SEC Results FY26

Dividends[1]	Yield	Yield (incl. franking)	Company Performance[2]	FY26 Profit
13.5c	5.9%[3]	8.4%[4]	Flat (0.0%)	$1.5m

- **Total dividends for the year of 13.5 cents per share (fully franked)[1]**
- **Trailing dividend yield equal to 5.9%[3] (8.4%[4] including franking)**
- **Company Performance of 0.0%, -8.1% compared to benchmark[5] (+1.0% p.a. to benchmark since inception[6])**
- **FY26 net profit after tax of $1.5m**
- **SEC now successfully trading at a premium to its NTA per share after various pro-active measures implemented over recent years to address the NTA discount**
- **Shareholder webinar on results and portfolio on 3 September 2026**
  Please register at: [SEC FY2026 Results Presentation]

Company Performance

Spheria Emerging Companies Limited (ASX:SEC) (**Company**) recorded a profit of $1.5m for the year ended 30 June 2026 (**FY26**). Company Performance, which comprises investment portfolio performance after deducting investment management fees and Company administration expenses (excluding taxes), was flat (0.0%) for the year, which was 8.1% lower than the benchmark. The relative underperformance for the year was largely due to being underweight the resource sector.

Despite the lower performance to benchmark during the year, the Company continues to exceed its benchmark since inception, with Company performance of 6.6% p.a. compared to benchmark performance of 5.6% p.a.

Dividends

The Company transitioned from the payment of quarterly dividends to the payment of monthly dividends during the year.

Total fully-franked dividends for the Company during the year were 13.5 cents, comprising two quarterly dividends of 3.8 cents per share for September and December 2025 quarters, plus two monthly dividends of 1.3 cents per share paid in February and March 2026 and three monthly dividends of 1.1 cents per share paid in April, May and June 2026.

This represents a trailing dividend yield of 5.9%[3] based on the 30 June 2026 share price of $2.30, and a gross yield (including franking credits) of 8.4%[4].

The graph over-page shows dividends paid and the trailing dividend yield and trailing gross (including franking) dividend yield for each financial year since inception.

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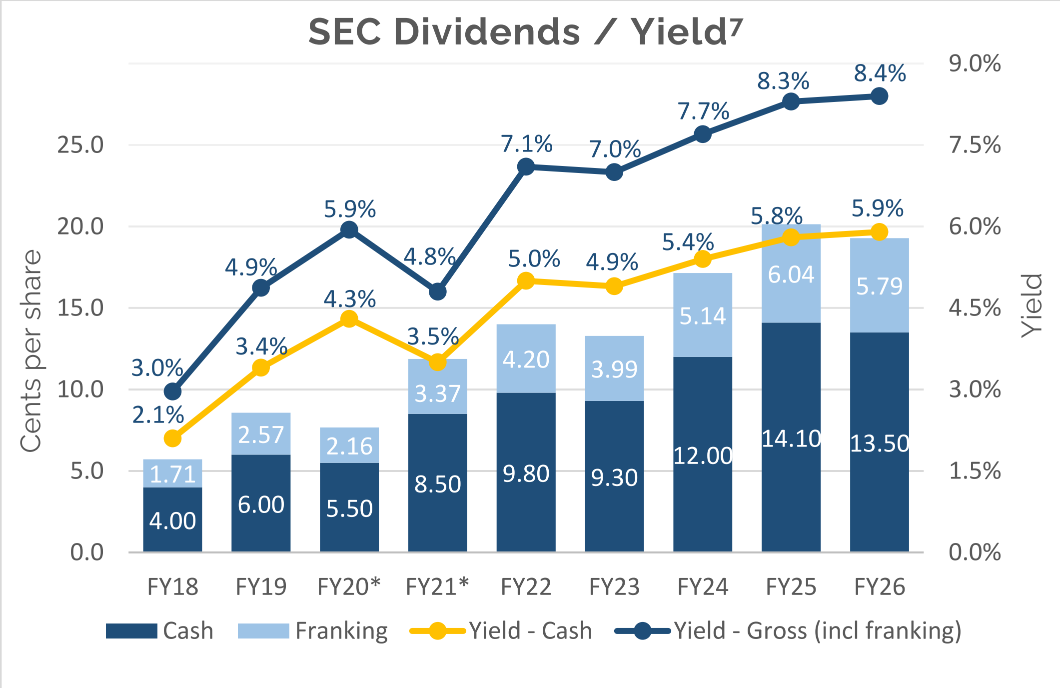
[1] Comprising September 25 quarter dividend of 3.8 cents and December 25 quarter dividend of 3.8 cents, plus monthly dividends of 1.3 cents for each of February and March 26 and 1.1 cents for each of April, May and June 2026.
[2] Calculated as the Company's investment portfolio performance after fees excluding tax on realised and unrealised gains/losses and other earnings, after Company expenses.
[3] Trailing dividend yield based on total dividends of 13.5 cents, calculated on share price as at 30 June 2026 of $2.30.
[4] Trailing dividend yield including franking credits based on total dividends of 13.5 cents, plus franking calculated at 30% tax rate, calculated on share price as at 30 June 2026 of $2.30.
[5] S&P/ASX Small Ordinaries Accumulation Index.
[6] Inception date 30 November 2017.

