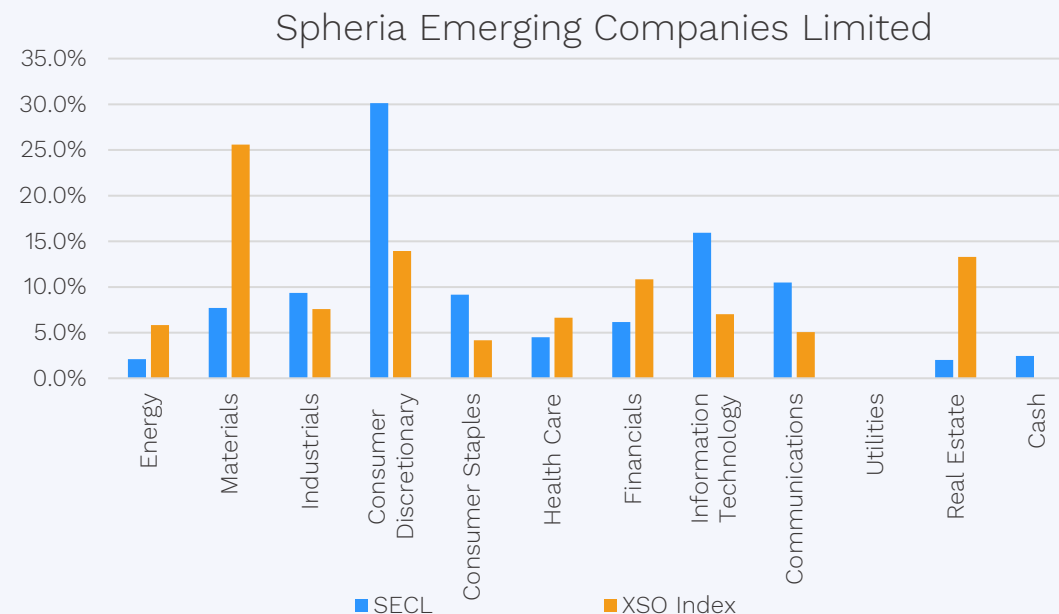


* Red Outline – companies we did not hold during the period

Source : Bloomberg Data as at 31st January 2023

Top 10 Company Holdings and Sector Exposure

Spheria Emerging Companies Limited		
Ticker	Company Name	% Portfolio
BKL	Blackmores Limited	4.9
IVC	InvoCare Limited	4.7
FLT	Flight Centre Travel	4.7
IRE	IRESS Limited	4.3
NTO	Nitro Software Ltd	3.9
IFL	Insignia Financial	3.7
BRG	Breville Group Ltd	3.4
BGA	Bega Cheese Ltd	3.3
MHJ	Michael Hill Int	3.3
TNE	Technology One	3.3
Top 10		39.4



