Spheria Emerging Companies Limited (Company)
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21 July 2026

By Electronic Lodgement

Market Announcements Office
ASX Limited
39 Martin Place
Sydney NSW 2000

Dear Sir/Madam

Spheria Emerging Companies Limited (ASX:SEC) – Monthly Investment Update

Please find attached a copy of the investment update for the month ending 30 June 2026.

For further information, please contact 1300 010 311.

Authorised by:

Terence Kwong
Company Secretary

Overall Commentary

In the month ended 30 June 2026, the Company returned -0.2%, outperforming the S&P/ASX Small Ordinaries Accumulation Index by 1.8%.

NTA Tangible Assets (NTA)[1]

Pre-Tax NTA[2]
2.238
Post-Tax NTA[3]
2.229

[1]NTA calculations exclude Deferred Tax Assets relating to capitalised issue related balance and income tax losses. These figures are subject to audit.

[2]Pre-tax NTA includes tax on realised gains/ losses and other earnings, but excludes any provisions for tax on unrealised gains/losses.

[3]Post-tax NTA includes tax on realised and unrealised gains/losses and other earnings.

Company Facts

Investment Manager	Spheria Asset Management Pty Limited
ASX Code	SEC
Share Price	$2.300
Inception Date	30 November 2017
Listing Date	5 December 2017
Benchmark	S&P/ASX Small Ordinaries Accumulation Index
Dividends Paid	Monthly
Management Fee	1.00% (plus GST) per annum[1]
Performance Fee	20% (plus GST) of the Portfolio's outperformance[2]
Market Capitalisation	$137.9m

[1]Calculated daily and paid at the end of each month in arrears.
[2]Against the Benchmark over each 6-month period to a high-water mark mechanism

Top 10 Holdings

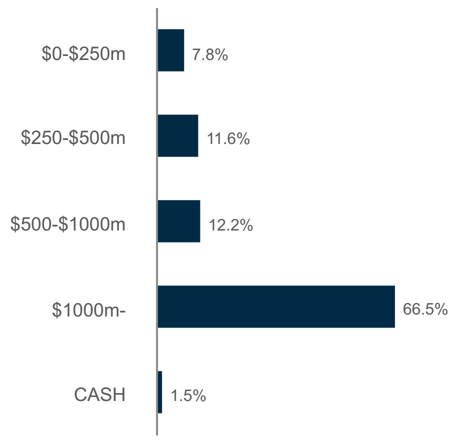
Company Name	% Portfolio
Supply Network Limited	5.0
Deterra Royalties Limited	4.4
Fletcher Building Limited	4.1
Imdex Limited	4.1
Sims Limited	4.0
Perpetual Limited	4.0
IRESS Limited	3.9
Orora Limited	3.8
Universal Store Holdings Limited	3.7
Mader Group Limited	3.1
Top 10	**40.1**

Performance as at 30 June 2026

	1 Month	3 Months	1 Year	3 Years p.a.	5 Years p.a.	Inception p.a[3]
Company[1]	-0.2%	0.3%	0.0%	7.5%	3.2%	6.6%
Benchmark[2]	-2.0%	3.3%	8.1%	9.9%	3.0%	5.6%
Difference	1.8%	-3.0%	-8.1%	-2.4%	0.2%	1.0%

[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
[2]Benchmark is the S&P/ASX Small Ordinaries Accumulation Index.
[3]Inception date is 30 November 2017. Past performance is not a reliable indicator of future performance. All p.a returns are annualised.

Market Cap Bands



Source: Spheria Asset Management

Markets

Global equity markets closed the financial year on a strong note, with both large and small caps posting robust returns in June. The MSCI World Index returned 30% over the year, while the MSCI Small Cap Index returned 23%. Information technology led the global rally, with the Technology Hardware sub-sector within the MSCI Smaller Companies Index delivering a remarkable 900% return - though this was driven overwhelmingly by a single stock, SanDisk (SNDK.US), which rose roughly 4,900% over the period, underscoring just how narrow that reported return really was. Materials followed close behind, buoyed by strong commodity prices across copper, gold, and a recovering lithium market.

The domestic equity indices significantly lagged their global peers, though Australian small caps outperformed large caps, returning 8% for the financial year versus around 6% for the ASX 50. Materials was again a standout locally, consistent with the global theme, but Australia's direct AI exposure is far thinner - outperformance here was concentrated in electrical contractors and a handful of data-center-related names. That, combined with the cumulative weight of several rate rises amid worsening inflation, kept pressure on the Australian consumer and, in turn, the broader equity market. The market was further impacted by a de-rating of the software sector as investors began questioning AI's threat to barriers to entry.

