

Spheria Emerging Companies Limited (ASX:SEC)

2022 Annual General Meeting

21 November 2022

Agenda

1. Chairman's Address
2. Formal Business
3. Investment Update
4. Questions

Chairman's Address

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

Objective 1: Outperform the benchmark

Company Performance¹

- 6.2% annualised from inception to 31 October 2022

	6 months	1 year	3 years p.a.	Inception p.a.
Company	-10.6%	-15.8%	+6.2%	+6.2%
Benchmark ²	-14.4%	-18.3%	+1.5%	+3.4%
Difference	+3.8%	+2.5%	+4.7%	+2.8%

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. Inception date 30 November 2017.

² S&P/ASX Small Ordinaries Accumulation Index.

Chairman's Address

Objective 2: Provide Capital Growth and Income

TSR Performance¹

- 2.8% annualised from listing date to 31 October 2022
 - Share price of \$1.905² compared to an IPO issue price of \$2.00
 - Dividends of \$0.359 paid by the Company since inception, equivalent to 3.5% per annum

	6 months	1 year	3 years p.a.	Inception p.a.
TSR Performance	-13.1%	-23.4%	+8.9%	+2.8%
- Capital Return	-15.0%	-27.2%	+5.1%	-0.7%
- Income Return	+1.9%	+3.8%	+3.8%	+3.5%

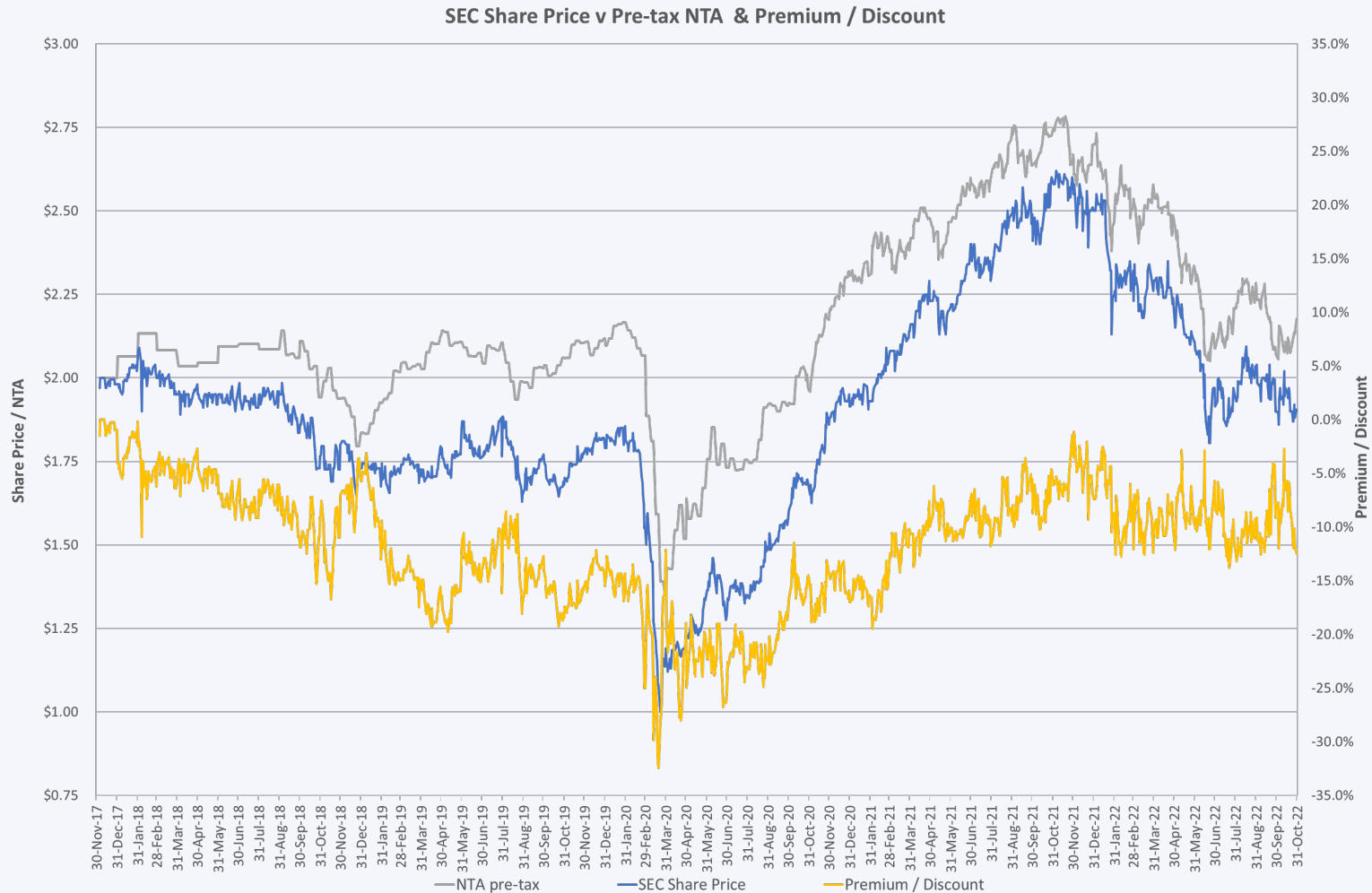
¹ Measured as movement in share price adjusted for dividends paid during the period.

