

SPHERIA EMERGING COMPANIES LIMITED

ACN 621 402 588

PROSPECTUS

OFFER OF 125,000,000 FULLY PAID ORDINARY
SHARES IN SPHERIA EMERGING COMPANIES
LIMITED, AT AN APPLICATION PRICE OF \$2.00
PER SHARE, TO RAISE UP TO \$250,000,000

Important Information

This Prospectus contains important information for you as a prospective investor and requires your immediate attention. It should be read in its entirety. If you have any questions as to its contents or the course you should follow, please consult your stockbroker, accountant, solicitor or other professional adviser immediately.

Lead Arranger and Joint Lead Manager

WILSONS

AFS Licence 238383

Joint Lead Managers:

ORD MINNETT

AFS Licence 237121

Co-Managers:

CRAIGS
INVESTMENT PARTNERS

FSP Number FSP29641

CommSec 

AFS Licence 238814

Shaw and Partners

AFS Licence 236048

 **TAYLOR COLLISON**

AFS Licence 247083

Distribution Partner:

Pinnacle
INVESTMENT MANAGEMENT

AFS Licence 322140

IMPORTANT NOTICES

This Prospectus (**Prospectus**) is dated **10 October 2017** and was lodged with the Australian Securities & Investments Commission (**ASIC**) on that date. It is issued by Spheria Emerging Companies Limited (ACN 621 402 588) (**Company**) and is an invitation to apply for up to 125,000,000 Shares at an Application Price of \$2.00 per Share. None of ASIC, the ASX or their respective officers take responsibility for the contents of this Prospectus.

This document is important and requires your immediate attention. It should be read in its entirety. You may wish to consult your professional adviser about its contents.

No Shares will be issued on the basis of this Prospectus later than the expiry date of this Prospectus, being the date 13 months after the date of this Prospectus.

ASX LISTING

The Company will apply within 7 days after the date of this Prospectus for admission to the official list of the ASX and for the Shares to be quoted on the ASX.

The fact that the ASX may admit the Company to the official list and quote the Shares is not to be taken in any way as an indication of the merits of the Company. Neither the ASX nor its officers take any responsibility for the contents of this Prospectus. If granted admission to the ASX, quotation of the Shares will commence as soon as practicable after holding statements are dispatched.

The Company does not intend to issue any Shares unless and until the Shares have been granted permission to be quoted on the ASX on terms acceptable to the Company. If permission is not granted for the Shares to be quoted before the end of 3 months after the date of this Prospectus or such longer period permitted by the Corporations Act or with the consent of ASIC, all Application Monies received under the Prospectus will be refunded without interest to Applicants in full within the time prescribed by the Corporations Act.

EXPOSURE PERIOD

Pursuant to the Corporations Act, this Prospectus is subject to an exposure period of 7 days after the date of the Prospectus, which may be extended by ASIC by a further period of up to 7 days (**Exposure Period**).

The Exposure Period enables this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus.

Application Forms received prior to the expiration of the Exposure Period will not be processed until after the Exposure Period. No preference will be conferred on Application Forms received during the Exposure Period and all Application Forms received during the Exposure Period will be treated as if they were simultaneously received on the Opening Date.

INTERMEDIARY AUTHORISATION

The Company does not hold an Australian Financial Services Licence (**AFSL**) under the Corporations Act. Accordingly, offers under this Prospectus will be made under an arrangement between the Company and Wilsons Corporate Finance Limited, the holder of an AFSL (**Authorised Intermediary**) under Section 911A(2)(b) of the Corporations Act. The Company will only authorise the Authorised Intermediary to make offers

to people to arrange for the issue of Shares by the Company under the Prospectus and the Company will only issue Shares in accordance with such offers if they are accepted.

The Joint Lead Managers will manage the Offer on behalf of the Company. The Joint Lead Managers are Wilsons Corporate Finance Limited (**Wilsons** or **Lead Arranger**), Ord Minnett Limited, Commonwealth Securities Limited and Taylor Collison Limited. The Co-Managers are Shaw and Partners Limited and Craigs Investment Partners Limited.

The Lead Arranger's, Authorised Intermediary's, Joint Lead Managers' and Co-Managers' functions should not be considered as an endorsement of the Offer, nor a recommendation of the suitability of the Offer for any investor. None of the Joint Lead Managers or Co-Managers guarantee the success or performance of the Company or the returns (if any) to be received by investors. None of the Joint Lead Managers or Co-Managers are responsible for, or have caused the issue of, this Prospectus.

INVESTMENT DECISION

Applicants should read this Prospectus in its entirety before deciding to apply for Shares. This Prospectus does not take into account your individual investment objectives, financial situation or any of your particular needs. You should seek independent legal, financial and taxation advice before making a decision whether to invest in the Company.

An investment in this Company carries risks. An outline of some of the risks that apply to an investment in the Company is set out in Section 5. Applicants are urged to consider this Section of the Prospectus carefully before deciding to apply for Shares.

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained or taken to be contained may not be relied on as having been authorised by the Company in connection with the Offer.

FORWARD LOOKING STATEMENTS

This Prospectus contains forward looking statements. Forward looking statements are not based on historical facts, but are based on current expectations of future results or events. These forward looking statements are subject to risks, uncertainties and assumptions which could cause actual results or events to differ materially from the expectations described in such forward looking statements.

While the Company believes that the expectations reflected in the forward looking statements in this Prospectus are reasonable, no assurance can be given that such expectations will prove to be correct. The risk factors set out in Section 5, as well as other matters as yet not known to the Company or not currently considered material by the Company, may cause actual results or events to be materially different from those expressed, implied or projected in any forward looking statements. Any forward looking statement contained in this Prospectus is qualified by this cautionary statement.

PROSPECTUS

An electronic version of this Prospectus (**Electronic Prospectus**) can be downloaded from www.spheria.com.au. The Offer or invitation to which the Electronic Prospectus

relates is only available to persons receiving the Electronic Prospectus in Australia and New Zealand.

The Company will also send a copy of the paper Prospectus and paper Application Form free of charge if requested before the Offer closes.

If you download the Electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by a copy of the Application Form. The Shares to which the Electronic Prospectus relates will only be issued to Applicants who complete the Application Form accompanying the Prospectus and submit that form to the Company together with Application Monies.

OFFER TO NEW ZEALAND INVESTOR WARNING

This Offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 (Aust) and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

This Offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 (Aust) and the regulations made under that Act set out how the Offer must be made.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this Offer. If you need to make a complaint about this Offer, please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate

in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

HOW TO APPLY

You can only make an Application for Shares under the Offer by completing and submitting an Application Form. You can find detailed instructions on completing the Application Form on the back of the paper Application Form. You will be provided with prompts and instructions to assist you to complete the electronic Application Form.

Applications must be for a minimum of 2,500 Shares at \$2.00 each (i.e. for a minimum subscription amount of \$5,000). A larger number of Shares may be applied for in multiples of 100 Shares.

APPLICATIONS

Applications and Application Monies for Shares under the Offer received after 5.00pm (Sydney time) on the Closing Date will not be accepted and will be returned to potential investors.

Applications must be accompanied by payment in Australian currency.

Cheques in respect of Applications should be made payable to "Spheria Emerging Companies Limited" and crossed "Not Negotiable".

No stamp duty is payable by Applicants.

APPLICATION FORMS

Completed paper Application Forms, together with Application Monies, should be forwarded to the following address:

BY MAIL

Spheria Emerging Companies Limited
c/- Automic
PO Box 2226
Strawberry Hills NSW 2012

HAND DELIVERED:

Spheria Emerging Companies Limited
c/- Automic
Level 3, 50 Holt Street
Surry Hills NSW 2010

Alternatively, Applicants can apply online at www.spheria.com.au and pay their Application Price by BPAY.

WHEN TO APPLY

Completed Application Forms and Application Monies under the Offer must be received by 5.00pm (Sydney time) on the Closing Date. The Directors may close the Offer at any time without prior notice or extend the period of the Offer in accordance with the Corporations Act.

The Directors reserve the right to allocate any lesser number of Shares than those for which the Applicant has applied. Where the number of Shares allotted is fewer than the number applied for, surplus Application Monies will be refunded without interest.

GLOSSARY OF TERMS

Defined terms and abbreviations included in the text of this Prospectus are set out in Section 11.

HIGHLIGHTS OF THE OFFER

IMPORTANT DATES

Lodgement of Prospectus with ASIC	10 October 2017
Offer expected to open	9.00am on 25 October 2017
Broker Firm Offer expected to close	5.00pm on 17 November 2017
Priority Allocation expected to close	5.00pm on 24 November 2017
General Offer expected to close	5.00pm on 24 November 2017
Expected date of allotment / date of dispatch of holding statements	1 December 2017
Shares expected to commence trading on the ASX	5 December 2017

The above dates are subject to change and are indicative only and times are references to Sydney time. The Company reserves the right to amend this indicative timetable subject to the Corporations Act and the ASX Listing Rules. In particular, the Company reserves the right to close the Offer early, extend the Closing Date or accept late Applications.

KEY OFFER STATISTICS

Company	Spheria Emerging Companies Limited (ACN 621 402 588)
ASX code	SEC
Minimum number of Shares available under the Offer	50,000,000 Shares
Minimum proceeds from the Offer	\$100,000,000
Maximum number of Shares available under the Offer	125,000,000 Shares
Maximum proceeds from the Offer	\$250,000,000
Application Price per Share	\$2.00
Pro forma Net Asset Value (NAV) backing per Share if the Minimum Subscription amount is raised (based on pro forma balance sheet set out in Section 6.2).	\$2.00
Pro forma NAV backing per Share if the Maximum Subscription amount is raised (based on pro forma balance sheet set out in Section 6.2).	\$2.00

Enquiries

Investors with questions relating to the Offer or who require additional copies of the Prospectus should contact the Company on 1300 010 311 or via email to invest@pinnacleinvestment.com.

TABLE OF CONTENTS

1.	OFFER SUMMARY	8
2.	DETAILS OF THE OFFER	23
3.	ABOUT THE COMPANY	30
4.	ABOUT THE MANAGER	35
5.	RISK FACTORS	45
6.	FINANCIAL POSITION OF THE COMPANY	49
7.	INDEPENDENT ACCOUNTANT'S REPORT	54
8.	DIRECTORS OF THE COMPANY	58
9.	MATERIAL CONTRACTS	62
10.	ADDITIONAL INFORMATION	70
11.	DEFINITIONS AND INTERPRETATION	75

CHAIRMAN'S LETTER

10 October 2017

DEAR INVESTOR,

On behalf of the Board of Directors I am pleased to offer you the opportunity to invest in Spheria Emerging Companies Limited (**Company**) to access an actively managed Australian and New Zealand small cap equities portfolio.

The Board believes that there is a shortage of capacity amongst small cap equity products which are focused on capital growth, and are available to Australian and New Zealand retail investors.

The aim of the Company is to outperform the S&P/ASX Small Ordinaries Accumulation Index (**Benchmark**), and provide investors with capital growth and income over the medium-to-long term by investing predominantly in Australian listed entities within the S&P/ASX Small Ordinaries Index (**Australian Small Cap Securities**).

The Company seeks to raise up to \$250 million through the issue of up to 125 million Shares under the Offer and to obtain a listing on the Australian Securities Exchange.

THE OFFER

The issue price of the Offer is \$2.00 per Share. The Offer is made up of a Broker Firm Offer (detailed in Section 2.2), a Priority Allocation to certain eligible participants (detailed in Section 2.3) and a General Offer (detailed in Section 2.4). The Offer is expected to open on 25 October 2017 and close on 24 November 2017 and is open to investors in Australia and New Zealand.