Source: IRESS, as at 31st January 2023

Ready for takeoff

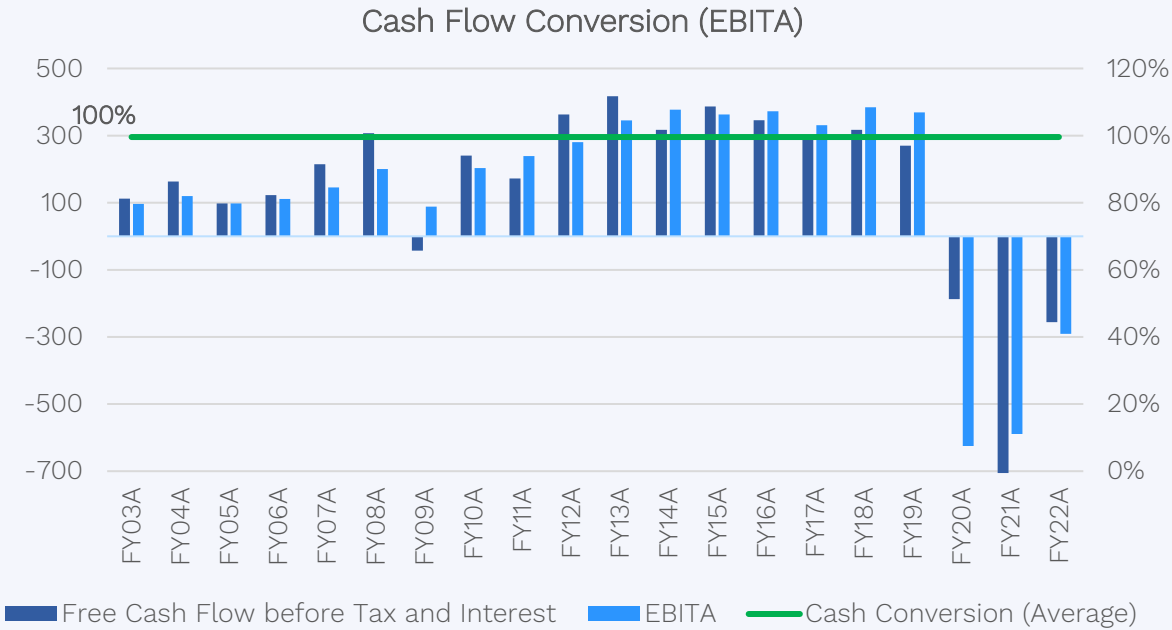
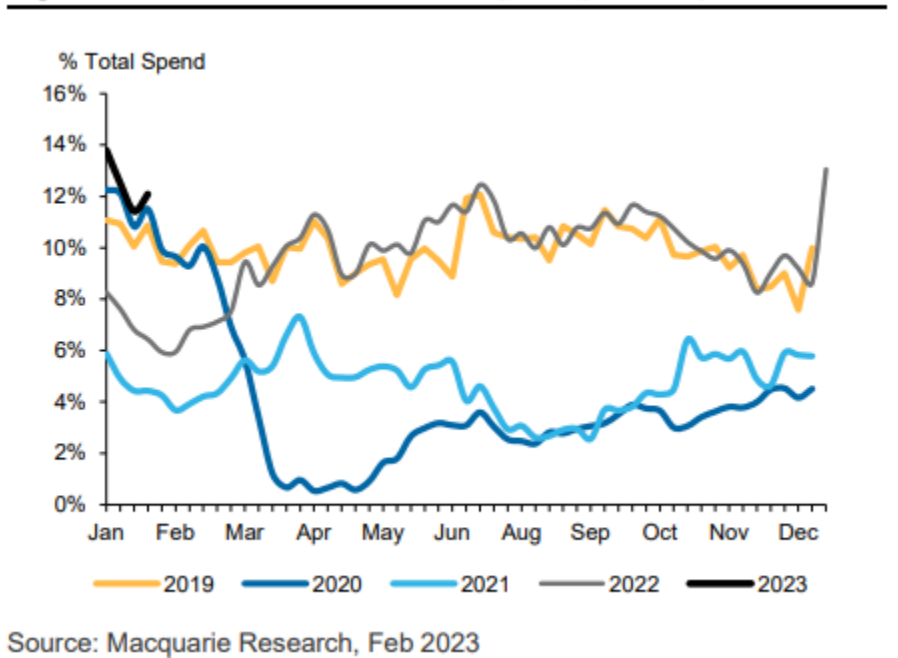
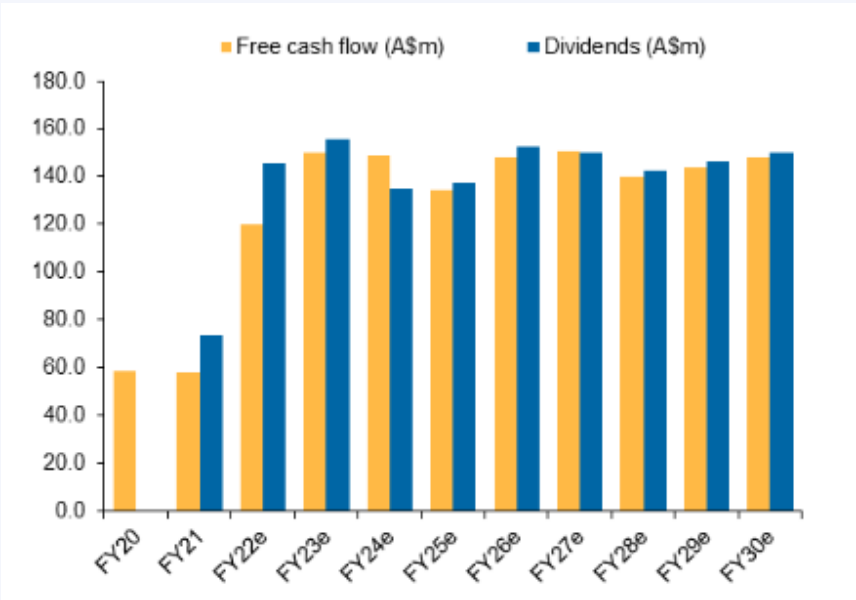