² As at 31 October 2022

Chairman's Address

Share price vs NTA

- NTA discount has narrowed substantially to a range of 5%-10% over the last 12 months as a result of:
 - Strong investment performance
 - Higher and more regular income



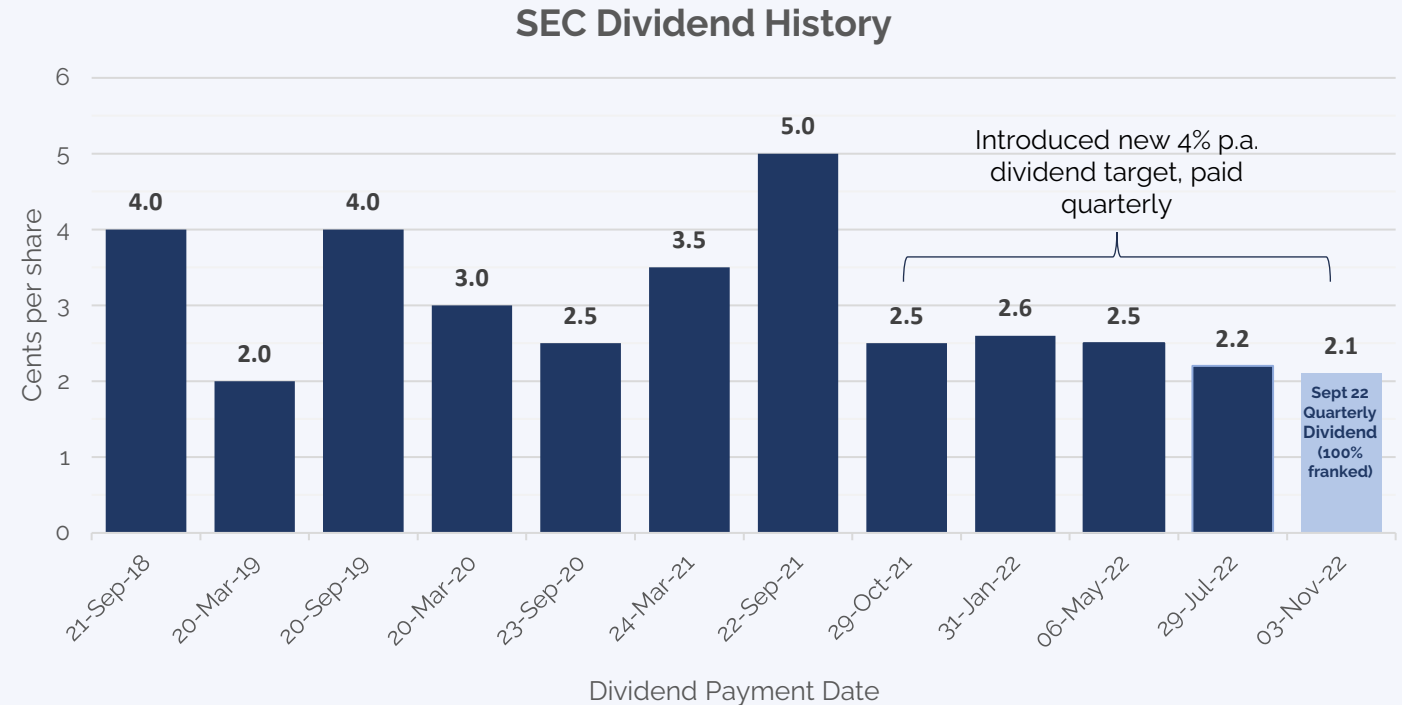
Source: Spheria Emerging Companies.

