

Spheria Emerging Companies Limited

ACN 621 402 588



# Spheria Emerging Companies Limited

ASX : SEC

2020 Annual General Meeting

25 November 2020



# Agenda

1. Chairman's Address
2. Formal Business
3. Investment Update and Q&A (from 10:30am)

# Chairman's Address

Mr Jonathan Trollip

# Chairman's Address

## Overview

### The Company

Spheria Emerging Companies Limited (ASX: SEC)

- SEC offers investors access to an actively managed Australian and New Zealand small cap equities portfolio
- IPO raised \$132 million and listed on the ASX on 5 December 2017. \$120 million of net assets as at 31 October 2020<sup>1</sup>.

<sup>1</sup> based on pre-tax NTA

### The Manager

Spheria Asset Management Limited

- Believes free cash flow drives valuations in the medium to long term with risk assessment a critical overlay
- Identifies smaller companies where the future value of cash flows can be reasonably ascertained and the companies are assessed to be trading at a discount to their intrinsic value



# Chairman's Address

## Investment Objectives

The Company's investment objectives are to:

- 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 generate total Shareholder return via a combination of capital growth and income, with the aim of regularly paying fully franked dividends to Shareholders.

# Chairman's Address

## Company Details

### Manager

Spheria Asset Management

### Board of Directors

- Jonathan Trollip (Chairman)
- Lorraine Berends
- Adrian Whittingham
- Alex Ihlenfeldt (Alternate)

Shares <sup>1</sup>	
<i>Outstanding</i>	61,259,696
<i>Price</i>	\$1.68
<i>Market capitalisation</i>	\$102.9m
NTA <sup>2</sup>	
Pre-tax (Which includes tax provided for on realised gains)	\$1.965
Post-tax (Which includes tax provided for on realised and unrealised gains/losses)	\$2.023

<sup>1</sup> As at 31 October 2020

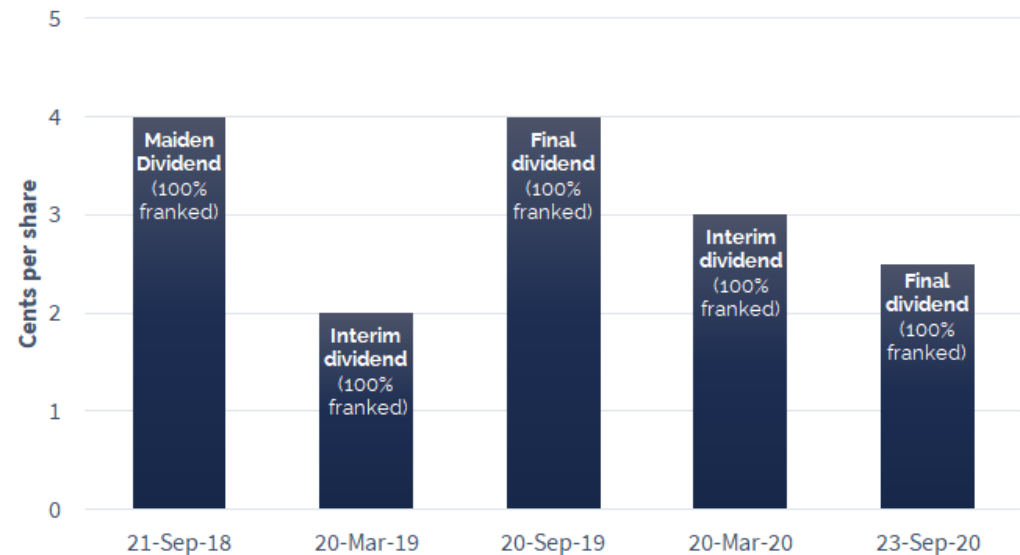
<sup>2</sup> As at 31 October 2020, excluding deferred tax assets relating to capitalised issue cost related balances and income tax losses.