Fig 3 Australia – Travel % total spend (stacked)

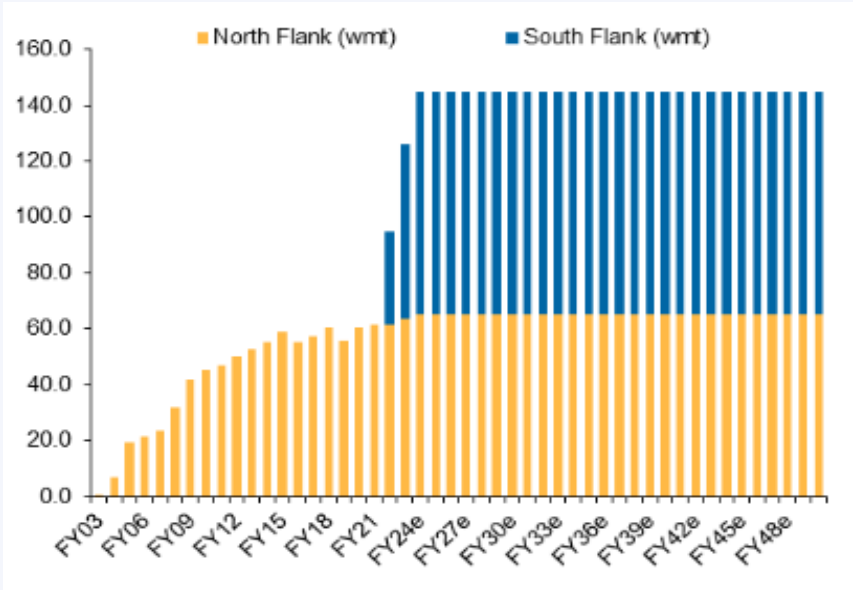


- History of strong cash flow generation interrupted by significant travel restrictions in recent years
- Leisure negligible contributor group profit before Covid downturn, Corporate being the lion share
- Re-engineered its Leisure division halving store network and increasing investment in digital offering
- Corporate TTV now exceeding pre-COVID levels and Leisure ~70%
- FLT expects to return to pre-COVID level earnings with only 70% of pre-COVID TTV

Free Cash Flow Projections



Mining Area C production (wmt)



- DRR owns a 1.2% royalty from Iron Ore production at Mining Area C (est 50yr + mining life) which is 65% owned by BHP.ASX
- Mining Area C is high quality/low impurity Fe and low cost mining operation with long duration
- Leverage to Fe price as royalty is % of sales revenue
- Conservative management team

Source: Morningstar, IRESS, Spheria, Macquarie Estimates (free cashflow, dividends)

Outlook

- Broad based share price declines provide significant opportunity for “through the cycle” valuation led investors.
- The growth-momentum narrative collapsed providing some pockets of reasonable opportunity.
- Overexuberance in some sectors remains e.g. Lithium miners/explorers
- Balance sheets for majority of our portfolio holdings are in “rude health”, an economic downturn will clean out weaker competitors.
- Operating leverage and cost inflation are key earnings risks but are well and truly priced in given significant de-ratings.
- M&A in “bombed out” technology names is a little concerning but a sign of potential broader activity.

Questions