Data to 31 October 2022

Chairman's Address

Spotlight on Dividends

- Target dividend yield of 4% of NTA p.a. (5.7% including franking), paid quarterly at 1% of post-tax NTA.
 - Even higher yield when reflected as % of current share price given discount to NTA
- Total FY22 quarterly dividends of 9.8 cents per share fully-franked is an increase of 15% on FY21 dividends of 8.5 cents.
- First quarterly fully-franked dividend for FY23 of 2.1 cents per share paid on 3 November 2022.



Source: Spheria Emerging Companies.

Formal Business

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 2022 be adopted.”

Formal Business – Resolution 1 - Proxies

Shares voted

For	1,562,426	87.52%
Open	151,525	8.49%
Against	71,250	3.99%
Abstain	91,829	

Formal Business – Resolution 2

Re-election of Jonathan Trollip as a director

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

“That Mr Jonathan Trollip, who retires by rotation in accordance with rule 6.7 of the Company’s Constitution and, being eligible, offers himself for re-election, be re-elected as a director of the Company.”

Formal Business – Resolution 2 - Proxies

Shares voted

For	1,890,815	93.18%
Open	106,127	5.23%
Against	32,250	1.59%
Abstain	-	



Investment Manager Update

Fundamental investing shines through

Product Background

SEC is a listed version of the **Spheria Australian Smaller Companies Fund**

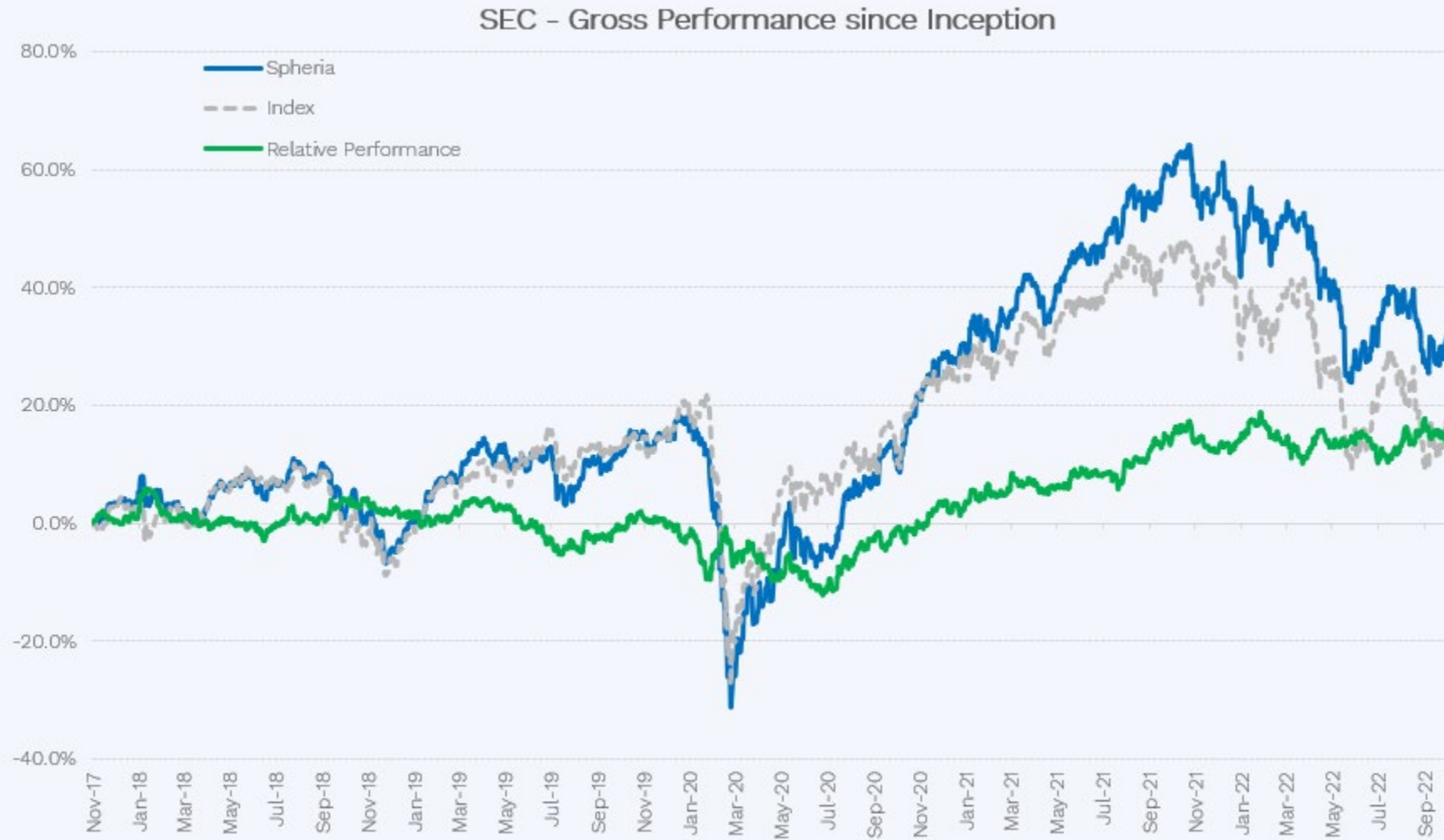
Designed to give investors exposure to:

- **cash generative**
- **lowly geared** smaller companies
- with **supportive valuations**.

SEC will typically have **20-65 stocks** (currently 44) with a max. active weight of ~5%

Has consistently paid dividends every 6 months (since inception) and is now paying quarterly

Performance – Graphical Illustration



Ready for takeoff

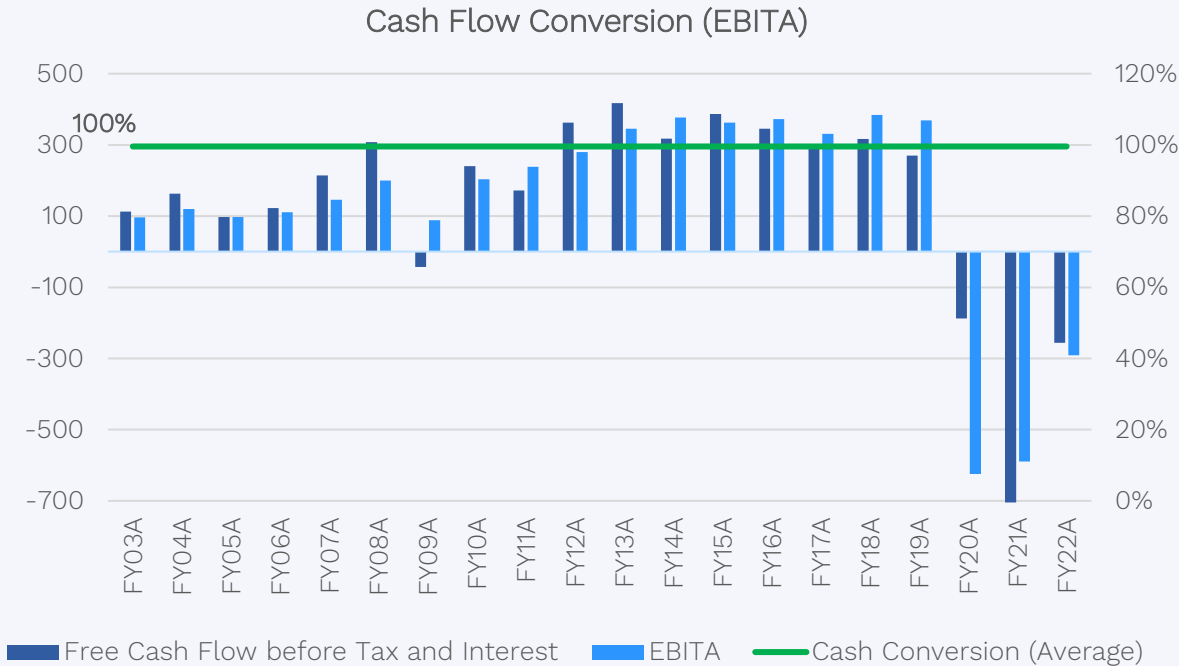
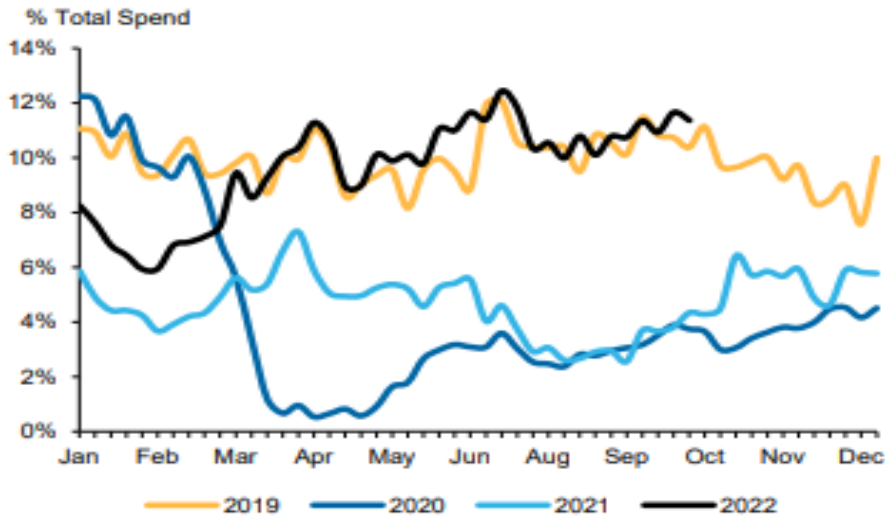