# Chairman's Address

## Dividends

- Final dividend of 2.5 cents per share
- Annual dividend of 5.5c per share equivalent to a yield of 3.3%<sup>1</sup> or 4.7% grossed up for franking
- Commitment to pay at least 6.0c per share of annual dividends in FY2021 and FY2022 (100% franked)
- Equivalent to a 3.6%<sup>1</sup> yield (5.1% including franking)

### Dividend History

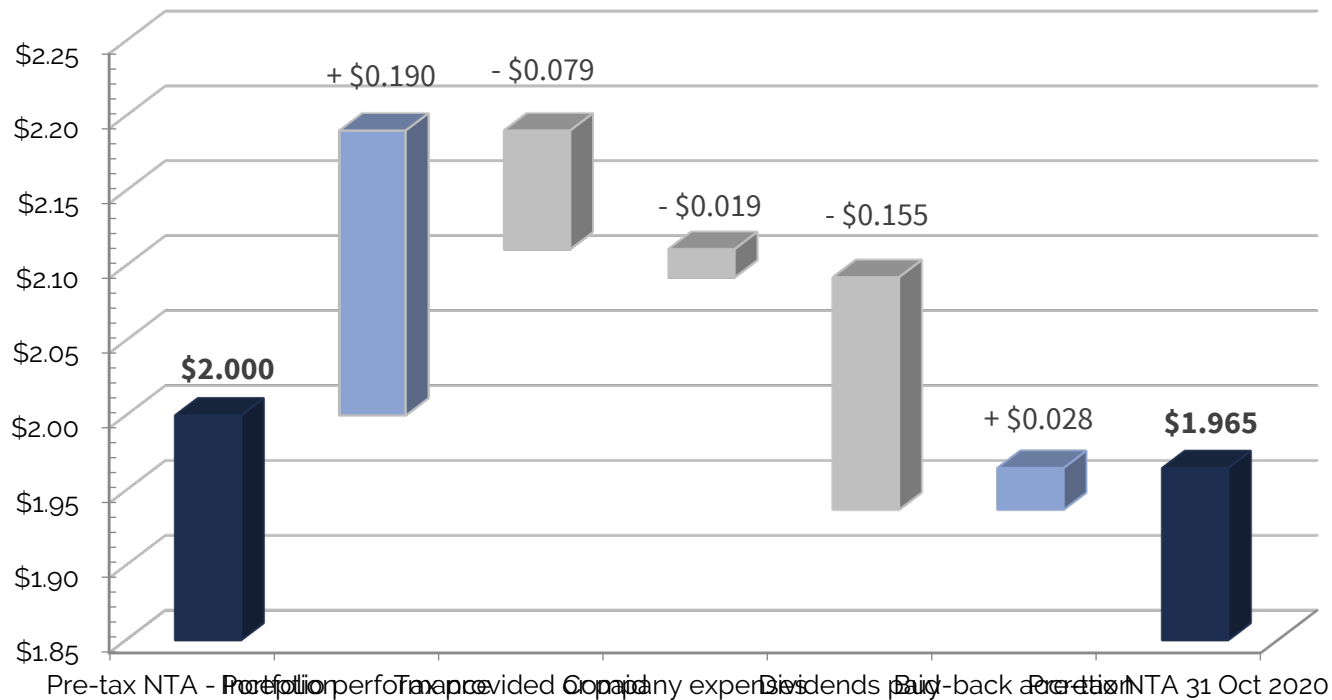


Source: Spheria Emerging Companies.

<sup>1</sup> Based on 31 October 2020 share price of \$1.68

# Chairman's Address

## NTA movements since IPO



Source: Spheria Emerging Companies.

\* Values represented are the estimated cents per share impacts calculated using aggregated yearly values for each financial year since inception. Portfolio performance is after management and performance fees. \*\* Pre-tax NTA includes provision for tax on realised gains / losses and other earnings but excludes any provision for tax on unrealised gains / losses.



# Chairman's Address

## Company Performance

### Company Performance<sup>1</sup>

- 3.1% annualised from inception to 31 October 2020

	1 month	6 months	1 year	2 years p.a.	Inception p.a.
Company	1.8%	21.3%	-2.5%	3.2%	3.1%
Benchmark <sup>2</sup>	0.5%	15.1%	-2.4%	5.7%	3.3%

### TSR Performance<sup>3</sup>

- -2.7% annualised from listing date to 31 October 2020 (share price of \$1.68 compared to an issue price of \$2.00, with dividends of \$0.155 paid by the Company since inception)

### NTA discount

- Share price of \$1.68 is a 14.5% discount to pre-tax NTA<sup>4</sup>

<sup>1</sup> Calculated as the Company's investment portfolio performance after fees excluding tax on realised gains and unrealised gains/losses and other earnings, and after Company expenses. Inception date 30 November 2017. <sup>2</sup> S&P/ASX Small Ordinaries Accumulation Index <sup>3</sup> Measured as movement in share price adjusted for dividends paid during the period <sup>4</sup> As at 31 October 2020.