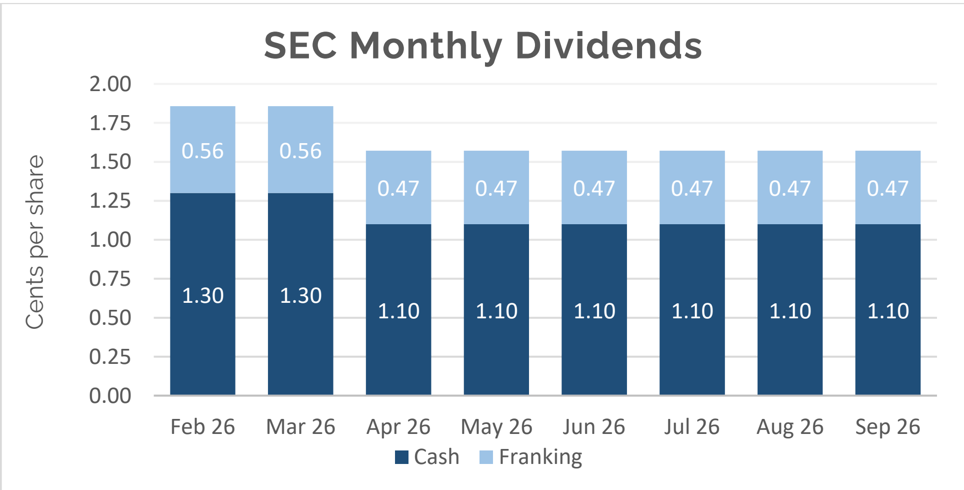


* Final FY20 dividend and interim FY21 dividend were franked at a 26% corporate tax rate, all other dividends were franked using a 30% corporate tax rate.

Since year end the Company resolved to pay a further three monthly dividends of 1.1 cents per share, the first of which was paid on 31 July 2026, with the remaining two dividends payable on 31 August and 30 September 2026.

The dividends are based on the targeted annual dividend yield of 6% of post-tax NTA per share. Dividends are calculated and announced on a quarterly basis at the rate of 1.5% of the post-tax NTA value per share at each quarter end, paid in three equal monthly instalments[8]. The payment of monthly dividends is subject to available profits, cash-flow and franking credits.

After payment of the July, August and September 2026 dividends, the total cash dividends since the Company's IPO in December 2017 will be 86.0 cents per share.