THE OPPORTUNITY

The Company, a listed investment company (**LIC**), has been established to provide investors with access to the following features and benefits:

- an actively managed equities portfolio comprised predominantly of Australian Small Cap Securities that focuses on quality businesses;
- a strong and robust fundamental based investment process;
- a portfolio that aims to generate returns over each full investment cycle (which the Manager and the Company consider to be a period of typically 3 to 5 years) in excess of the Benchmark;
- access to the Manager's expertise across equity markets garnered over a combined 40 years' experience, with specific expertise in managing small cap and microcap Australian and New Zealand investment portfolios; and
- access to an experienced Board of Directors.

INVESTMENT OBJECTIVES

The Company's investment objectives are to provide both:

- total returns in excess of the Benchmark; and
- capital growth,

over each full investment cycle (which the Manager and the Company consider to be a period of typically 3 to 5 years). In addition, the Company seeks to provide income, with the aim of allowing fully franked dividends to be paid to Shareholders. Details of the Company's dividend policy are set out below.

This is not intended to be a forecast; these are merely investment objectives. The Company may not be successful in meeting these objectives.

ABOUT THE MANAGER – SPHERIA ASSET MANAGEMENT PTY LIMITED

The Manager's investment team (**Spheria Investment Team**) comprises three experienced investment professionals with expertise across different markets and small cap securities. The team has over 40 years of collective investment experience and has witnessed multiple market cycles. Each of the Spheria Investment Team members came together in April 2016 to establish the Manager, who now manages approximately \$384 million (as at 31 August 2017) in small cap and microcap equity portfolios. The Spheria Investment Team has now worked together for 4.5 years. The Company will be able to draw upon and benefit from this depth and breadth of experience in the construction and maintenance of the Portfolio.

Matthew Booker and Marcus Burns are joint portfolio managers of the Manager and together have ultimate responsibility for the implementation of the Company's investment strategy. See Sections 4.5 and 4.6 for further details about the Spheria Investment Team.

The Manager is also the manager of the Spheria Australian Smaller Companies Fund, the Spheria Australian Microcap Fund and the Spheria Opportunities Fund.

Since 11 July 2016, the Manager has managed the Spheria Australian Smaller Companies Fund using the same investment strategy and processes that it will employ as the Company's manager. The Company considers the performance of the Spheria Australian Smaller Companies Fund from 11 July 2016 to be representative of the historical performance of the Company's Investment Strategy and processes and therefore relevant for investors assessing an investment in the Company. See Section 4.8 to review the historical performance of the Spheria Australian Smaller Companies Fund.

Past performance is not necessarily indicative of future performance and the performance of the Spheria Australian Smaller Companies Fund and the Company could be significantly different to the past performance of the Spheria Australian Smaller Companies Fund.

In the Board's view, there are limited Australian based small cap equity managers with available capacity that have the prerequisite skill and expertise to provide quality products. The Company has engaged the Manager because it believes the Spheria Investment Team members are investment experts in this field.

INVESTMENT STRATEGY

The Company's Investment Strategy is to invest in an actively managed Portfolio which aims to achieve the investment objectives outlined above. The Portfolio will be predominantly comprised of Australian Small Cap Securities, however New Zealand listed securities, Pre-IPO Securities and cash are also permitted investments.

The Company's Portfolio will be constructed in accordance with investment guidelines agreed between the Company and the Manager from time to time (initially being those set out in Section 3.5) and in line with the Manager's investment philosophy and process (see Sections 4.3 and 4.4).

The Manager will seek to purchase securities in businesses where the present value of future free cash flows can be reasonably ascertained, and the security is trading at a discount to the assessed fundamental valuation.

Risk controls are an important component of the Investment Strategy. The Manager will give preference for companies it considers to have relatively low risks, for example, entities that are geared to a level that the Manager considers appropriate, given the nature of the relevant businesses and have free cash flow to support that relevant level of gearing.

See Section 4.4 for details of the Company's investment process.

DIVIDEND OBJECTIVE

The Company's objective is to maximise total Shareholder return via a combination of capital growth and income, with the aim of regularly paying fully franked dividends to Shareholders. Whether dividends are declared is at the full discretion of the Board and the Board will only exercise its discretion if the Company has sufficient profit reserves and franking credits available and it is within prudent business practice to do so.

The Board aims for the Company to pay a dividend to Shareholders at least annually, subject to available profits, cash flow and franking credits and the payment being permitted by law and within prudent business practices. This is not intended to be a forecast; it is merely an objective of the Company. The Company may not be successful in meeting this objective.

See Section 3.7 for details of the Company's dividend policy.

KEY RISKS

It is important for potential investors to review carefully the risks associated with an investment in the Company. Like all investments, an investment in the Company carries risks including small cap and microcap investment risk, manager risk, market risk, key man risk, equity risk, regulatory risk, counterparty risk, liquidity risk, company risk, foreign issuer risk, concentration risk, Pre-IPO Securities risk, currency risk, equity risk and legislative risk. Further details of the risks associated with an investment in the Company are set out in Section 5, and I encourage you to read this section and consider these risks carefully before making your investment decision.

Investors are advised to regard any investment in the Company as a long term proposition (5+ years) and to be aware that, as with any equity investment, substantial fluctuations in the value of their investment may occur over that period.

SHAREHOLDER ENGAGEMENT

The Company will communicate regularly with Shareholders, including a monthly investment update and NTA announcement, yearly and half yearly profit announcements, dividend notifications, and regular investment insights from the Manager. In addition, we will conduct an Annual General Meeting where Shareholders can meet with the Board of Directors over morning or afternoon tea and receive an update from the Manager.

On behalf of the Board of Directors, I look forward to welcoming you as a Shareholder.

Yours sincerely,



Jonathan Trollip
Chairman

SECTION 1.

OFFER SUMMARY

This is a summary only. This Prospectus should be read in full before making any decision to apply for Shares.

Question	Answer	More Information
A. Key investment highlights and key risks		
What are the benefits of the Offer?	<p>Spheria Emerging Companies Limited (Company) has been established to provide investors with:</p> <ul style="list-style-type: none"> – access to a Portfolio that: <ul style="list-style-type: none"> • will be actively managed and predominantly comprised of listed securities within the S&P/ASX Small Ordinaries Index (Australian Small Cap Securities); and • aims to generate over each full investment cycle (which the Manager and the Company consider to be a period of typically 3 to 5 years) returns in excess of the S&P/ASX Small Ordinaries Accumulation Index (Benchmark) and capital growth; and – benefit from a manager, Spheria Asset Management Pty Limited (Manager) that: <ul style="list-style-type: none"> • has deep expertise across equity markets; • has, since 11 July 2016 as the manager of the Spheria Australian Smaller Companies Fund, successfully implemented the same Investment Strategy now proposed for the Company; and • has a strong and robust investment process (see Section 4.4 for details). 	Section 4
What is the business model of the Company?	<p>The Company is a newly incorporated company which has not conducted any business to date.</p> <p>Upon completion of the Offer, the Company will be a listed company that will have a mandate to invest in listed Australian or New Zealand securities, Pre-IPO Securities and cash. Notwithstanding this broad mandate, the majority of the Portfolio is expected to comprise of Australian Small Cap Securities.</p> <p>The Company will seek to provide returns in excess of the Benchmark and capital growth over each full investment cycle and income (through a dividend yield franked to the extent possible). See Section 3.2 for further details on the Company's investment objectives.</p> <p>The Company's Portfolio will be managed by the Manager in accordance with the terms of the Investment Management Agreement between the Manager and the Company (see Section 9.1 for a summary of this agreement).</p>	Section 3

Question	Answer	More Information
Will the Company pay dividends?	<p>The Company's objective is to maximise total Shareholder return via a combination of capital growth and income, with the aim of paying regular fully franked dividends to Shareholders. Whether dividends are declared is at the full discretion of the Board.</p> <p>The Board will only exercise its discretion if the Company has sufficient profit reserves and franking credits available and it is within prudent business practice to do so.</p> <p>The Board of the Company aims for the Company to pay a dividend to Shareholders at least annually. This is not intended to be a forecast; it is merely an objective of the Company. The Company may not be successful in meeting this objective.</p>	Section 3.7
What are the key risks associated with the business model and the Offer?	<p>The Company's investment activities will expose it to a variety of risks. The key risks identified by the Company include:</p> <p><i>Investment Strategy risk:</i> The success and profitability of the Company will largely depend upon the ability of the Manager to implement the Investment Strategy in a manner which generates a return for the Company. The past performance of the Spheria Australian Smaller Companies Fund or any other fund managed by the Manager is not a guide to future performance of the Investment Strategy or the Company. There are risks inherent in the Investment Strategy that the Manager will employ for the Company.</p> <p><i>Manager risk:</i> The Manager's continued ability to implement the Investment Strategy in a manner that complies with the Company's objectives, strategies, policies, guidelines and permitted investments is of fundamental importance to the performance of the Company. Should the Manager become unable to perform investment management services for the Company or should there be significant key personnel changes at the Manager, the Company's investment activities may be disrupted and its performance negatively impacted. Even if the Company does not perform well, it may be difficult to remove the Manager.</p> <p><i>Key man risk:</i> The Company has no right to terminate the Investment Management Agreement in the event of a change of control of the Manager or in the event of a material change to the composition of the Spheria Investment Team. For example, the Company cannot terminate the Investment Management Agreement if Matthew Booker or Marcus Burns resigns from the Manager. The risks of these events are mitigated by:</p> <ul style="list-style-type: none"> – the Manager's intention to expand its current team in the future; – the Manager being majority owned by various members of the Spheria Investment Team such that the interests of the Spheria Investment Team are aligned with that of the Company; and – the Manager's distribution services and other infrastructure being outsourced to Pinnacle Investment Management Limited (Pinnacle) and thereby allowing the Manager to concentrate on investment with minimal personnel (even if a portfolio manager departs). <p><i>Market risk:</i> The Portfolio will be exposed to market risk. The market value of assets in the Portfolio can fluctuate as a result of market conditions. In addition, the Value of the Portfolio may be impacted by factors such as economic conditions, interest rates, regulations, sentiment and geopolitical events as well as environmental, social and technological changes.</p>	Investors should read these risks together with the other risks described in Section 5

Question	Answer	More Information
What are the key risks associated with the business model and the Offer? continued	<p><i>Equity risk:</i> As the Company will be listed on the ASX, the Shares will be exposed to market risks. As a result, the Share price may trade at a discount or a premium to the Company's NTA.</p> <p><i>Liquidity risk:</i> The Shares are each subject to liquidity risk as follows:</p> <ul style="list-style-type: none"> – The Company is exposed to liquidity risk in relation to the investments within the Portfolio. If a security cannot be sold quickly enough to minimise potential loss, the Value of the Portfolio may be adversely affected. – The Shares are also exposed to liquidity risk. The ability of an investor in the Company to sell their Shares on the ASX will depend on the turnover or liquidity of the Shares at the time of sale. Therefore, investors may not be able to sell their Shares at the time, in the volumes or at the price they desire. <p><i>Concentration risk:</i> There may be more volatility in the Portfolio as compared to the Benchmark because the Portfolio will be comprised of a smaller number of securities than the broader market index.</p> <p><i>Small cap and microcap investment risk:</i> The Investment Strategy of the Company involves investing in small cap securities, which are typically smaller companies. Smaller companies typically have less diversified income streams, less stable funding sources and weaker bargaining positions with their counterparties when compared to larger companies. There is also typically less third party research available in respect of smaller companies, which may result in investments in smaller companies being riskier than investments in larger companies where information is more readily available.</p> <p><i>Pre-IPO Securities risk:</i> The Investment Strategy of the Company may involve investing in Pre-IPO Securities, which will likely be illiquid prior to the listing of the relevant security. There is a risk that the listing of the relevant security does not occur and the Manager may not be able to sell these securities. The Manager will seek to minimise Pre-IPO Securities risks by:</p> <ul style="list-style-type: none"> – ensuring that there is no significant exposure to Pre-IPO Securities (and no more than 10% of the Portfolio's NAV); and – ensuring that at the time of acquiring such Pre-IPO Securities there is, in the reasonable opinion of the Manager, a high likelihood of a successful listing of those Pre-IPO Securities within 12 months from the date of acquisition. <p><i>Compensation fee structure risk:</i> The Manager receives compensation based on the Portfolio's performance. The Performance Fee may create an incentive for the Manager to make investments that are riskier or more speculative than would be the case in the absence of a fee based on the performance of the Portfolio.</p> <p><i>Regulatory risk:</i> All investments carry the risk that their value may be affected by changes in laws and regulations, especially taxation laws. Regulatory risk includes risk associated with variations in the taxation laws of Australia, such as changes to franking credits.</p>	Investors should read these risks together with the other risks described in Section 5

