

ASX ANNOUNCEMENT

15 November 2024

Chairperson's 2024 AGM Address

Salter Brothers Emerging Companies Limited (**SB2** or the **Company**) provides the below Chairperson's address which will be provided to the 2024 AGM today.

Good morning fellow shareholders and welcome to our 2024 Annual General Meeting. I am John Vatovec, the Chairperson of Salter Brothers Emerging Companies Limited, joining me for today's meeting are my fellow Directors, Robert Salter and Marco Marcou. Also in attendance is our Company Secretary, Justin Mouchacca, and a representative from Deloitte, the Company's auditor.

During the past financial year, the Company continued its focus on providing investors with attractive risk adjusted returns with capital growth and income over the long term by investing in a portfolio of typically 20-35 investments in predominantly Australian listed and unlisted securities of emerging companies (defined as companies with a market capitalization under \$500m at the time of investment.)

This affirms compliance with the emerging companies' investment requirements of the Australian Significant Investor Visa regime. As such the portfolio has a smaller cap focus and the portfolio performance is driven by the performance of this sector of the market.

FY24 saw Australian and Global Central Banks maintain their tight monetary policies as inflationary targets proved stubborn to achieve. Against this backdrop Australian and Global equity markets proved resilient and managed to post solid gains.

However, as FY25 evolved inflationary pressures started easing, particularly in the U.S. This led to coordinated interest rate cuts driven by the U.S that underpinned a rerating of risk assets globally.

Within the Australian context the Reserve Bank continues to remain vigilant against inflationary pressures and has so far resisted cutting interest rates, although markets are predicting that rate cuts could materialize early in 2025.

This expected shift in Australian interest rate bias has lifted the outlook for small caps, which tend to outperform in an environment of easing interest rates.

As at 31/10/2024 the SB2 portfolio contained 22 listed holdings (82.3% of total value), 7 unlisted holdings (15% of total value) and a 2.7% cash balance.

The average weighted market capitalisation of the portfolio as of 31 October was \$202m.

Over the last financial year, the investment team led by Gregg Taylor continued its strong relative performance by posting a trading result of an increase of 8% across the portfolio with the pretax net tangible assets (NTA) at 94.6c.

The SB2 portfolio has reflected the anticipated interest rate easing by increasing by 11.3% from 1 July 2024 to October 31, 2024 against its benchmark of 8.9%.

During the year another investment was made in an unlisted company, Alfabs Group, as part of its pre-IPO financing. Alfabs is a provider of engineering services for fabrication, construction, maintenance and mining equipment. Alfabs listed on the ASX in July 2024 (ASX: AAL) and has provided a strong uplift on initial investment. The company has extended its share buyback program for another 12 months in October 2024. The total number of shares bought back since the buyback program began in September 2022 is now 6.1 million shares at a cost of \$3.9 million.

Along with the share buyback program, directors continue to explore various capital management initiatives, which may include an inaugural dividend and the utilization of balance sheet franking credits.

When SB2 was established, it was the intention to initiate a dividend once the portfolio had built up a three-year track record, alongside sufficient capital gains and franking credits. These conditions have now been satisfied and the SB2 Board is actively working towards announcing an inaugural dividend following the December 2024 result release. Given the current franking credit balance, SB2 is well-positioned to potentially offer a fully franked dividend to shareholders. However, SB2's ability to pay any dividends remains subject to prevailing market and financial conditions at that time. Accordingly, there is no guarantee that any dividends will be paid. Further details regarding dividend payments will be provided by SB2 in early 2025.

As we look forward to 2025, we believe that the relative under performance of small caps versus larger caps will continue to lessen as they are underpinned by their superior earnings growth profile coupled with likely interest rate cuts.

SB2's unlisted company exposure continues to provide a key element of differentiation, and we remain optimistic for the prospects of these companies.

On behalf of the Directors and the Manager of SB2, I would like to thank all shareholders for their continued support and look forward to providing you with ongoing updates as the company continues to grow and explores further investment opportunities to enhance shareholder returns.

-ENDS-

This announcement has been authorised for release by the Board of Directors of Salter Brothers Emerging Companies Limited.

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EMERGING COMPANIES LIMITED

About Salter Brothers Emerging Companies Limited (ASX: SB2)

Salter Brothers Emerging Companies Ltd (ASX: SB2) is a listed investment company with an investment portfolio focused on listed and unlisted securities, predominantly in Australia, of emerging companies with a market capitalisation under \$500 million at the time of initial investment. The Company's investment portfolio is managed by Salter Brothers Funds Management Pty Ltd, a corporate authorised representative of Salter Brothers Asset Management Pty Ltd (AFSL number 308971).

www.salterbrothersemergingcompanies.com.au

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