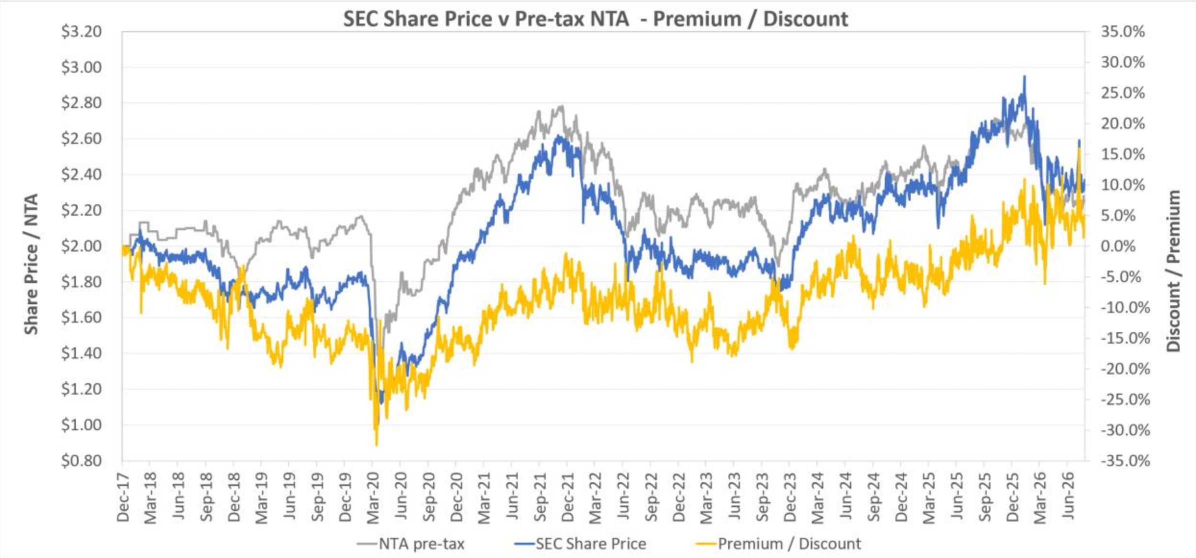


At 30 June 2026, the value of the Company's franking account was $3.7m (6.8 cents per share). This is equivalent to 14.4 cents per share in fully-franked dividends at the Company tax rate of 30% and the Company presently maintains sufficient profit reserves for this value of dividends.

[7] Trailing dividend yield based on each financial year's dividends calculated on share price at each financial year end. Gross Yield is the trailing dividend yield plus franking calculated at the applicable corporate tax rate.
[8] Rounded to the nearest 0.1 cents.

SEC now successfully trading at a premium to its NTA per share

Closing the discount of the Company's share price to NTA per share has been a focus of the Board, and we are pleased that the NTA discount has improved substantially so that the Company now regularly trades at a premium to NTA.



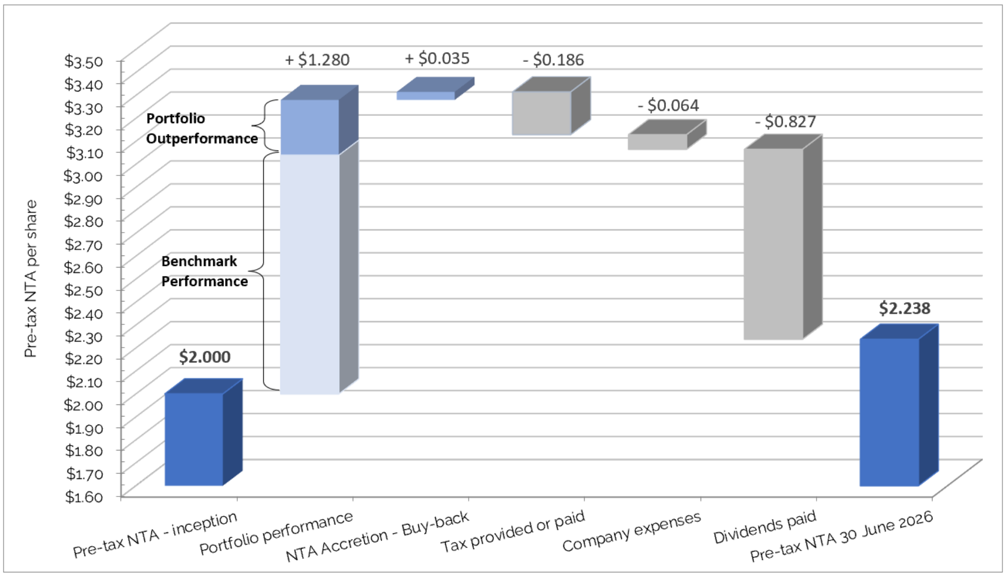
The Board believes there are a number of reasons for this marked improvement in the trading of SEC relative to its NTA:

1. Pro-active measures undertaken by the Board over recent years to assist with reducing the NTA discount have included:
    - the publication of a daily NTA per share to improve transparency,
    - on-market share buybacks at an NTA discount which were accretive to the NTA per share, and
    - two conditional proposals between October 2024 and March 2026 which proposed turning the Company from a listed investment company (LIC) into an open-ended fund if the NTA discount remained unacceptably wide.

2. Spheria, as the Manager of the Company's portfolio, continues to outperform its benchmark since inception; and

3. The Company has meaningfully changed its dividend policy to increase both the level of dividends paid as well as the frequency of dividends paid. In FY2022, the Company moved to quarterly dividends at an annual targeted rate of 4% of post-tax NTA per share. This was increased to an annual targeted rate of 5% in the June quarter 2023 and 6% in the June quarter 2024. The frequency changed from semi-annual to quarterly in FY2022 and now monthly since February 2026. The Company now pays monthly fully-franked dividends at the targeted level of 6% of post-tax NTA p.a.