Question	Answer	More Information
What are the key risks associated with the business model and the Offer? continued	<i>Counterparty risk:</i> The Company will outsource key operational functions including investment management, company secretarial, administration and custodial services to service providers. There is a risk that third party service providers may breach their obligations to the Company or provide services below standards which are expected by the Company, causing loss to the Company. The Company aims to keep this risk to a minimum by regularly monitoring its key service providers.	Investors should read these risks together with the other risks described in Section 5
B. Key information about the Portfolio and Investment Strategy		
What is the Company's Investment Strategy?	<p>The Company has been established to provide investors with access to an actively managed equities Portfolio predominantly comprised of Australian Small Cap Securities.</p> <p>The Company's Portfolio will be constructed in accordance with the Manager's investment approach which aspires to grow wealth by generating returns in excess of the Benchmark and capital growth, over each full investment cycle (which the Manager and the Company consider to be a period of typically 3 to 5 years) as well as income (through a dividend yield franked to the extent possible). The Manager will seek to purchase securities:</p> <ul style="list-style-type: none"> - in entities with businesses where the Manager is able to make a reasonable assessment of the present value of future free cash flows; and - that are trading at a discount to the Manager's assessment of fundamental value. <p>Risk controls are an important component of the Investment Strategy. The Manager will give preference to securities it considers to have relatively low risks, for example, entities that are geared to a level that the Manager considers appropriate given the nature of the relevant businesses and have free cash flow to support that relevant level of gearing.</p>	Section 3.3

Question	Answer	More Information
How will the Portfolio be constructed?	<p>The Manager is responsible for the construction of the Portfolio.</p> <p>The Company may invest in listed Australian or New Zealand securities, Pre-IPO Securities and cash. Notwithstanding this broad mandate, the majority of the Portfolio is expected to comprise of Australian Small Cap Securities. Further detail on the Company's permitted investments is provided in Section 3.6.</p> <p>The Portfolio will typically comprise between 20 and 65 different securities that the Manager considers to be consistent with the Investment Strategy.</p> <p>In addition, once fully invested, up to 20% of the Portfolio may be held in cash when attractively valued securities cannot be found. Short selling and leverage are not permitted by the Investment Strategy.</p> <p>Whilst the Investment Strategy does have regard to the Benchmark, the Manager will not seek to replicate the Benchmark in the construction of the Portfolio. The Portfolio will be constructed in accordance with investment guidelines agreed between the Company and the Manager from time to time (initially being those guidelines set out in Section 3.5) with the aim of ensuring adequate diversification across securities, sectors and investment themes. The Manager will build the Portfolio using the investment process outlined in Section 4.4.</p> <p>The Company's Investment Strategy does limit investments geographically to Australia and New Zealand.</p> <p>No sector limitations apply to the Company's Investment Strategy. However, the Manager will regularly review Portfolio sector weights and thematic concentrations and will adjust the Portfolio as necessary.</p>	Sections 3.4, 3.5, 3.6 and 4.4
Does the Investment Strategy include borrowings?	<p>Borrowing does not currently form part of the Investment Strategy.</p> <p>The Board and the Manager may decide to amend this policy. If this were ever to occur, the Company will seek Shareholder approval.</p>	Section 3.8
Will the Company hold currency positions?	No.	N/A
What is the Company's valuation policy?	The assets of the Company will be valued using market accepted practices to accurately and independently determine their fair value.	Section 3.11
Does the Investment Strategy permit derivative investments?	No.	N/A

Question	Answer	More Information
Does the Investment Strategy permit short selling?	No.	N/A
What is the time frame for investment of the Portfolio?	The Manager expects to be fully invested within a relatively short period of time (expected to be within 6 months after listing on the ASX). However, the pace of the Company's capital deployment will depend on market conditions.	Section 3.4
What is the investment term?	<p>The Company's objectives include seeking to provide both total returns (before fees) in excess of the Benchmark and capital growth over each full investment cycle (which the Manager and the Company consider to be a period of typically 3 to 5 years).</p> <p>For this reason investors are strongly advised to regard any investment in the Company as a long term proposition (5+ years) and to be aware that, as with any equity investment, substantial fluctuations in the value of their investment may occur over that period and beyond.</p>	Section 5.6
C. Key information about the Company and Manager		
Who are the Company's Directors?	<p>The Directors of the Company are:</p> <ul style="list-style-type: none"> (a) Jonathan Trollip; (b) Lorraine Berends; and (c) Adrian Whittingham. <p>See Section 8.2 for further details regarding the background of the Directors.</p> <p>Adrian Whittingham has appointed Alex Ihlenfeldt as his alternate director.</p>	Section 8.2
What is the financial position of the Company?	<p>The Company has no performance history as it is yet to commence trading.</p> <p>Pro-forma statements of financial position are set out in Section 6.</p>	Section 6

Question	Answer	More Information
Who is the Manager?	<p>Spheria Asset Management Pty Limited (ACN 611 081 326) is the Manager.</p> <p>The Manager will provide management services in accordance with the Investment Management Agreement (summarised in Section 9.1).</p> <p>The Manager's investment team (Spheria Investment Team) is comprised of three experienced investment professionals with expertise across different markets and Small Cap Securities. Marcus Burns and Matthew Booker, as joint portfolio managers, will have primary responsibility for the investment decisions of the Manager. The Manager will ensure that each member of the Spheria Investment Team will be available to devote the amount of time required for the Manager to properly perform its functions as investment manager of the Company.</p> <p>See Section 4 for detailed information regarding the experience and expertise of each of the members of the Spheria Investment Team.</p> <p>The Board believes that its Directors and the Manager together bring the required experience and expertise in funds management, listed securities and corporate governance to successfully achieve the investment obligations of the Company.</p>	Section 4
Does the Board approve investments?	<p>Board approval is not required for investments that are consistent with the Company's investment objectives, strategies, policies and guidelines agreed from time to time (initially being the Investment Strategy and guidelines in this Prospectus). Any investments that the Manager proposes outside of these parameters must be approved by the Board.</p>	Section 9.1
What experience does the Manager have?	<p>The Manager has not previously managed the investments of a listed investment company. However, the Manager is the investment manager of the Spheria Australian Smaller Companies Fund, the Spheria Australian Microcap Fund and the Spheria Opportunities Fund.</p> <p>The Manager manages approximately \$384 million (as at 31 August 2017) across these funds.</p> <p>The Manager is an authorised representative under Pinnacle's AFSL and is authorised to provide general financial product advice to, and deal in financial products on behalf of, wholesale clients for amongst other things, securities and derivatives. The respective portfolio managers of the Manager have experience in financial markets and trading securities. See Section 4 for details of the Spheria Investment Team's experience.</p> <p>The Company's investment objectives and strategies are the same as those of the Spheria Australian Smaller Companies Fund. See Sections 4.4, 4.7 and 4.8 for more information on the Manager's investment processes and experience.</p>	Section 4

Question	Answer	More Information
Will any related party have a significant interest in the Company or in connection with the Offer?	<p>Each Director is a related party of the Company. The independent Directors, Jonathan Trollip and Lorraine Berends, will be remunerated for their services. See Section 8.9 for a summary of their annual salaries (inclusive of superannuation). Adrian Whittingham is a non-independent Director of the Company and will not receive Directors' fees from the Company. Adrian Whittingham has appointed Alex Ihlenfeldt as his alternate director. Alex Ihlenfeldt will not receive Directors' fees from the Company.</p> <p>Adrian Whittingham and Alex Ihlenfeldt are each an officer of the Manager and Pinnacle and a minority shareholder in Pinnacle's holding company, Pinnacle Investment Management Group Limited. Pinnacle is a service provider to the Company (for which it will receive fees) and is also a 40% shareholder in the Manager.</p> <p>In addition to their annual salary (if applicable), each of the Directors will be entitled to be reimbursed for certain costs and expenses. Full details of Director remuneration are set out in Section 8.9.</p> <p>The Directors, and entities associated with them, are permitted to participate in the Offer. At completion of the Offer, the Directors are expected to have a Relevant Interest in the following numbers of Shares:</p> <ul style="list-style-type: none"> (a) Jonathan Trollip – 25,000 Shares; (b) Lorraine Berends – 25,000 Shares; and (c) Adrian Whittingham – 25,000 Shares. <p>Additionally, Alex Ihlenfeldt is expected to have a Relevant Interest in 25,001 Shares at completion of the Offer.</p> <p>As indirect stakeholders in the Manager, Adrian Whittingham and Alex Ihlenfeldt will indirectly benefit from the Management Fees and Performance Fees paid to the Manager in accordance with the Investment Management Agreement. Further, as indirect stakeholders in Pinnacle, they will also indirectly benefit from the fees paid to Pinnacle in accordance with the services agreement (see Section 8.12).</p> <p>Other than as set out above and elsewhere in this Prospectus, there are no other existing or proposed agreements or arrangements between the Company and its related parties.</p>	Section 8.9

Question	Answer	More Information
What are the key terms of the Investment Management Agreement?	<p>The Investment Management Agreement has an initial term of 5 years (and unless terminated, automatically extends for periods of 5 years at the end of the initial term and each subsequent term thereafter).</p> <p>The Company will apply for an ASX waiver to allow an initial term of 10 years.</p> <p>The Manager will be responsible for managing the Company's Portfolio in accordance with the Investment Strategy (as amended from time to time by the Company).</p> <p>The Manager is entitled to be paid certain fees under the Investment Management Agreement. These fees include Management Fees and Performance Fees (subject to the Company's rights to recoup the Offer Costs outlined below) and in certain circumstances, termination fees. For details of these fees, how they are calculated and when they are payable, see Section 9.1.</p> <p>Under the Investment Management Agreement, the Manager has agreed to absorb all of the Company's Offer Costs. These costs will be paid upfront by the Company but recouped by the Company over time as follows:</p> <ul style="list-style-type: none"> (a) the Company will not pay any Performance Fees to the Manager from the date of listing until the end of the first 4 full calendar years from listing (i.e. by 31 December 2021) or until such time as the Company has recouped all of the Offer Costs (whichever is earlier); (b) if the Offer Costs are not fully recouped during the first 4 full calendar years after listing (i.e. by 31 December 2021), they will be recouped from Management Fees that accrue after this time (i.e. in respect of the period commencing 1 January 2022). During this period, the Company will not pay any Management Fees to the Manager unless and until the Company has recouped all of the Offer Costs. The Manager will be entitled to receive Performance Fees during this period. <p>The outstanding Offer Costs will be borne by the Company if the Investment Management Agreement is terminated before the Offer Costs have been recouped in full.</p>	Sections 3, 4 and 9.1

