



Spheria Emerging Companies Limited

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## By Electronic Lodgement

Market Announcements Office  
ASX Ltd  
20 Bridge Street  
SYDNEY NSW 2000

Dear Shareholders

## Update on share buyback and other Company initiatives

The Board of Spheria Emerging Companies Limited (the **Company**) continues to consider the full range of potential initiatives to close the persistent discount to NTA that the Company's shares trade at. While acknowledging that this is a broader issue than one specific to the Company and is particularly prevalent with ASX listed small cap listed investment companies (**LICs**), the Board remains committed to considering additional initiatives to reduce the NTA discount of the Company.

During 2019, the Company implemented a \$5m on-market share buyback which is now nearing its completion. These shares, making up approximately 4% of the shares in the Company, were purchased at an average discount to NTA of approximately 16% and thus have been accretive to the NTA per share of the Company by more than 0.6%. Coupled with the 50% increase in the FY2020 interim dividend to 3 cents per share (from the prior year's interim dividend of 2 cents per share), these actions indicate the Board's willingness to use the Company's available capital management avenues to help narrow the discount to NTA. In addition, during 2019, the Company moved to disclosing a weekly NTA to improve the transparency of information regarding the Company's portfolio.

Nevertheless, the Board is committed to do more given that the NTA discount persists. As a result, the Company today announces the following additional initiatives:

- **Expanded on-market share buy-back.** The Company will buy back a further \$2.5m of shares. At the current share price (\$1.14 per share at 30 March 2020), this is equivalent to further 3.5% of the shares in the Company.

The Board considered a larger extension of the on-market share buy-back but wanted to balance this use of the Company's capital resources with the desire to **preserve capital to take advantage of two groups of opportunities available to the Company.**

The first group of opportunities are those currently available to invest as part of the Company's investment portfolio managed by Spheria Asset Management Pty Ltd (the **Manager**) as a result of the Coronavirus related selloff in the ASX small cap sector. One of the primary reasons the Company was established as a closed end structure was so that the Company could take advantage of these types of opportunities while open ended

funds that may suffer redemptions during market selloffs would not be able to capitalise on these opportunities to the same extent.

The second group of opportunities for the Company relate to the Board's view that the ASX small cap LIC sector will need to undergo significant consolidation over the next few years. Too many small cap LICs are sub-scale, illiquid, under resourced and under researched. As a result, the Company wishes to preserve some of its capital should the opportunity arise for it to acquire an LIC with a similar investment mandate as the Company during this expected period of sector consolidation.

- **Daily NTA.** During these volatile markets, the Board recognises the need for shareholders to have updated information on the value of Company's portfolio in order to make appropriate investment decisions. As a result, the Company will, for the time being and once ready to do so, be providing an estimated daily NTA to help shareholders and potential new shareholders with their investment decisions. This is well beyond both the ASX requirements of a monthly NTA and is best in class for the small cap LIC peer group, most of whom only disclose monthly NTAs. The Company will provide this additional disclosure while the market conditions remain volatile and will consider the benefits to shareholders of continuing the additional disclosure longer term once the markets have stabilised.
- **Portfolio disclosure.** In response to requests from certain shareholders, the Company will provide increased holdings disclosure in the monthly investment update reports. The Company currently provides the top 5 individual stock holdings in these monthly reports. The Company will now provide the top 10 individual stock holdings.

The above additional initiatives are a further indication of the Board's commitment, together with the Manager, to consider the full range of possible solutions to improve the current discount to NTA and ensure the future success of the Company. Should these initiatives not be successful, the Board is committed to looking at additional new initiatives.

Authorised by:

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Chairman