



Spheria Emerging Companies Limited (Company)
Level 25
Australia Square Tower
264 George Street
Sydney NSW 2000

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

13 June 2024

By Electronic Lodgement

Market Announcements Office
ASX Limited
20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

Spheria Emerging Companies Limited (ASX:SEC) – Monthly Investment Update

Please find attached a copy of the investment update for the month ending 31 May 2024.

For further information, please contact 1300 010 311.

Authorised by:

Calvin Kwok
Company Secretary

Overall Commentary

The Company performance for the month of May was -2.7% (after fees), underperforming the S&P/ASX Small Ordinaries Accumulation Index by 2.6%.

The recurring “flight to safety” thematic drove another leg up in extremely expensive names. Anything cyclical / out-of-favour generally became even more so in May. The bifurcation was perhaps exacerbated by transition selling in the small and micro-cap space as two of our competitors were closed during the month. Nevertheless, it was a difficult month for the fund as several holdings downgraded their earnings expectations including Michael Hill International (MHJ.ASX) and Ainsworth Game Technology (AGI.ASX). Unfortunately, positive movements in the share prices of Supply Network (SNL.ASX), Vista Group International (VGL.ASX) and Star Entertainment Group (SGR.ASX) failed to make up for the aforementioned factors.

In our opinion, the Australian economy is experiencing “recession like” conditions which though negative for company profits in the short term could paradoxically precipitate an easing of monetary policy in the not-too-distant future. Given the market tends to price in advance of such shifts, we believe there is currently an attractive window to buy cyclically exposed companies that in many cases are plumbing multi-year lows and, in some cases, all-time lows.

Company Facts

Investment Manager	Spheria Asset Management Pty Limited
ASX Code	SEC
Share Price	\$2.160
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	\$129.2m

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

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

Performance as at 31 May 2024

	1 Month	3 Months	1 Year	3 Years p.a.	5 Years p.a.	Inception p.a. ³
Company ¹	-2.7%	-1.8%	7.2%	2.1%	6.1%	6.4%
Benchmark ²	0.0%	1.5%	10.9%	-0.1%	4.2%	4.6%
Difference	-2.6%	-3.4%	-3.7%	2.2%	1.9%	1.8%

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

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

Net Tangible Assets (NTA)¹

Pre-Tax NTA²

2.253

Post-Tax NTA³

2.249

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

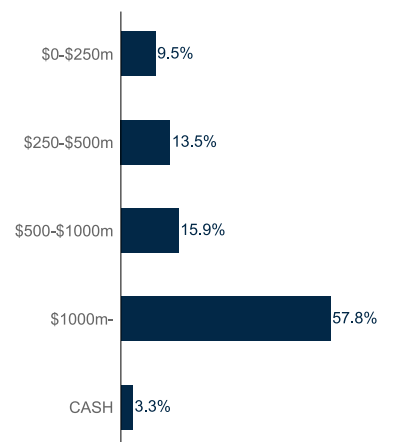
² Pre-tax NTA includes tax on realised gains/losses and other earnings, but excludes any provisions for tax on unrealised gains/losses.

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

Top 10 Holdings

Company Name	% Portfolio
Bega Cheese Limited	5.3
Supply Network Limited	4.4
Healius Limited	4.1
IRESS Limited	4.1
Deterra Royalties Limited	3.2
The Star Entertainment Group Limited	3.0
Adbri Limited	3.0
Fletcher Building Limited	2.9
Breville Group Limited	2.9
GWA Group Limited	2.7
Top 10	35.4

Market Cap Bands



Source: Spheria Asset Management

Fund Ratings



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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Contact Us

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