Question	Answer	More Information
What fees will the Manager receive?	<p>In return for the performance of its duties under the Investment Management Agreement, the Manager is entitled to be paid monthly a Management Fee equal to 1.00% (plus GST) per annum of the value of the Company's investments (calculated daily and paid at the end of each month in arrears).</p> <p>As a worked example, assuming \$250,000,000 is raised under the Offer and after payment of Offer Costs and retention of non-Portfolio cash for payment of operating costs, the Manager is provided an initial Value of the Portfolio of \$240,000,000 at 1 December 2017, and nil performance on the Portfolio each month, the Management Fee payable on the Portfolio for the 12-month period from 1 December 2017 to 30 November 2018 would be approximately \$2,388,662 (plus GST). As these Management Fees have accrued prior to 1 January 2022, the Manager will be paid the full amount of these Management Fees. The Management Fees will accrue regardless of the performance of the Company. Management Fees will increase if the value of the Company's investments increases, and decrease if the value of the Company's investments decreases, over the period. Under the Investment Management Agreement, to the extent that the Offer Costs have not been recouped in full by the Company in the period ending 31 December 2021 (through the retention of the Performance Fee (described below)), the Company will retain Management Fees that accrue after 1 January 2022 until it has recouped all of the Offer Costs.</p> <p>As a worked example, if we assume an initial Value of the Portfolio of \$240,000,000, the estimated Offer Costs to be recouped by the Company are \$6,698,331 and nil performance on the Portfolio each month over the period from listing to 31 December 2022:</p> <ul style="list-style-type: none"> (a) the Value of the Portfolio after payment of Management Fees monthly would be approximately \$228,005,346; (b) the Company will have recouped none of the Offer Costs through Performance Fees in respect of the period ending 31 December 2021; and (c) the Management Fee payable on the Portfolio for the 12-month period from 1 January 2022 to 31 December 2022 would be approximately \$2,290,713 (plus GST). <p>In this example, the Company would retain 100% of the Management Fees that accrue over this 12-month period, and the amount of Offer Costs to be recouped will have been reduced to \$4,407,618.</p>	Section 9.1

Question	Answer	More Information
What fees will the Manager receive? continued	<p>Performance Fee</p> <p>In addition to the Management Fee, the Manager is entitled to a fee (Performance Fee) equal to 20% (plus GST) of the Portfolio's outperformance (before fees and expenses) against the Benchmark over each 6-month period subject to a high water mark mechanism.</p> <p><i>Example 1: Outperformance of the Benchmark and Offer Cost recoupment</i></p> <p>As a worked example, assuming a Performance Calculation Period of 1 January 2018 to 30 June 2018, an initial Value of the Portfolio of \$240,000,000, and a Value of the Portfolio at the end of the Performance Calculation Period that is 15% higher than at the beginning of \$276,000,000 and non-Portfolio related cash payments (including Management Fees paid monthly) of \$1,300,000 have been made:</p> <ul style="list-style-type: none"> (a) if the S&P/ASX Small Ordinaries Accumulation Index return is 10% for the Performance Calculation Period, there would be an aggregate outperformance of \$13,300,000; and (b) in this instance, there would be a Performance Fee payable at 20% of this amount equating to \$2,660,000 (plus GST) for the Performance Calculation Period, as the Portfolio has outperformed the Benchmark. <p>In this example, based on subscriptions for Shares raising \$250,000,000, the estimated Offer Costs to be recouped by the Company are \$6,698,331. In this example, the Company would retain 100% of the Performance Fee that accrued in respect of the Performance Calculation Period, and the amount of Offer Costs to be recouped will have been reduced to \$4,038,331.</p> <p><i>Example 2: Underperformance against the Benchmark</i></p> <p>As a second worked example (continuing on from the first), assuming the balance of Offer Costs to be recouped by the Company are \$4,038,331, a Performance Calculation Period of 1 July 2018 to 31 December 2018, an initial Value of the Portfolio of \$276,000,000 and a Value of the Portfolio at the end of the Performance Calculation Period that is 5% higher than at the beginning of \$289,800,000 and further non-Portfolio related cash payments (including Management Fees paid monthly) of \$1,300,000 have been made:</p> <ul style="list-style-type: none"> (a) if the S&P/ASX Small Ordinaries Accumulation Index return is 10% for the Performance Calculation Period, there would be an aggregate underperformance of \$12,500,000; and (b) in this instance, there would be no Performance Fee payable for the Performance Calculation Period as the Portfolio has underperformed the Benchmark. As no Performance Fee is payable in respect of this Performance Calculation Period, and the amount of Offer Costs to be recouped will not be reduced and would remain at \$4,038,331. 	Section 9.1

Question	Answer	More Information
What fees will the Manager receive? continued	<p><i>Example 3: Recouping past underperformance against the Benchmark</i></p> <p>As a third worked example, assuming the estimated balance of Offer Costs to be recouped by the Company is \$4,038,331 (for the reasons set out in example 2 above), a Performance Calculation Period of 1 January 2019 to 30 June 2019, an initial Value of the Portfolio of \$289,800,000, and a Value of the Portfolio at the end of the Performance Calculation Period that is 15% higher than at the beginning of \$333,270,000 and further non-Portfolio related cash payments (including Management Fees paid monthly) of \$1,300,000 have been made:</p> <ul style="list-style-type: none"> (a) if the S&P/ASX Small Ordinaries Accumulation Index return is 5% for the Performance Calculation Period, there would be an aggregate outperformance of \$17,780,000 (after deducting \$12,500,000 in respect of the underperformance in example 2); and (b) in this instance: <ul style="list-style-type: none"> (i) there would be a Performance Fee payable at 20% of this amount, equating to \$3,556,000 (plus GST) for the Performance Calculation Period, as the Portfolio has outperformed the Benchmark; and (ii) the Company would retain 100% of the Performance Fee and the amount of Offer Costs to be recouped will have been reduced to \$482,331. <p><i>Example 4: Outperformance of the Benchmark where both have negative performance</i></p> <p>As a fourth worked example, assuming the estimated balance of Offer Costs to be recouped by the Company is \$482,331 (for the reasons set out in example 3 above), a Performance Calculation Period of 1 July 2019 to 31 December 2019, an initial Value of the Portfolio of \$333,270,000, and a Value of the Portfolio at the end of the Performance Calculation Period that is 5% lower than at the beginning of \$316,606,500 and further non-Portfolio related cash payments (including Management Fees paid monthly) of \$1,300,000 have been made:</p> <ul style="list-style-type: none"> (a) if the S&P/ASX Small Ordinaries Accumulation Index return is negative 10% for the Performance Calculation Period, there would be an aggregate outperformance of \$17,963,500; and (b) in this instance: <ul style="list-style-type: none"> (i) there would be a Performance Fee payable at 20% of this amount, equating to \$3,592,700 (plus GST) for the Performance Calculation Period, as the Portfolio has outperformed the Benchmark; and (ii) the Company would retain \$482,331, being the remaining Offer Costs to be recouped, and pay a Performance Fee of \$3,110,369, and the amount of Offer Costs to be recouped will have been reduced to \$nil. <p>The calculation of both the Management Fees and Performance Fees are explained in full in Section 9.1.</p>	Section 9.1

Question	Answer	More Information
D. About the Offer		
Who is the issuer of the Shares, and this Prospectus?	The issuer is Spheria Emerging Companies Limited (ACN 621 402 588).	
What is the Offer?	<p>The Company is offering for subscription up to 125,000,000 Shares at an Application Price of \$2.00, to raise up to \$250,000,000.</p> <p>Of the total Shares available under the Offer, up to 25,000,000 Shares are available under the Priority Allocation to any:</p> <p>(a) registered shareholder of Pinnacle Investment Management Group Limited (ASX: PNI); or</p> <p>(b) direct unitholder of the Spheria Australian Smaller Companies Fund, the Spheria Australian Microcap Fund or the Spheria Opportunities Fund, with registered addresses in Australia or New Zealand (Eligible Participants).</p> <p>The Offer also includes the Broker Firm Offer.</p>	Section 2
How do I apply for Shares?	<p>The procedures for making an investment in the Company are described in Section 2.</p> <p>The Joint Lead Managers may be required to obtain identification information from Applicants. The Company reserves the right to reject an Application if that information is not provided upon request.</p>	Section 2
How to participate in the Priority Allocation?	Eligible Participants should refer to Section 2.3 and Section 2.7 for details on how to participate in the Priority Allocation.	Sections 2.3 and 2.7
How to participate in the Broker Firm Offer?	Applicants under the Broker Firm Offer should contact their Broker for instructions on how to complete the Broker Firm Application Form accompanying this Prospectus. Shares will be allotted under the Broker Firm Offer provided the Broker Firm Application Forms are received or commitments are given to the Joint Lead Managers to lodge the Broker Firm Application Form by 17 November 2017.	Section 2.2
What is the purpose of the Offer?	The money raised under the Offer will be used by the Company for investments consistent with the Company's Investment Strategy and objectives, and initially paying the costs of the Offer, including obtaining a listing on the ASX. Investors are reminded that the Offer Costs will be fully recouped by the Company under the Investment Management Agreement as described in Section 9.1.	Sections 3 and 6

Question	Answer	More Information
What are the fees and costs of the Offer?	<p>The Company will pay the Lead Arranger an arranger fee equal to 0.10% (plus GST) of the total proceeds raised under the Offer. The Company will pay the Joint Lead Managers a management fee equal to 1.00% of the total proceeds raised under the Offer (this fee will be split equally between them). In addition, the Company will pay to each Joint Lead Manager a Broker Firm selling fee of 1.50% (inclusive of GST) which is equivalent to 1.36% (plus GST) of the total proceeds of the Broker Firm Offer raised by the relevant Joint Lead Manager and their associated Brokers.</p> <p>The costs of the Offer, net of tax and GST, include legal, accounting, marketing and other costs associated with the preparation of the Prospectus and the issue of Shares.</p> <p>These costs are estimated to be:</p> <p>(a) \$2,485,000, assuming the Minimum Subscription;</p> <p>(b) \$4,414,375, assuming a subscription of \$175,000,000; and</p> <p>(c) \$6,400,000, assuming the Maximum Subscription.</p> <p>Shareholders are reminded that the Offer Costs will be fully recouped by the Company under the Investment Management Agreement as described in Section 9.1.</p>	Section 6
Is the Offer underwritten?	No.	Section 2.6
Who is the Lead Arranger?	Wilsons is the Lead Arranger to the Offer.	Section 9.2
Who are the Joint Lead Managers?	Wilsons, Ord Minnett Limited, Commonwealth Securities Limited and Taylor Collison Limited are Joint Lead Managers to the Offer.	Section 10.11
Who is the Authorised Intermediary?	Wilsons is the Authorised Intermediary to the Offer.	N/A
Who are the Co-Managers?	The Joint Lead Managers have appointed Shaw and Partners Limited and Craigs Investment Partners Limited as Co-Managers to the Offer. The Joint Lead Managers will pay any commissions and fees payable to a Co-Manager or Broker.	N/A
Who can participate in the Offer?	Members of the general public who have a registered address in Australia or New Zealand.	Section 2

Question	Answer	More Information
Can superannuation funds invest?	Yes, subject to the investment mandate of the particular fund and the trustee's general powers and duties.	N/A
Is there a minimum subscription amount for the Offer to proceed?	Yes, the Company must receive valid Applications for at least 50,000,000 Shares in order for the Offer to proceed.	Section 2
Is there a minimum subscription amount for each Application?	Yes, each Applicant must subscribe for a minimum of 2,500 Shares (at the Application Price of \$2.00 per Share), i.e. \$5,000. A larger number of Shares may be applied for in multiples of 100 Shares	Section 2
Is there a cooling off period?	No.	N/A
How can I obtain further information in relation to the Offer?	<p>Contact Spheria Emerging Companies Limited, on 1300 010 311 or via email at invest@pinnacleinvestment.com.</p> <p>If you are uncertain as to whether an investment in the Company is suitable for you, please contact your stockbroker, financial adviser, accountant, lawyer or other professional adviser.</p>	N/A

The above table is a summary only. This Prospectus should be read in full before making any decisions to apply for Shares.