The impact on the NTA per share of SEC of the Company's portfolio performance[9], on-market share buybacks and dividends paid since IPO in 2017 are reflected in the chart below.

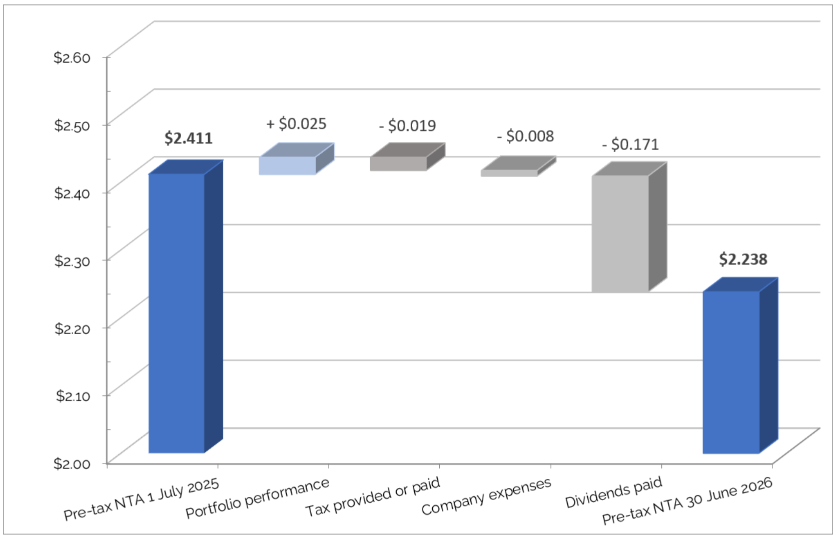


The Board is very pleased with these outcomes and is also pleased to note that as at 30 June 2026 the Company's share price was continuing to trade at a premium to NTA of 2.8%[10], which is significant in circumstances where large discounts continue to be experienced by many LICs more generally.

The Board will continue to monitor how the SEC share price trades relative to the NTA and assess whether any further measures should be undertaken as circumstances require.

NTA performance for FY26[11]

During FY26 the pre-tax NTA reduced by $0.173, from $2.411 at 30 June 2025 to $2.238 at 30 June 2026. The reduction in NTA includes the impact of taxes, Company expenses and dividend payments, which totalled $0.208 for the year.



The post-tax NTA of the Company as at 30 June was $2.229 per share, which was $0.009 lower than pre-tax NTA, representing the effect of tax on unrealised investment portfolio gains at period end at the Company's tax rate of 30%. This difference between pre-tax and post-tax NTA fluctuates as unrealised gains and losses are made on SEC's investments.

[9] Portfolio performance is shown net of management fees.
[10] Based on pre-tax NTA per share of $2.238 and share price of $2.30 at 30 June 2026.
[11] Portfolio performance is shown net of investment management fees. Dividends paid include the payment of the June 2025 quarter dividend of 3.6 cents paid in August 2025.

Manager's commentary

Portfolio performance

The investment portfolio returned 0.3%[12] for the financial year ending 30 June 2026, underperforming the benchmark by 7.8%.

In our last annual letter we mused to investors that we lived in strange times. Is it a tautology to add that we seem to be living in even stranger times this year? The list of tail type (seemingly unusual) events over the past twelve months is perhaps worth briefly recanting. We've had US tariffs introduced, changed, recanted and then re-introduced and now mostly being refunded. Another global conflict or extension of one in the Middle East, the advent of Agentic AI and the seemingly relentless tide of money flowing into large caps and passive investing both here and abroad.

It's a valid question to ask does this present an incredible opportunity in small-caps or a structural issue? The answer is possibly both. Whilst we don't have a perfect crystal ball, we can say that the fear of underperformance riven into investment decisions by the 'Your Future, Your Super' annual performance test has had a dramatic impact in our universe of stocks. The idea behind the test, whilst admirable in some regards, has in practice created the largest herding of the market's major investors into the same 50 or 100 stocks domestically. It is not an exaggeration to say we now have the most or amongst the most expensive Banks, food retailers and telcos in the world. Conversely the growth engine of the country in terms of innovation and employment – the small- and micro-cap market – has been left somewhat bereft by the very people who should be supporting it. This is not a good long-term outcome for the depth and quality of our stock market nor for the growth and development of our economy. Mr Treasurer can you hear me??

