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21 November 2023

*By Electronic Lodgement*

Market Announcements Office  
ASX Limited  
20 Bridge Street  
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Dear Sir/Madam

**2023 Spheria Emerging Companies Limited (ASX: SEC) Annual General Meeting – Chairman's Address**

Please find attached a copy of the Chairman's address which will be delivered at the Company's Annual General Meeting today.

This announcement was authorised for release by the Board of Directors.

## 2023 Annual General Meeting – Chairman's Address

### [Slide 4 – Investment Objectives]

On 5 December this year, the Company will celebrate its sixth anniversary since listing on the ASX in 2017. As we approach this milestone, I thought it an appropriate time to reflect on the Company's investment objectives as outlined in the Company's prospectus at the time of the IPO. There are two investment objectives:

- outperform the benchmark, the S&P/ASX Small Ordinaries Accumulation Index, over each full investment cycle (which the Manager considers to be a period of typically 3 to 5 years); and
- provide capital growth (over each investment cycle) and income.

The Company aims to maximise total shareholder return via a combination of capital growth and income, and to regularly pay fully franked dividends to shareholders. Let's assess how we have done against those objectives.

### [Slide 5 – Objective 1: Outperform the benchmark]

Regarding the first objective to outperform the benchmark. Company performance which is defined as the portfolio's performance after fees and company administration costs (but before tax) outperformed the benchmark which is the S&P/ASX Small Ordinaries Index by 2.6% since inception to 30 June 2023, and by 1.7% per annum when updated from inception through to 31 October 2023.

We will hear more from Matt and Marcus on this later but this is an excellent outcome for shareholders and consistent with the first investment objective of the Company as outlined on the previous slide.

### [Slide 6 – Objective 2: Provide Capital Growth and Income]

Regarding the second objective to provide capital growth and income. As detailed on the prior slide, the Company's portfolio returned 6.0% p.a. to 30 June 2023. Updated through to 31 October 2023 due to a declining market, Company performance had reduced to 3.6% p.a. since inception.

The Company's total shareholder return, or TSR Performance, which measures the combination of shareholder returns from a change in the SEC share price adjusted for any dividends paid, since listing in December 2017 to 30 June 2023 was 2.9% p.a., and updated through to 31 October 2023 is 2.2% p.a.

The Company's share price on 31 October 2023 was \$1.79 compared to an issue price of \$2.00, representing a negative capital return of -1.4% driven largely by the NTA discount that the SEC shares trade at, however during this time dividends of 45.8 cents have been paid, equivalent to an income return of 3.6% p.a.

The conclusion from this is that there has been a positive return for shareholders over the life of the Company up to 31 October 2023 if you invested at the IPO price of \$2.00. This takes me to the next slide.

### [Slide 7 – Provide Capital Growth and Income]

This is an additional slide on the Company's capital growth and income objective. The chart indicates the cumulative change in pre-tax NTA since IPO which showed modest growth over the time period to 30 June 2023, but a subsequent minor decline to 31 October 2023. The lighter blue lines indicate the dividends and franking credits attached to those dividends which the Company has paid since IPO. As you can see from the chart, this has been the primary driver of returns to shareholders.

### [Slide 8 – Spotlight on Dividends]

Turning to dividends, the payment of which in a regular and fully franked manner is a key benefit of the listed investment company (LIC) structure.

For FY23, the Company declared quarterly dividends totalling 9.3c per share (fully franked). Commencing from the final quarter of FY23, the Board set a new dividend target yield of 5% of NTA p.a. (7.1% p.a. including franking). This is paid at a level of 1.25% of post-tax NTA per quarter, based on the NTA at each quarter-end. The yield is even higher when reflected as a percentage of the current share price given the NTA discount the shares are trading at. The Company's move to a more regular

and higher level of income has been favourably received and we remain committed to continue to pay quarterly dividends at the guided 1.25% level should the Company's outlook and financial resources permit.

The first of the quarterly dividends for FY24 of 2.7 cents per share, based on the 30 September 2023 post-tax NTA, was paid recently on 6 November 2023.

**[Slide 9 – Share price vs NTA]**

Shareholders will recall that closing the NTA discount has been a focus of the Board, and it continues to be so. We are pleased that the NTA discount has narrowed substantially to be largely in the 5% to 10% range during the last 12 months, a meaningful improvement from the 25% discount it reached in 2020. We believe this narrowing of the NTA discount started with the strong investment performance in 2022. In 2023, the increase in the Company's quarterly dividend and the re-instatement of the on-market share buy-back has further improved this NTA discount.

**[Slide 10 – Share price vs NTA]**

Turning to a further slide on the SEC share price vs NTA to provide a bit of market context. When comparing the SEC NTA discount to the other ASX listed investment companies in the Australian small cap sector, you can see that SEC has one of the lowest NTA discounts.