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*By Electronic Lodgement*

Market Announcements Office  
ASX Limited  
20 Bridge Street  
Sydney NSW 2000

Dear Sir/Madam

**2022 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.

## 2022 Annual General Meeting – Chairman's Address

### **[Slide 4 – Investment Objectives]**

On 5 December this year, the Company will celebrate its fifth 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, with the aim of regularly paying fully franked dividends to shareholders.

### **[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 costs, has outperformed the benchmark which is the S&P/ASX Small Ordinaries Index by 2.8% per annum since inception to 31 October 2022.

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

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

Regarding the second objective to provide capital growth and income. The Company's total shareholder return, or TSR Performance, which measures the combination of shareholder returns from a change in the SEC share price plus any dividends paid, since listing in December 2017 to 31 October 2022 is 2.8% p.a. The Company's share price on 31 October 2022 was \$1.905 compared to an issue price of \$2.00, with dividends of 35.9 cents paid during the period equivalent to an income return of 3.5% 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 2022 of 13.2% or 2.8% per annum if you invested at the IPO price of \$2.00. This has been made up of 3.5% per annum return from dividends and negative capital returns from the small decline in the share price of SEC of 0.7% per annum driven largely by the NTA discount that the SEC shares trade at. This takes me to the next slide.

### **[Slide 7 – 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 predominantly in the 5% to 10% range during the last 12 months. This is a meaningful improvement from the 25% discount it reached in 2020. We believe this narrowing of the NTA discount is largely as a result of two factors. The first is the strong investment performance since 2020 by the Manager as I mentioned earlier. We will hear more from them shortly on that. The second is the payment of higher and more regular dividends, consistent with Objective 2 of the Company. This now takes me to my next slide.

### **[Slide 8 – Spotlight on Dividends]**

Turning to dividends: the payment of regular and fully franked dividends is a key benefit of the listed investment company (LIC) structure. Commencing from the first quarter of FY22, the Board set a new dividend target yield of 4% of NTA p.a. (5.7% p.a. including franking). This is paid at a level of 1% of post-tax NTA per quarter, based on the NTA at each quarter-end. The yield is slightly higher when calculated 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% level, subject to the usual caveat as the Company's financial resources and it being prudent to do so.

For FY22, the Company declared quarterly dividends totalling 9.8c per share (fully franked). This represented an increase of 15% on the FY21 annual dividend of 8.5 cents (3.5 cent interim / 5.0 cent final).

The first of the quarterly dividends for FY23 of 2.1 cents per share, based on the 30 September 2022 post-tax NTA, was paid on 3 November 2022.

#### Cyber Security

Finally, before commencing with the formal business of the meeting, in light of the recent Optus and Medibank cyber attacks, I would like to inform shareholders that this cyber security is top of mind for the Company Board. We have made inquiries of the Company's share registry, Automic, to substantiate that the various measures they have in place, including independent certifications, data encryption, external expert penetration testing, information security and privacy incident response plans, are reasonably appropriate to protect the privacy of our shareholders' information. However, shareholders should appreciate that there is no security system which is 100% safe and so the cyber security risk is one which we all have to live with.