SECTION 2.

DETAILS OF THE OFFER

This is a summary only. This Prospectus should be read in full before making any decision to apply for Shares.

2.1. THE OFFER

SHARES

The Company is offering for subscription a minimum of 50,000,000 and up to 125,000,000 fully paid ordinary shares. Shares will be issued at an Application Price of \$2.00 per Share. The Offer will raise between \$100,000,000 and \$250,000,000. The rights attaching to the Shares are set out in Section 10.3.

THE OFFER

The Offer is made up of the Broker Firm Offer (detailed in Section 2.2), the Priority Allocation (detailed in Section 2.3) and the General Offer (detailed in Section 2.4).

The Offer will only be made to investors who have a registered address in Australia or New Zealand.

Early lodgement of your Application is recommended as the Directors may close the Offer at any time after the expiry of the Exposure Period without prior notice. The Directors may extend the Offer in accordance with the Corporations Act. The Directors reserve the right to terminate the Offer at any time.

2.2. BROKER FIRM OFFER

The Broker Firm Offer is open to persons who have received a firm allocation from their Broker and who have a registered address in Australia or New Zealand.

Applicants who have been offered a firm allocation by a Broker will be treated as Applicants under the Broker Firm Offer in respect of that allocation.

To participate in the Broker Firm Offer, your Application Form must be received by your Broker by 5.00pm Sydney time on the Broker Firm Offer Closing Date.

Applicants should contact their Broker to determine whether they may be allocated Shares under the Broker Firm Offer.

2.3. PRIORITY ALLOCATION

Up to 25,000,000 Shares have been set aside for the Priority Allocation to Eligible Participants. An Eligible Participant is a person that is a:

- (a) registered shareholder of Pinnacle Investment Management Group Limited (ASX: PNI); or
 - (b) direct unitholder of the Spheria Australian Smaller Companies Fund, the Spheria Australian Microcap Fund or the Spheria Opportunities Fund,
- with a registered address in Australia or New Zealand (**Eligible Participants**).

The Priority Allocation will be restricted to the Eligible Participants and allocated at the Directors' discretion.

Eligible Participants should use the Priority Allocation Application Form.

For personal use only

Early lodgement of your Application is recommended as the Offer may be closed early at the Directors' discretion.

If the Company receives Applications from Eligible Participants for more than 25,000,000 Shares, it intends to treat such additional Applications as being made under the General Offer on a General Offer Application Form.

Shares offered under the Priority Allocation that are not taken up will be allocated by the Company under the General Offer or Broker Firm Offer.

2.4. GENERAL OFFER

The General Offer is open to all Applicants with a registered address in Australia or New Zealand. Staff of Pinnacle Investment Management Limited, the Manager and Directors are able to participate in the General Offer. See Section 8.7 for details of the Directors' participation.

To participate in the General Offer, your Application Form and Application Monies must be submitted to the Registry by 5.00pm (Sydney time) on the Closing Date.

2.5. MINIMUM SUBSCRIPTION

The minimum subscription amount payable by an individual Applicant under the Offer is \$5,000 (i.e. 2,500 Shares). A larger number of Shares may be applied for in multiples of 100 Shares.

In addition, there is an aggregate Minimum Subscription required of \$100,000,000 for the Offer to proceed.

2.6. OFFER NOT UNDERWRITTEN

The Offer is not underwritten.

2.7. APPLICATIONS UNDER THE GENERAL OFFER OR PRIORITY ALLOCATION

APPLICATION FORMS

Applications under the Offer must be made and will only be accepted on the applicable Application Form that accompanies this Prospectus.

The Application Form marked "General Offer" must be completed by Applicants who are not participating in the Broker Firm Offer or the Priority Allocation. The Application Form marked "Priority Allocation" must be completed by Eligible Participants who are not participating in the Broker Firm Offer or the General Offer.

"General Offer Application Forms" and "Priority Allocation Application Forms" will be accepted at any time after the Opening Date and prior to 5.00pm (Sydney time) on the Closing Date (expected to be 24 November 2017).

An Application Form must be completed in accordance with the instructions on the form (if using a paper Application Form, the instructions are on the reverse side of the Application Form, if using an electronic Application Form, follow the prompts).

Applications under the Offer must be for a minimum of 2,500 Shares.

Applications received after 5.00pm (Sydney time) on the Closing Date will not be accepted and will be returned to potential investors.

The Directors may extend the Closing Date. Applications must be accompanied by payment in Australian currency.

PAYMENT BY CHEQUE OR BANK DRAFT

Cheque(s) or bank draft(s) must be drawn on an Australian branch of a financial institution and made payable to "Spheria Emerging Companies Limited" and crossed "Not Negotiable".

Payments by cheque will be deemed to have been made when the cheque is honoured by the bank on which it is drawn. Accordingly, Applicants should ensure that sufficient funds are held in the relevant account(s) to cover your cheque(s).

If the amount of your cheque(s) or bank draft(s) for Application Monies (or the amount for which those cheques clear in time for the allocation) is insufficient to pay for the number of Shares you have applied for in your Application Form, you may be taken to have applied for such lower amount as your cleared Application Monies will pay for (and to have specified that amount in your Application Form) or your Application may be rejected.

Completed Application Forms and accompanying cheques may be lodged with:

BY MAIL

Spheria Emerging Companies Limited
c/- Automic
PO Box 2226
Strawberry Hills NSW 2012

HAND DELIVERED

Spheria Emerging Companies Limited
c/- Automic
Level 3, 50 Holt Street
Surry Hills NSW 2010

PAYMENT BY BPAY

You may apply for Shares online and pay your Application Monies by BPAY.

Applicants wishing to pay by BPAY should complete the online Application Form accompanying the electronic version of this Prospectus which is available at www.spheria.com.au and follow the instructions on the online Application Form (which includes the Biller Code and your unique Customer Reference Number (CRN)).

You do not need to complete and return a paper Application Form if you pay by BPAY.

You should be aware that you will only be able to make a payment via BPAY if you are the holder of an account with an Australian financial institution which supports BPAY transactions.

When completing your BPAY payment, please make sure you use the specific Biller Code and your unique CRN provided on the online Application Form. If you do not use the correct CRN your Application will not be recognised as valid.

It is your responsibility to ensure that payments are received by 5.00pm (Sydney time) on the Closing Date. Your bank, credit union or building society may impose a limit on the amount which you can transact on BPAY, and policies with respect to processing BPAY transactions may vary between banks, credit unions or building societies.

The Company accepts no responsibility for any failure to receive Application Monies or payments by BPAY before the Closing Date arising as a result of, among other things, processing of payments by financial institutions.

2.8. APPLICATIONS UNDER THE BROKER FIRM OFFER

If you are applying for Shares under the Broker Firm Offer, you should arrange for your Broker Firm Application Form to be lodged with the Broker from whom you received your firm allocation.

Broker Firm Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Broker Firm Application Form.

By making an Application, you declare that you were given access to this Prospectus, together with a Broker Firm Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a copy of this Prospectus.

Applicants under the Broker Firm Offer must complete their Broker Firm Application Form and pay their Application Monies to their Broker in accordance with the relevant Broker's directions in order to receive their firm allocation. Applicants under the Broker Firm Offer must not send their Broker Firm Application Forms to the Company or Registry.

The Broker Firm Offer is expected to close at 5.00pm (Sydney time) on 17 November 2017. Please contact your Broker for instructions.

Applicants under the Broker Firm Offer must pay their Application Monies in accordance with instructions from their Broker. The allocation of Shares to Brokers will be determined by the Company and the Joint Lead Managers. Shares that are allocated to Brokers for allocation to their clients with registered Australian addresses will be issued to the successful Applicants who have received a valid allocation of Shares from those Brokers.

It will be a matter for the Brokers how they allocate Shares among their clients, and they (and not the Company) will be responsible for ensuring that clients who have received an allocation from them, receive the relevant Shares.

For personal use only

The Company and the Share Registry take no responsibility for any acts or omissions by your Broker in connection with your Application, Broker Firm Application Form and Application Monies (including, without limitation, failure to submit Broker Firm Application Forms by the close of the Broker Firm Offer).

Delivery versus payment (DvP) settlement is available for Applicants under the Broker Firm Offer. Please contact your Broker or the Joint Lead Managers for further details.

2.9. EXPOSURE PERIOD

The Corporations Act prohibits the Company from processing Applications in the 7 day period after the date of lodgement of this Prospectus with ASIC. This period may be extended by ASIC by up to a further 7 days. Applications received during the Exposure Period will not be processed until after the expiry of that period.

No preference will be conferred on Applications received during the Exposure Period.

2.10. ALLOCATION POLICY

The basis of allocation of Shares within the General Offer, the Priority Allocation and the Broker Firm Offer will be determined by the Company and the Joint Lead Managers.

Certain Applicants nominated by the Company may be given preference in the allocation of Shares. The Directors currently expect that certain shareholders, directors and employees of the Manager and the Company will participate in the Offer.

The Company reserves the right in its absolute discretion not to issue any Shares to Applicants under the Offer and may reject any Application or allocate a lesser number of Shares than those applied for at its absolute discretion.

2.11. APPLICATION MONIES

All Application Monies received by the Company will be held by the Company on trust in a separate account until the Shares are issued to successful Applicants. The Company will retain any interest earned on the Application Monies held on trust pending the issue of Shares to successful Applicants.

2.12. ALLOTMENT

The Company will not allot Shares until the minimum subscription has been received and the ASX has granted permission for quotation of the Shares unconditionally or on terms acceptable to the Company. The Company is not currently seeking quotation of its Shares on any financial market other than the ASX. The fact that the ASX may admit the Company to the Official List and grant official quotation of the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares offered for issue under the Offer.

The ASX takes no responsibility for the contents of this Prospectus. Normal settlement trading in the Shares, if quotation is granted, will commence as soon as practicable after the issue of holding statements to successful Applicants. It is the responsibility of Applicants to determine their allocation prior to trading in the Shares. Applicants who sell Shares before they receive confirmation of their allotment will do so at their own risk.

If the ASX does not grant permission for the Shares to be quoted within three months after the date of this Prospectus, the Shares will not be issued and all Application Monies will be refunded (without interest) within the time prescribed by the Corporations Act.

It is expected that the issue of Shares under the Offer will take place by 1 December 2017.

An Application constitutes an offer by the Applicant to subscribe for Shares on the terms and subject to the conditions set out in this Prospectus. A binding contract to issue Shares will only be formed at the time Shares are allotted to Applicants.

Where the number of Shares allotted is less than the number applied for or where no allotment is made, the surplus Application Monies will be returned to Applicants (without interest) within the time prescribed by the Corporations Act.

2.13. ASX AND CHESS

The Company will apply within 7 days of the date of this Prospectus for admission to the official list of the ASX and for the Shares to be quoted.

The Company will apply to participate in the ASX's CHESS and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in shares quoted on the ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in 1 of 2 sub-registers, an electronic CHESS sub-register or an issuer sponsored sub-register.

Following completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHESS holders or, where applicable, the Security Reference Number (**SRN**) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their holding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS sub-register or through the Share Registry in the case of a holding on the issuer sponsored sub-register. The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

2.14. BROKERAGE, COMMISSION AND STAMP DUTY

No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Offer.

2.15. LEAD ARRANGER, JOINT LEAD MANAGERS AND CO-MANAGERS

Offers under this Prospectus will be made under an arrangement between the Company and the Authorised Intermediary, under Section 911A(2)(b) of the Corporations Act. The Company will only authorise the Authorised Intermediary to make offers to people to arrange for the issue of Shares by the Company under the Prospectus and the Company will only issue Shares in accordance with Applications made under such offers if they are accepted. No fees are payable by the Company with respect to the arrangement with the Authorised Intermediary.