Fig 3 Australia – Travel % total spend (stacked)



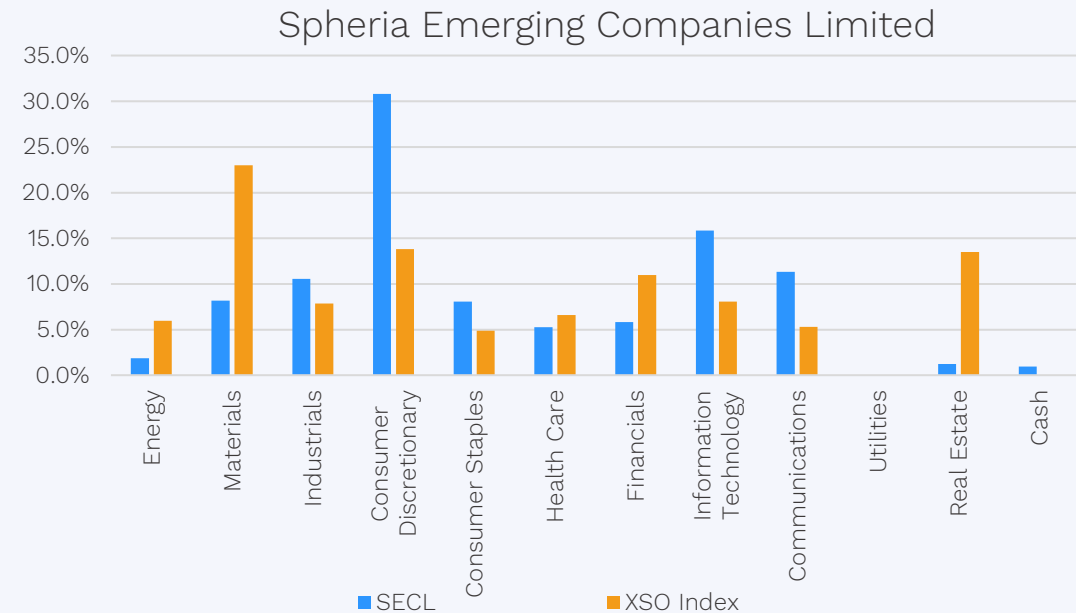
Source: Macquarie Research, Oct 2022

- History of strong cash flow generation interrupted by significant travel restrictions in recent years
- Leisure division negligible contributor to group profit before Covid downturn, Corporate travel the lion share
- Re-engineered Leisure division halving store network and increased investment in digital offering
- Corporate Total Transactions Value (TTV) now exceeding pre-COVID levels and Leisure ~70%

Source: Morningstar, IRESS, Spheria

Top 10 Company Holdings and Sector Exposure

Spheria Emerging Companies Limited		
Ticker	Company Name	% Portfolio
IVC	InvoCare Limited	5.2
FLT	Flight Centre Travel	5.1
MND	Monadelphous Group	4.4
IRE	IRESS Limited	4.4
NTO	Nitro Software Ltd	4.3
BKL	Blackmores Limited	4.3
MHJ	Michael Hill Int	4.0
UNI	Universal Store	3.4
IFL	Insignia Financial	3.4
EVT	EVT Limited	3.2
Top 10		41.8



Outlook

- Broad based share price declines provide significant opportunity for “through the cycle” valuation led investors.
- The growth-momentum narrative collapsed providing some pockets of reasonable opportunity.
- Overexuberance in some sectors remains e.g. Lithium miners/explorers.
- Balance sheets for majority of our portfolio holdings are in “rude health”, an economic downturn will clean out weaker competitors.
- Operating leverage and cost inflation are key earnings risks but are well and truly priced in given significant de-ratings.
- M&A in “bombed out” technology names is a little concerning but a sign of potential broader activity.

Questions

Disclaimer

Note: Past performance is not a reliable indicator of future performance.

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Thank you for joining us

SEC Shareholder Enquiries

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