



**Spheria Emerging Companies Limited (Company)**  
**Level 25, 264 George Street**  
**Sydney NSW 2000**

Telephone: 1300 010 311  
Email: [invest@pinnacleinvestment.com](mailto:invest@pinnacleinvestment.com)  
ACN 621 402 588

19 November 2024

*By Electronic Lodgement*

Market Announcements Office  
ASX Limited  
20 Bridge Street  
Sydney NSW 2000

Dear Sir/Madam

**2024 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.

## 2024 Annual General Meeting – Chairman's Address

### [Slide 4 – Investment Objectives]

On 5 December this year, the Company will celebrate its seventh anniversary since listing on the ASX in 2017. As we did at last year's AGM it seems 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 1.9% p.a. since inception to 30 June 2024, and by 2.2% p.a. when updated from inception through to 31 October 2024.

We will hear more from Matt 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 previous slide, the Company's portfolio since inception returned 6.2% p.a. to 30 June 2024. Updated through to 31 October 2024 and aided by strong performance, this increased to 7.4% 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 2024 was 5.8% p.a., and updated through to 31 October 2024 is 6.7% p.a.

The Company's share price on 31 October 2024 was \$2.33 compared to an issue price at IPO of \$2.00, representing a positive capital return of 2.4% p.a., while during this time dividends of 58.6 cents have been paid, equivalent to an income return of 4.3% p.a.

Over the year to 31 October 2024, the TSR was a robust 37.9% driven by a capital return that was particularly strong at 31.9% and supplemented by an income return of 6%.

The conclusion from this is that both the income and capital growth of the Company are important drivers of shareholder returns and to varying degrees over the short and long term. 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 dark blue bars in this chart indicates the change in pre-tax NTA per share since IPO which shows healthy growth over the time period driven by portfolio performance. The lighter blue bars indicate the dividends and the franking credits attached to those dividends which the Company has paid since IPO. As you can see from the chart, this has been a strong additional driver of returns to shareholders. This is particularly true since the Company increased its dividend payout since Q3 2021.

### [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 FY24, the Company declared quarterly dividends totalling 12.0c per share (fully franked).

Commencing from the final quarter of FY24, the Board set a new dividend target yield of 6% of post-tax NTA p.a. (8.6% p.a. including franking). This is paid at a level of 1.5% of post-tax NTA per quarter, based on the NTA at each quarter-end. 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 1.5% level should the Company's outlook and financial resources permit.

The first of the quarterly dividends for FY25 of 3.5 cents per share, based on the 30 September 2024 post-tax NTA, was paid recently on 12 November 2024.

**[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 since January 2024, when the conditional proposal regarding the Company was announced.

The conditional proposal as agreed between the Company and investment manager is to pursue avenues for an exchange of shares in the Company for units in Spheria Australian Smaller Companies Fund should the average discount of the Company's share price to pre-tax NTA during the period 1 October 2024 to 31 December 2024 exceed 5%.

We are presently within this measurement period, and to 15 November 2024, the running average discount since 1 October is 4.4%.