The Company will pay the Lead Arranger, a fee of 0.10% (plus GST) of the total proceeds raised under the Offer. The Company will pay the Joint Lead Managers a management fee equal to 1.00% of the total proceeds raised under the Offer. In addition, the Company will pay to each Joint Lead Manager a Broker Firm selling fee of 1.50% (inclusive of GST) which is equivalent to 1.36% (plus GST) of the total proceeds of the Broker Firm Offer raised by the relevant Joint Lead Manager and the Co-Managers and Brokers appointed by it.

The Joint Lead Managers have appointed Shaw and Partners Limited and Craigs Investment Partners Limited as Co-Managers to the Offer. The Company will not pay or give a benefit to those companies for those services. The Joint Lead Managers will have sole responsibility to pay any commissions and fees payable to a Co-Manager or Broker.

The Lead Arranger's, the Authorised Intermediary's, the Joint Lead Managers' and the Co-Managers' functions should not be considered as an endorsement of the Offer or a recommendation of the suitability of the Offer for any investor. Neither the Joint Lead Managers nor the Co-Managers guarantees the success or performance of the Company or the returns (if any) to be received by the Shareholders.

Neither the Joint Lead Managers nor the Co-Managers are responsible for or caused the issue of this Prospectus.

2.16. OVERSEAS INVESTORS

The Offer is an offer to Australian and New Zealand investors only. The Offer does not constitute an offer in any place in which, or to any person to whom, it would be unlawful to make such an offer.

UNITED STATES RESIDENTS

The Offer is not open to persons in the United States or U.S. Persons.

The Shares being offered pursuant to this Prospectus have not been registered under the U.S. Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from registration under the U.S. Securities Act and applicable state securities laws. This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of these securities in any state or other jurisdiction in which such offer, solicitation or sale would be unlawful. In addition, any hedging transactions involving these securities may not be conducted other than in compliance with the U.S. Securities Act.

OVERSEAS OWNERSHIP AND RESALE REPRESENTATION

It is your responsibility to ensure compliance with all laws of any country relevant to your Application. The return of a duly completed Application Form will be taken by the Company to constitute a representation and warranty made by you to the Company that there has been no breach of such laws and that all necessary consents and approvals have been obtained.

2.17. PRIVACY

When you apply to invest in the Company, you acknowledge and agree that:

- (a) you are required to provide the Company with certain personal information to:
 - (i) facilitate the assessment of an Application;
 - (ii) enable the Company to assess the needs of Applicants and provide appropriate facilities and services for Applicants; and
 - (iii) carry out appropriate administration;
- (b) the Company may be required to disclose this information to:
 - (i) third parties who carry out functions on behalf of the Company, including marketing and administration functions, on a confidential basis; and
 - (ii) third parties if that disclosure is required by law; and
 - (iii) related bodies corporate (as that term is defined in the Corporations Act) which carry out functions on behalf of the Company.

Under the *Privacy Act 1988* (Cth), Applicants may request access to their personal information held by (or on behalf of) the Company. Applicants may request access to personal information by telephoning or writing to the Company.

2.18. TAX IMPLICATIONS OF INVESTING IN THE COMPANY

The taxation consequences of any investment in the Shares will depend on your particular circumstances. It is your responsibility to make your own enquiries concerning the taxation consequences of an investment in the Company. Applicants are urged to consider the possible tax consequences of participating in the Offer by consulting a professional tax adviser.

A general overview of the Australian taxation implications of investing in the Company are set out in Section 10.7 and are based on current tax law and ATO tax rulings. The information in Section 10.7 is not intended as a substitute for investors obtaining independent tax advice in relation to their personal circumstances. We recommend you seek independent tax advice.

2.19. ANTI-MONEY LAUNDERING / COUNTER-TERRORISM FINANCING ACT 2006

The Company, Manager or Joint Lead Managers may be required under the *Anti-Money Laundering/Counter-Terrorism Financing Act 2006* (Cth) or any other law to obtain identification information from Applicants. The Company reserves the right to reject any Application from an Applicant who fails to provide identification information upon request.

SECTION 3. ABOUT THE COMPANY

3.1. OVERVIEW OF SPHERIA EMERGING COMPANIES LIMITED

The Company has been established to provide investors with access to:

- (a) an actively managed equities portfolio that provides exposure to Australian Small Cap Securities; and
- (b) the investment expertise of Spheria Asset Management Pty Limited.

The Company's Portfolio will be constructed in accordance with the Manager's investment approach which aims to provide capital growth and income. The Investment Strategy aims to provide total returns in excess of the Benchmark and capital growth.

3.2. INVESTMENT OBJECTIVES

The Company's investment objectives are to:

- (a) outperform (after all fees and expenses) the Benchmark over each full investment cycle (which the Manager considers to be a period of typically 3 to 5 years); and
- (b) provide capital growth (over each investment cycle) and income.

The Company aims to maximise total Shareholder return via a combination of capital growth and income, with the aim of regularly paying fully franked dividends to Shareholders. Whether dividends are declared is at the full discretion of the Board. The Board will only exercise its discretion if the Company has sufficient profit reserves and franking credits available and it is within prudent business practice to do so. See Section 3.7 for details of the Company's dividend policy.

3.3. INVESTMENT STRATEGY

The Investment Strategy is to invest in an actively managed Portfolio, predominantly comprised of Australian Small Cap Securities, which aims to achieve the investment objectives outlined above.

The Manager will seek to purchase securities in businesses where the present value of future free cash flows can be reasonably ascertained, and the security is trading at a discount to the Manager's assessed fundamental valuation.

Risk controls are an important component of the Investment Strategy. The Manager will give preference to securities it considers to have relatively low risks, for example, entities that are geared to a level that the Manager considers appropriate given the nature of the relevant businesses and have free cash flow to support that relevant level of gearing.

3.4. PORTFOLIO CONSTRUCTION

The Company may invest in listed Australian or New Zealand securities, Pre-IPO Securities and cash (see Section 3.6 for full details). Notwithstanding this broad mandate, the majority of the Portfolio is expected to be comprised of Australian Small Cap Securities.

The Company will typically invest in 20 to 65 different securities. In addition, once fully invested, up to 20% of the Portfolio may be held in cash when attractively valued securities cannot be found.

No sector limitations apply to the Company's Investment Strategy because the Manager is primarily a fundamental investor, meaning that the Manager's primary focus is on the value and risk proposition of each investment, rather than the sector in which the underlying entity operates or on the economy as a whole. However, the Portfolio is expected to be diversified across a broad range of sectors and industry groups. The Manager will regularly review Portfolio sector weights and thematic concentrations and will adjust the Portfolio as necessary.

The Company's Investment Strategy does limit investments geographically to Australian and New Zealand securities.

Whilst the Investment Strategy does have regard to the Benchmark, the Manager will not seek to replicate the Benchmark in the construction of the Portfolio. The Portfolio will be constructed in accordance with investment guidelines agreed between the Company and the Manager from time to time (initially being set out in Section 3.5), with the aim of ensuring adequate diversification across securities, sectors and investment themes. The Manager will build the Portfolio using the investment process outlined in Section 4.4.

Short selling and leverage are not permitted by the Investment Strategy.

The Company's Portfolio is expected to be similar to the portfolio of the Spheria Australian Smaller Companies Fund. The Manager expects to be fully invested within a relatively short period of time (expected to be within 6 months after listing on the ASX). However, the pace of the Company's capital deployment will depend on market conditions.

3.5. INVESTMENT GUIDELINES

The investment guidelines for the construction of the Portfolio will be based on the following principles:

Exposure	Guidelines
Number of securities	Typically, 20 to 65 securities. The Company's Investment Strategy does not require a minimum or a maximum number of securities within the Portfolio, as the opportunities at any given time will depend on market conditions.
Single security limit	Typically up to +5% of the Portfolio's NAV versus its Benchmark weight.
Cash limits	Maximum of 20% of the Portfolio's NAV.
Industry/Sector limits	Sector limitations will not apply to the Company's Investment Strategy. This is because the Manager is primarily a fundamental investor. However, the Portfolio is expected to be diversified across a broad range of sectors and industry groups. The Manager will regularly review sector and thematic concentrations and will adjust the Portfolio as necessary.
Non-Australian Small Cap Securities exposure (including Pre-IPO Securities)	Up to 25% of the Portfolio's NAV (excluding cash).
Geographic exposure limits	Australia and New Zealand.
Pre-IPO Securities exposure	Maximum of 10% of the Portfolio's NAV from time to time. Additionally, at the time of acquiring such Pre-IPO Securities, there must be in the reasonable opinion of the Manager a high likelihood of a successful listing of those Pre-IPO Securities within 12 months from the date of acquisition.
Currency hedging	Not permitted.
Short sales	Not permitted.
Leverage	Not permitted.

3.6. PERMITTED INVESTMENTS

The types of securities and other financial products included in the Company's investable universe are limited to:

- (a) Australian and New Zealand listed securities;
- (b) Pre-IPO Securities; and
- (c) cash.

Under the Investment Management Agreement, the Manager may undertake investments in the Portfolio without the prior approval of the Board provided they are in accordance with the investment objectives, strategies, policies and guidelines agreed with the Company from time to time (initially being the Investment Strategy and investment guidelines in this Prospectus).

In the event that a proposed investment is not in accordance with the Company's investment objectives, strategies, policies and guidelines or is not a permitted investment, the Manager must obtain Board approval to make the investment.

3.7. DIVIDEND OBJECTIVE

The Company's objective is to maximise total Shareholder return via a combination of capital growth and income, with the aim of regularly paying fully franked dividends to Shareholders.

The Board intends for the Company to pay dividends at least annually from available profits derived from dividends and interest income it receives from its investments as well as realised gains on the sale of investments within the Portfolio, to the extent permitted by law and the payment being within prudent business practices. This is not intended to be a forecast; it is merely an objective of the Company. The Company may not be successful in meeting this objective.

The amount of any dividend will be at the discretion of the Board and will depend on a number of factors, including the availability of profit reserves and franking credits, retained earnings, capital requirements, financial conditions and other factors that the Board deems relevant.

3.8. BORROWING POLICY

The Company's policy is to not borrow funds.

The Board and the Manager may decide to amend this policy. If this were ever to occur, the Company will have to seek Shareholder approval prior to implementing any change that would materially change the risk profile of an investment in the Company.

3.9. CAPITAL MANAGEMENT POLICY

The Board will regularly review the capital structure of the Company and, where the Board considers appropriate, undertake capital management initiatives which may involve:

- (a) the issue of other securities (through bonus options issues, placement, pro rata issues, etc.); and/or
- (b) the buy-back of Shares.

3.10. ALLOCATION POLICY

The Manager is also the manager of three unlisted funds, and the Manager will employ the same investment process and strategy for the Company that it currently uses in managing one of these funds, the Spheria Australian Smaller Companies Fund. The Manager will use its portfolio management system to manage the allocation of trades and investments across its different portfolios.

The Manager has an allocation policy that has been designed to pre-allocate trades on a fair and equitable basis. Under this policy, trades will be allocated across the Manager's portfolios on a pro rata basis (based on each portfolio's NAV), having regard to their respective composition, cash flows and targets from time to time. Transactions may be specific to a particular portfolio, in which case they will not be allocated pro rata.

3.11. VALUATION POLICY

The Company's NTA will be calculated daily (released to the ASX at least monthly) using a framework for the valuation of financial instruments that is consistent with current industry practice and regulatory requirements.

The assets of the Company will be valued using market accepted practices to accurately and independently determine their fair value. The value of the Company's investments shall be determined by aggregating the value of each investment forming part of the Company's Portfolio. Each investment shall be valued in accordance with the following methodology:

- (a) securities – the market value of such securities determined in accordance with Australian Accounting Standards (unless otherwise agreed by the Company and the Manager);
- (b) cash (including income) – the amount of such cash (in Australian dollars); and
- (c) other investments – if any investment is not included in (a) or (b) above, the value of the investment will be determined in accordance with the Australian Accounting Standards (see Section 6.8 for details).