Every coin has two sides however and the other side of this coin says "Opportunity". Indeed we are not the only investors to be pointing this out - a number of other eminent names in the Australian market have been pointing out the extreme value in small-caps certainly relative to large-caps which are at the top of their valuation ranges.

Our portfolio's performance over the year saw good contributions from our investments in Sims ltd (SGM.ASX), L1 Group (L1G.ASX), Imdex (IMD.ASX) and Deterra Royalties (DRR.ASX). SGM had a very strong year rising 83% on the back of a rising recognition that its SLS (Sims Lifecycle Services) division was well positioned to capitalise on the rising demand for second hand memory chips. SLS keeps a portion of the value of the recycled DDR4 memory chips which have seen their prices jump on considerable demand to keep older data centres running to fuel the demand for AI compute. L1 Group saw a strong rise over the year on strong underlying investment performance and its takeover of Platinum Asset Management (PTM.ASX) which consummated in October 2025 (we exited our position into that strength over the year). Finally DRR and IMD both rose on the back of a strong resources backdrop.

Four holdings accounted for most of the drag on performance this year: Healius (-50%), Iress (-20%), Supply Network (-12.8%) and Technology One (-27%). The falls were painful, however the causes were quite different from one another. We think it's worth separating them out individually. Healius is the number 2 pathology testing company in the country and its core pathology business faces a genuinely weaker near-term earnings outlook: softer volumes, a reduction in government funding and a step-up in labour costs following Gender Equality and Fair Work Commission decisions. This combination produced a minor May earnings downgrade and a sharp share price reaction. We remain invested because the pathology network remains a strategically valuable national asset, management has real scope to lift productivity and monetisation and there is the potential to divest Agilex which could leave about half the market cap in cash post divestment.

[12] After investment management fees. After deducting Company administration expenses (excluding taxes), Company Performance was flat (0.0%).

Iress de-rated over the year driven largely by investor caution about the pace and cost of the multi-year restructuring. Results so far have come in ahead of guidance, with the continuing businesses growing revenue 6.5% and earnings by ~15%. IRE has a new management team led ably by CEO Andrew Russell, a largely ungeared balance sheet and a stable, if frustrated, client base. At just over 11x forward EV/EBIT we think the company remains very undervalued relative to its potential under new management.

Lastly Supply Network and Technology One have been long-term holdings in the portfolio and both remain in our view incredibly strong businesses with top class management teams. Both de-rated over year rather than suffered earnings deterioration as the market reflected on longer term outlooks. Whilst SNL continues to take considerable market share in bus and truck parts supply, valuation was full a year ago and there are some emerging threats with EV or Hybrids trucks potentially on the horizon. TNE likewise de-rated from a high starting point on fears that Agentic AI could create short or medium term competitive threats. To date, TNE looks to be harnessing AI as a tool for greater productivity and could potentially turn this into an additional revenue stream.

Market Outlook

Whilst the past year has been disappointing in terms of performance both absolute and relative we remain positive on the outlook for small-caps and the SEC portfolio holdings. Small-caps now trade at a substantial discount to large-cap stocks and we believe many of our holdings have been sold down to levels that reflect far worse fundamentals than we think they possess.

We thank our shareholders for their interest in and support of the Company and would welcome your questions and participation in our results and conference calls.

Shareholder webinar on results and portfolio

The Board invites you to the upcoming shareholder webinar on 3 September 2026 at 10.00am (Sydney time AEST). The webinar will provide an update on the Company's financials and investments from the Company's director and Spheria Asset Management's Portfolio Manager, Marcus Burns.

Shareholders are invited to register at the following link: SEC FY2026 Results Presentation

The Board of Spheria Emerging Companies Limited has authorised this announcement to be released to the ASX.

About Spheria Asset Management Pty Limited (Manager)

Spheria Asset Management Pty Ltd is a fundamental-based investment management firm with a bottom-up focus, specialising in small- and micro-cap companies, which can provide higher returns in the long term than their larger peers.

The Manager is majority owned by its team, which has nearly 100 years of combined investment experience. The Manager's performance culture is underpinned by sensible incentives, a focused offering and the outsourcing of non-investment functions to minority partner Pinnacle Investment Management Limited.

Find out More about the Company and Manager

To find out more information about the Company, please visit the SEC Website
To find out more information about the Manager, please visit the Spheria website

Contact Us

If you have any questions for the Company, please reach us on 1300 010 311
If you have any questions regarding your shareholding, please call Automic, the Company's share registry on 1300 902 587