The fund lagged the index over the financial year, driven mainly by an underweight to resources. As bottom-up fundamental investors, our process makes it harder to find quality small-cap resources names, given that anything with decent reserve life and low unit costs tends to already sit among the ASX's largest 100 companies or has been acquired by a larger miner. Gold producers are conceptually an even tougher fit for us: industrial demand is a relatively small component of overall demand, so the commodity price is driven more by speculative forces than by fundamental industrial demand and cost curves. History suggests that investing in high-cost gold mines with limited reserve life rarely ends well for investors, and our preference is to play in better risk-reward scenarios instead. As a result, the portfolio has historically been underweight the sector, gaining exposure instead through quality mining services names such as Mader (MAD.ASX) and Imdex (IMD.ASX) - though this was not enough to offset the strong returns delivered by the broader materials sector over the financial year.

Major Contributors to Performance

Over the month the largest contributors were not owning Liontown (LTR.ASX, -30%), an overweight position in Universal Store Holdings (UNI.ASX, +15%), and not owning Alcoa Corporation (AAI.ASX, -27%).

Universal Store (UNI.ASX) returned 15%, rebounding off oversold levels driven by weak sentiment across the consumer discretionary sector. In contrast to most other retailers, Universal continues to deliver strong topline growth and cost control in an environment where peers have generally seen weak growth and margin pressure. In May, the company provided a strong financial-year-to-date trading update, with positive like-for-like (LFL) sales across all three brands. The Universal Store brand delivered +8.5% LFL sales for the 43 weeks, cycling a strong +13.7% comp, while Perfect Stranger delivered +12.9%, cycling +26.7% growth. FY26 guidance remains strong, with 11.5% revenue growth and 15.4% EBIT growth expected despite the impact of higher labour costs and general inflationary pressure, with the business managing costs and margins well. Universal Store has been a long-term holding for the portfolio, and we believe it remains a quality retailer with ongoing growth through store roll-out, a net cash balance sheet, and trading on only 8.5x FY27 EV/EBIT.

Major Detractors from Performance

The largest detractors from performance included an overweight position in Karoon Energy (KAR.ASX, -26%), not owning Megaport (MP1.ASX, +44%), and not owning Zip Co (ZIP.ASX, +41%).

Karoon Energy Ltd (KAR.ASX) returned -26% during the month, driven by both a fall in oil prices and a company-specific trading update. The company revised CY26 production guidance from 8.1-9.2 MMboe to 7.2-8.2 MMboe, due to lower production at its Who Dat field in the Gulf of Mexico. A piece of subsea equipment failed at one of Who Dat's key production points, and the operator now doesn't expect it to be fully repaired until 2027, meaning part of the field will produce well below its normal run rate. Two smaller wells due to come online later this year will help offset some of the shortfall, but not enough to close the gap entirely.

Importantly, Karoon's main oil well at its Bauna Project is now fully back online. This well represents nearly 50% of the company's production in Brazil. We feel the market has overreacted to the issues at Who Dat, given it represents approximately 25% of normalised group production. Bauna is far more important, given it is most of group production and commands a higher premium for its oil. Importantly, it is also now past its capex hump and despite the higher spending, management announced a further share buyback of up to 10% of shares on issue - reflecting confidence in the company's overall cash flows and balance sheet strength.

Outlook & Strategy

FY2026 has been a challenging market for bottom-up fundamental investors. Returns were concentrated in a handful of core thematics - namely AI and miners - and this lack of breadth drove outsized gains in a small number of names, while much of the rest of the market, particularly stocks sitting outside the index, were largely written off. As discussed in the market summary, the global small-cap Technology Hardware sector's return, driven almost entirely by a single company, illustrates just how narrow this market has been. Riding the winners and ignoring the losers, at any price and any valuation, was the story of the year.

Moving forward, we expect M&A activity to continue picking up as depressed valuations draw corporate and private capital back into the market - a trend already playing out overseas, as seen with a private equity group in the process of acquiring Intertek, one of the larger holdings in our global fund. Just after month end, Perpetual (PPT.ASX) announced it had received a takeover approach after its share price had fallen to five-year lows. We view this as tangible validation of the valuation gap we have been highlighting when the market won't pay up for quality, someone else usually will. Our focus remains where it has been throughout this cycle - on patient, fundamentals-driven positioning in the areas the market has chosen to overlook.

Fund Ratings

Zenith RECOMMENDED

Recommended Lonsec Research

Contact Us

For more information, please contact Pinnacle Investment Management Limited on 1300 010 311 or email distribution@pinnacleinvestment.com

Disclaimer

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