See Section 6.8 for further details. The Company may request that the value of an investment be determined by a duly qualified valuer independent of both the Company and the Manager (**Approved Valuer**), recommended by the Manager having regard to the particular type or types of investment which are the subject of the valuation.

3.12. CUSTODIAN

The Company intends for its assets to be held by a third party custodian.

3.13. RISK MANAGEMENT PHILOSOPHY AND APPROACH

The Company has appointed the Manager to manage the Portfolio and the Manager will be responsible for monitoring the investment risk within the Portfolio. The Manager assesses risk on the following levels:

- (a) the investment process has a strong focus on identifying entities with an ability to generate positive free cash flow which the Manager considers key to risk management;
- (b) the Manager assesses an entity's gearing levels based on balance sheet debt and as measured by interest cover and fixed charges cover;
- (c) the Manager assesses qualitatively where the entity is operating within its business cycle; if the entity is close to the top of its business cycle, forward looking risk assessment should indicate an increase in risk going forward, whilst an entity at or near the bottom of its business cycle should indicate a reduction of risk going forward; and
- (d) the Manager qualitatively assesses an entity's operating leverage based on an estimate of the percentage of fixed cost in that entity's cost structure.

The Manager may adjust the Portfolio's weighting in individual securities according to the identified levels of risk.

Risks associated with volatility within the Portfolio will be managed through the active management of the Portfolio. The Manager may adjust the number of positions and the size of positions to seek to ensure that the level of volatility within the Portfolio remains below the levels experienced by the Benchmark over each full investment cycle (which the Manager considers to be a period of typically 3 to 5 years).

The Manager is committed to robust corporate governance practices and to ensuring that there is a control system in place for monitoring and managing risks identified by the Manager from time to time, and that the system is commensurate with those risks. It ensures, amongst other things, the fair allocation of trades between all relevant entities and monitors exposures within the Portfolio.

The Company will monitor the Manager to ensure that the investment guidelines (initially, these are the guidelines in Section 3.5) are implemented. Under the Investment Management Agreement, the Manager must report to the Board on a regular basis. These reports will allow the Board to monitor the Manager and the Portfolio to ensure ongoing compliance with the Investment Strategy and investment guidelines.

3.14. CHANGES TO INVESTMENT STRATEGY

The Investment Strategy outlined in this Section is expected to be implemented by the Manager upon listing of the Company on the ASX.

While no material changes to the Investment Strategy are presently contemplated, if there are changes, these changes would be made with the approval of the Board, after consultation with the Manager. The Company will notify Shareholders via its website and the ASX of any material changes to the Company's Investment Strategy.

3.15. REPORTS TO SHAREHOLDERS

Within 14 days after the end of each month, the Company will release to the ASX a statement of the net tangible asset backing of its Shares as at the end of that month. The calculation of the NTA backing of Shares will be made in accordance with the Listing Rules.

The Company will provide to Shareholders on request, free of charge, a copy of statements released to the ASX of the NTA backing of Shares from time to time.

The Company may also release to the ASX (and place on its website) reports, prepared by the Manager from time to time, to keep Shareholders informed about the current activities of the Company, the performance of the Company's investment and the investment outlook.

SECTION 4.

ABOUT THE MANAGER

4.1. OVERVIEW OF THE MANAGER

The Company's Investment Strategy is proposed to be implemented by the Manager, which has been appointed as an authorised representative under Pinnacle's AFSL (no. 322140).

The Manager is a boutique fund manager specialising in small cap and microcap Australian and New Zealand equities.

The Manager is controlled 60% by entities associated with the Spheria Investment Team and 40% by Pinnacle. Pinnacle supports the development of high quality investment management businesses like the Manager. As at 31 August 2017, the fund management entities related to Pinnacle managed approximately \$26.76 billion on behalf of individual investors and institutions, both in Australia and offshore.

4.2. ROLE OF THE MANAGER

The Manager will be responsible for making investment and divestment decisions for the Company and for implementing the Investment Strategy as per the terms and conditions set out in the Investment Management Agreement (a summary of the agreement is set out in Section 10.1).

The Manager will:

- (a) implement the Investment Strategy, including to actively manage and supervise the Portfolio's investments;
- (b) manage the Portfolio's exposure to markets and cash; and
- (c) regularly update the Company regarding the Portfolio.

4.3. INVESTMENT PHILOSOPHY

The Manager believes that investment returns are primarily a function of each investment's purchase price (or starting valuation) and its economic performance.

Assessing investment risk is fundamental to the Manager's investment philosophy. The Manager believes that investment risk (such as the chance of permanent loss of capital) is best managed by investing in businesses that can be purchased at a price that is less than the Manager's assessment of intrinsic valuation and which the Manager believes are capable of generating positive free cash flow.

4.4. INVESTMENT PROCESS

Broadly defined, the investment process consists of initial screening and identification, analysis and research, risk assessment, capital allocation decision and monitoring. The Manager has a formalised research and financial modelling process.

The Manager's investment process has five main stages:

STAGE ONE: SCREENING & IDENTIFICATION

The Manager aims to have the majority of entities within the Benchmark (approximately 200 entities at any given time) modelled at all times. The Manager will also look outside of the Benchmark for ideas that meet its investment criteria, this includes Pre-IPO Securities and New Zealand securities.

For personal use only

To narrow the field of potential investments, the Manager employs various quantitative screens and qualitative techniques. Quantitative screens can include scanning Bloomberg for entities that meet the Manager's free cash flow criteria and running automated screens to identify specific information. Qualitative techniques used by the Manager include meeting with entities and industry participants and monitoring the market, paying attention to changes in management or the broader industry within which an entity operates, as well monitoring new listings that enter the Benchmark.

STAGE TWO: DETAILED FUNDAMENTAL ANALYSIS AND RESEARCH

After passing through initial screening, the Manager subjects each potential investment to detailed financial modelling and business analysis. This involves, amongst other things, a deep dive into historic financial trends. During this stage, the Manager believes it is critical that it gain an understanding not only of how each potential investment entity's business makes money but its culture and the business philosophy of the key managers steering that entity.

Fundamental to the Manager's approach is analysing the industries in which each potential investment operates. To gain an understanding of an entity's industry and market position, the Manager will assess:

- (a) the threat of new entrants and substitute products; and
- (b) the bargaining power of suppliers and customers alike.

To assist its assessment, the Manager will look to meet with industry participants including competitors, customers and suppliers. The Manager uses this information to form a view as to the sustainability of cash flow returns within an industry and for a business within that industry.

Further, if the Manager has not already done so, the Manager will seek to meet with the relevant entity's management during its Stage Two research. In the Manager's experience, the quality and track record of an entity's board and key managers is critical to the ultimate success of a business. For this reason, the Manager believes assessing and rating the quality of an entity's board and key managers to be an important component of its research effort.

The result of Stage Two research work is a comprehensive model on each potential investment, which includes historical financials, financial forecasts and the Manager's assessment of intrinsic value.

STAGE THREE: RISK ASSESSMENT

Following Stage Two, the Manager will assess the risk associated with each potential investment. The risk metrics considered by the Manager include an assessment of fixed charges (including finance costs), cash flow, debt and operating leverage. The Manager will also assess the broader economy and industry in which a potential investment operates and assess where any entity sits within its industry cycle.

The Manager will rate potential investments, giving preference to entities it considers to have relatively low risks, for example, entities:

- (a) that are geared to a level that the Manager considers appropriate given the nature of the relevant businesses and have free cash flow to support that relevant level of gearing; and
- (b) operating within industries that the Manager does not consider to be at or approaching a peak in the business cycle.

STAGE FOUR: PORTFOLIO CONSTRUCTION

The Portfolio will be constructed in accordance with investment guidelines agreed with the Company from time to time (initially being the guidelines set out in Section 3.5) with the aim of ensuring adequate diversification across securities, sectors and investment themes.

Each comprehensive model prepared during Stage Two is presented to the Spheria Investment Team. The ultimate decision in respect of a potential investment rests with the joint portfolio managers, Marcus Burns and Matthew Booker.

The Manager's decision to invest is principally driven by market price versus the Manager's assessment of intrinsic value. The size of each position within the Portfolio will be determined by reference to the discount to valuation, risk factors and trading liquidity of the underlying security. In respect of Australian Small Cap Securities, the Manager will also have regard to the relevant security's weighting in the Benchmark.

STAGE FIVE: MONITOR PORTFOLIO PERFORMANCE AND ADJUST WEIGHTS

The Manager monitors performance on a daily basis, adjusting the Portfolio as required.

The Manager will reduce exposure to or remove a security from the Portfolio if its original investment thesis no longer holds or if the Manager considers the security over valued.

To a lesser extent, the Manager may consider adjusting the Portfolio in response to changes to the Benchmark (including any changes to the sector weighting in the Benchmark). Sector weighting within the Portfolio are also monitored to mitigate against concentration risk or construction bias.

4.5. OVERVIEW OF SPHERIA INVESTMENT TEAM

Marcus Burns and Matthew Booker, as joint portfolio managers of the Manager, will hold ultimate responsibility for the implementation of the Company's Investment Strategy.

The Manager's investment team (**Spheria Investment Team**) is comprised of three experienced investment professionals with expertise across different markets and small cap securities.

With over 40 years of collective investment experience, the members of the Spheria Investment Team have witnessed multiple market cycles. Each of the Spheria Investment Team came together in April 2016 to establish the Manager, and are now responsible for managing approximately \$384 million (as at 31 August 2017) in small cap and microcap equity portfolios. The Spheria Investment Team has now worked together for 4.5 years. The Company will be able to draw upon and benefit from this depth and breadth of experience in the construction and maintenance of the Portfolio.

The Manager considers that each member of the Spheria Investment Team will be available to devote the amount of time required for the Manager to properly perform its functions in managing the Company's Portfolio in accordance with the Investment Management Agreement.

There have been no adverse regulatory findings against the Manager or any member of the Spheria Investment Team.

4.6. SPHERIA INVESTMENT TEAM MEMBERS



MATTHEW BOOKER (PORTFOLIO MANAGER)

Matthew is the co-founder of the Manager and the joint portfolio manager of all investment strategies of the Manager.

Matthew has a 12-year career as

a small cap portfolio manager. Matthew began his work career as an actuarial analyst at Tyndall in the mid 1990's where he developed a keen interest in share market investing. He then spent nearly 6 years at Merrill Lynch as a top rated diversified financial analyst. In 2005, he joined Credit Suisse Asset Management to manage the smaller companies fund. Since then Matthew worked at Concord Capital and Schroders Investment Management Australia, managing smaller cap funds. At Concord, the small cap fund generated a return 16% pa above the benchmark for its 4.5 year life. Matthew worked alongside Marcus Burns co-managing the Australian small cap and microcap portfolios, achieving 11.5% per annum outperformance (net of fees) in the Schroder smaller companies fund from 31 March 2013 to 31 March 2016.



MARCUS BURNS (PORTFOLIO MANAGER)

Marcus is the co-founder of the Manager and the joint portfolio manager of all investment strategies of the Manager. Marcus commenced his investment career

as an analyst with Schroders in 1997 in Australian equities. In 2001 he moved to London where he spent time on European equities at Schroders Investment Management Australia, Citigroup (on the sellside) and as a global consumer portfolio manager with Man/GLG Partners. Since returning to Australia in 2008 he co-founded a global long only firm (Natural Capital FM) where he was CIO and the portfolio manager of a concentrated global fund. He re-joined Schroders at the beginning of 2012 and worked alongside Matthew Booker co-managing Australian small cap and microcap portfolios, achieving 11.5% per annum outperformance (net of fees) in the Schroder smaller companies fund from 31 March 2013 to 31 March 2016.



