



Spheria Emerging Companies  
Limited  
Level 35, 60 Margaret Street  
Sydney NSW 2000  
Telephone: 1300 010 311  
Email:  
[invest@pinnacleinvestment.com](mailto:invest@pinnacleinvestment.com)  
ACN 621 402 588

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Company Announcements  
ASX Limited  
Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

Dear Sir/Madam,

**2018 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.

Yours faithfully

**Calvin Kwok**  
Company Secretary

## **2018 Annual General Meeting – Chairman's Address**

### **[Slide 4 – Overview]**

This slide provides an overview of the Company. SEC offers investors access to an actively managed Australian and New Zealand small cap equities portfolio.

The Company's investment portfolio is managed by Spheria Asset Management Pty Limited (Manager).

The Company's initial public offering raised \$132 million and listed on the ASX on 5 December 2017.

The Manager 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.

### **[Slide 5 – 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 investment 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, with the aim of regularly paying fully franked dividends to Shareholders.

### **[Slide 6 – Company Details]**

Our Board of Directors comprises the members who are seated next to me. The table highlights the shares on issue as at 31 October 2018 and the NTA as at 26 October 2018.

### **[Slide 7 – Dividend]**

The Company intends to pay a dividend at least annually, subject to available profits, cash flow and franking credits.

As we announced with the Annual Report, the Company commenced paying dividends with the first dividend of 4 cents per share paid on 21 September 2018.

The Board is considering moving to paying dividends to Shareholders on a half-yearly basis. The Board will inform the market when this decision is made in due course.

### **[Slide 8 – Company Performance]**

The NTA Performance for the period from inception to 26 October 2018 was -0.9%. The performance of the Benchmark for the same period was 3.0%.

The current share price of \$1.765 as at close on 31 October 2018 is a 9.1% discount to the NTA as at 26 October 2018. This is consistent with the widening discount observed in recent times for Australian equities LIC's generally and especially for smaller LIC's.

The Company is taking active steps to narrow this discount. These steps include implementing a plan over the next year to materially improve its overall market and shareholder communication (media, conferences, periodic and direct shareholders communication).

The Company's TSR Performance for the same period was -10%. The Company's share price was \$1.765 compared to an issue price of \$2.00, with a dividend of 4 cents paid during the period.

### **[Slide 9 – Company Performance]**

The Company's pre-tax NTA has underperformed its Benchmark since inception, providing shareholders a return of 7.5% compared to its Benchmark that has delivered 8.9%.

### **[Slide 10 – Shareholder Engagement]**

This slide shows how we are currently engaging with Shareholders. The Company sends out regular emails with investment videos, dividend updates and investment and tax articles, weekly NTA announcements and monthly updates, half and full year financial results and media.

I will now hand over to Marcus and Matthew to provide an update from the investment manager.