# Chairman's Address

## Initiatives to close the discount to NTA

The Board acknowledges the current discount to NTA and is concerned about this unsatisfactory position and remains committed to addressing the discount to NTA.

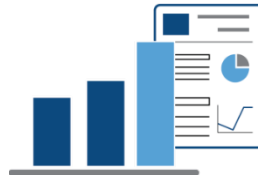
On-market share buy-back	<ul style="list-style-type: none"> <li>• Already executed \$7.7m (7.7% of total shares in issue) since 1 July 2019. Increased buyback to 10% of shares (a further capacity of 1.45 million issued shares remains)</li> <li>• Buy-back has been <b>accretive to NTA</b>, adding \$0.028 per share to the NTA (to 31 October 2020) by buying shares at a discount to NTA.</li> </ul>
Dividend Commitment	<ul style="list-style-type: none"> <li>• Commitment to pay <b>at least 6.0c per share of annual dividends in FY2021 and FY2022</b> (100% franked)</li> </ul>
Shareholder engagement	<ul style="list-style-type: none"> <li>• <b>Shareholder communication</b> – more regular insights by the Manager and Company updates by the Board</li> <li>• <b>Transparency</b> - Moved to daily NTA in May 2020, one of only a handful of ASX LICs to do so</li> </ul>
Improve scale	<ul style="list-style-type: none"> <li>• Company has considered but determined not to undertake acquisitions to <b>improve scale</b></li> </ul>
Other initiatives	<ul style="list-style-type: none"> <li>• <b>Other global best practice initiatives.</b> Continually exploring</li> </ul>

# Chairman's Address

## Shareholder Engagement



Regular shareholder  
email updates



Daily NTA  
announcement and  
monthly updates



Half & full year  
financial results



Website  
[Spheria.com.au](http://Spheria.com.au)



Media



Conference  
presentations

# Formal Business

Mr Jonathan Trollip

# Formal Business

Financial statements and reports

## Consideration of financial statements and reports



# Formal Business

## Resolution 1

### Adoption of the Remuneration Report

To consider and, if thought fit, to pass the following resolution:

**“That the Remuneration Report of the Company for the financial year ended 30 June 2020 be adopted.”**

# Formal Business

## Resolution 1 - Proxies

### Shares Voted

<b>For</b>	<b>5,777,831</b>	<b>93.55%</b>
<b>Open</b>	<b>90,637</b>	<b>1.47%</b>
<b>Against</b>	<b>307,402</b>	<b>4.98%</b>
<b>Abstain</b>	<b>104,550</b>	

# Formal Business

## Resolution 2

### Re-election of Lorraine Berends as a director

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

**“That Ms Lorraine Berends, who retires by rotation in accordance with rule 6.7 of the Company’s Constitution and, being eligible, offers herself for re-election, be re-elected as a director of the Company.”**

# Formal Business

## Resolution 2 - Proxies

### Shares Voted

<b>For</b>	<b>4,255,578</b>	<b>67.18%</b>
<b>Open</b>	<b>110,637</b>	<b>1.75%</b>
<b>Against</b>	<b>1,968,504</b>	<b>31.07%</b>
<b>Abstain</b>	<b>20,702</b>	

A wide-angle photograph of the Aurora Borealis (Northern Lights) over a calm lake at night. The aurora displays vibrant green and purple curtains of light against a starry sky. The horizon shows dark, snow-covered mountains and a few distant lights reflecting on the water's surface.

# Formal Business Q&A



A wide-angle photograph of the Aurora Borealis (Northern Lights) over a calm lake at night. The aurora displays vibrant green and purple curtains of light against a starry sky. The horizon shows dark, snow-covered mountains and a few distant lights reflecting on the water's surface.

# Investment Manager Update

# 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](mailto:hello@automic.com.au)

For investment enquiries please contact Pinnacle

T: 1300 010 311

E: [invest@spheria.com.au](mailto: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.