ADAM LUND (TRADER/ANALYST)

Adam is one of the founding members of the Manager and is responsible for the trading of all of the Manager's investment strategies. Adam also has research and portfolio construction responsibilities. Prior to Spheria, Adam spent 5 years as an equities and derivatives trader at Schroders Investment Management Australia. Adam worked closely with Matthew Booker and Marcus Burns trading for the Australian small and micro cap portfolios.

Adam's career began in 2005 at Thomas Hopper & Partners Chartered Accountants, where he worked across the taxation, audit and company account divisions. Adam holds a Bachelor of international business and finance degree and a Masters in professional accounting from Southern Cross University.

4.7. THE INVESTMENT STRATEGY: RELEVANT EXPERIENCE

The Manager has not previously been a manager of a listed investment company.

However, the Manager is the manager of the Spheria Australian Smaller Companies Fund, the Spheria Australian Microcap Fund and the Spheria Opportunities Fund. Since 11 July 2016 the Manager has managed the Spheria Australian Smaller Companies Fund using the same Investment Strategy and processes that it will employ as the Company's Manager.

Given that the Company's Investment Strategy and processes are the same as those currently employed for the Spheria Australian Smaller Companies Fund, the Company considers the performance of the Spheria Australian Smaller Companies Fund since 11 July 2016 as important in assessing the record and capabilities of the Manager. Details of such performance are set out in Section 4.8 below.

The Company considers that the performance of the Spheria Australian Smaller Companies Fund prior to 11 July 2016 is not relevant to the Company because of the following reasons:

- (a) from inception of the Spheria Australian Smaller Companies Fund until 1 July 2016, the fund was managed by a different manager; and
- (b) from 1 July 2016 until 11 July 2016, the portfolio of the Spheria Australian Smaller Companies Fund was being transitioned from the previous manager to the Manager and, in the opinion of the Manager, the portfolio of the Spheria Australian Smaller Companies Fund was not constructed in accordance with the Manager's investment strategy during this period until 11 July 2016.

However, there are structural differences between the Spheria Australian Smaller Companies Fund, a registered managed investment scheme, and the Company. These differences impact, among other things, cash flows within the different portfolios. As a result, the composition of the Company's Portfolio and the weighting of individual positions will be similar, but not identical to that of the Spheria Australian Smaller Companies Fund.

STRUCTURAL AND CASH FLOW DIFFERENCES BETWEEN THE SPHERIA AUSTRALIAN SMALLER COMPANIES FUND AND THE COMPANY

- (a) The Spheria Australian Smaller Companies Fund is an open-ended structured entity. As such, its cash flows, and hence investment decisions, are affected by applications and redemptions by investors. The fund, being open-ended, may receive cash inflows via investments from clients or purchases of units by investors and is accordingly able to redeploy capital without necessarily selling down any securities it already holds. The entity can also be subject to cash outflows due to investors redeeming investments and units that may need to be funded by the entity having to sell down security positions. The Company is a closed-end investment vehicle and there will be no redemptions by investors. The Company's investment decisions will not be affected by considerations of cash reserves for the purpose of meeting redemption requests and the Company will not be required to sell down positions in the Portfolio under disadvantageous market conditions for that purpose.
- (b) The Spheria Australian Smaller Companies Fund and the Company have different dividend/distribution policies. The Spheria Australian Smaller Companies Fund makes distributions bi-annually on 30 June and 31 December and is required to distribute to investors all of its taxable income and realised net capital gains. This could lead to fluctuations in the amount of distributions made from year to year. In contrast, while the current intention of the Company is to pay dividends to Shareholders, whether a dividend will be paid in respect of any period and the amount of any dividend to be paid will be at the discretion of the Board and will depend on factors such as cash flows and the availability of franking credits (see Section 3.7 for details on the Company's dividend objective).

DIFFERENCES IN TAX TREATMENTS BETWEEN SPHERIA AUSTRALIAN SMALLER COMPANIES FUND AND THE COMPANY

Spheria Emerging Companies Limited, as a company, and the Spheria Australian Smaller Companies Fund, as a trust structure, are subject to different taxation rules and treatments which are not reflected in the performance figures set out in Section 4.8.

For example:

- (a) As a company, Spheria Emerging Companies Limited's income (including any realised gains on the disposal of assets) is generally subject to income tax at the prevailing company tax rate, which is currently 30%. The Spheria Australian Smaller Companies Fund, on the other hand, is a trust structure that is generally considered as a flow through vehicle for taxation purposes and its income is therefore generally not subject to income tax. However, investors are generally subject to income tax in respect of the taxable distributions they receive from the entities at the income tax rate applicable to them. See Section 10.7 for details of the Australian taxation implications of investing under the Offer.
- (b) Distributions from Spheria Australian Smaller Companies Fund may include concessional tax capital gains, whereas distributions from the Company will typically be taxable as dividends.
- (c) Distributions from Spheria Australian Smaller Companies Fund may include foreign tax offsets whereas distributions from the Company will not. Rather, foreign tax offsets arising on the Company's Portfolio are applied by the Company to reduce its Australian tax payable.
- (d) Distributions from the Spheria Australian Smaller Companies Fund may carry franking credits (depending on the level of franked dividends received from securities forming the portfolio) while dividends from the Company are likely to carry franking credits, as the Company's income and realised gains are generally subject to income tax.

This discussion is not intended to provide a comprehensive analysis of the taxation differences between a company and a trust. Investors are recommended to seek advice from a tax advisor prior to making any investment decision.

DIFFERENCES IN COST STRUCTURES BETWEEN THE SPHERIA AUSTRALIAN SMALLER COMPANIES FUND AND THE COMPANY

Although the management and performance fees paid by the Spheria Australian Smaller Companies Fund and the Company are similar, their costs will vary. This is largely because the Company will incur certain costs, given its status as an ASX listed entity, that are not applicable to the Spheria Australian Smaller Companies Fund (for example, the ASX listing fees and share registry costs).

4.8. HISTORICAL PERFORMANCE OF THE SPHERIA AUSTRALIAN SMALLER COMPANIES FUND

INTRODUCTION

This Section contains details in relation to the historical performance of the Spheria Australian Smaller Companies Fund since 11 July 2016. The Company considers the performance of the Spheria Australian Smaller Companies Fund since 11 July 2016 to be representative of the historical performance of the Company's Investment Strategy and processes and therefore relevant for investors assessing an investment in the Company.

The graphs and charts detailed in Section 4.8 are not forecasts and do not represent the future behaviour of the Company or the Spheria Australian Smaller Companies Fund. Past performance is not necessarily indicative of future performance and the future performance of Spheria Australian Smaller Companies Fund and the Company could be significantly different to the past performance of the Spheria Australian Smaller Companies Fund.

There can be no certainty that the performance of the Company will be similar to the historical performance of the Spheria Australian Smaller Companies Fund. Investors should note that, given that the Company and the Spheria Australian Smaller Companies Fund have different legal structures, variations in cash flows and due to other possible factors, the composition of the Company's Portfolio and the weighting of individual positions within it will not be identical to the portfolio of the Spheria Australian Smaller Companies Fund (see Section 4.7 for details of the key differences between the Spheria Australian Smaller Companies Fund's and the Company's Corporate structures). Further, a portfolio's composition is constantly changing as new securities are purchased and old securities sold. References in this Section 4.8 to the portfolio composition of the Spheria Australian Smaller Companies Fund are for illustrative purposes only and should not be relied on as an indication of the Company's future Portfolio.

HISTORICAL PERFORMANCE OF THE SPHERIA AUSTRALIAN SMALLER COMPANIES FUND

The following table illustrates the historical performance of the Spheria Australian Smaller Companies Fund, compared against the Benchmark. It shows that the Spheria Australian Smaller Companies Fund delivered an accumulated return of 11.6% from 11 July 2016 to 31 August 2017, compared against the Benchmark which delivered a 4.3% return over the same period.

Spheria Australian Smaller Companies Fund – Returns to 31 August 2017

	1 Month %	3 Months %	6 Months %	1 year %	Since Inception %
Spheria Australian Smaller Companies Fund (after fees) ¹	1.6%	11.2%	9.6%	9.5%	11.6%
S&P/ASX Small Ordinaries Accumulation Index ²	2.7%	5.1%	5.4%	3.2%	4.3%
Outperformance of the Benchmark	-1.1%	6.1%	4.2%	6.3%	7.3%

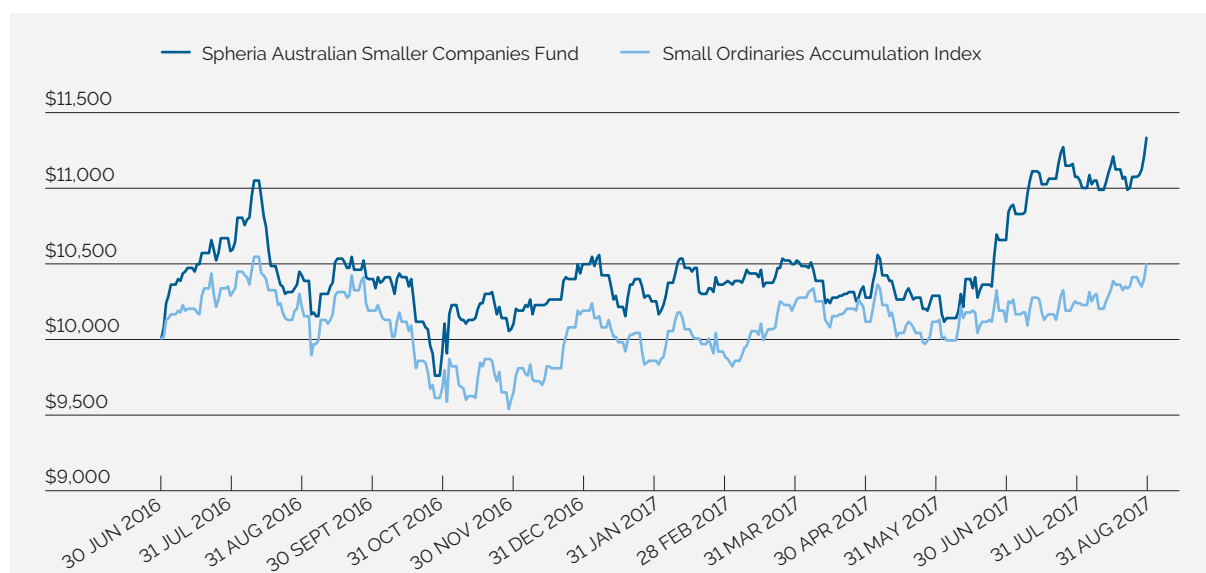
Notes:

1. The performance of the Spheria Australian Smaller Companies Fund is calculated in Australian dollars, based on the Spheria Australian Smaller Companies Fund's unaudited monthly exit prices, after ongoing fees and expenses but excluding taxation and assuming all distributions are reinvested.
2. The performance of the S&P/ASX Small Ordinaries Accumulation Index is based on trading data prepared by Standard & Poor's Financial Services LLC (**S&P**). S&P has not consented to the use of this data in this Prospectus.
3. The above table reflects the various periods, each of which ends on 31 August 2017.
4. The inception date is the date that the current investment strategy was adopted on 11 July 2016 by the Spheria Australian Smaller Companies Fund.
5. Past performance is not a reliable indicator of future performance. The performance of the Company's Portfolio (over a 12 month period and over a 3 to 5 year period) could be significantly different to the performance of the Spheria Australian Smaller Companies Fund over the period from 11 July 2016 to 31 August 2017.
6. The relative returns identified above are not intended to be an indication of the future performance of the Company, the Portfolio or the market.
7. The Benchmark is used for comparison purposes as it is the Company's Benchmark. The Manager will not seek to replicate, but will have regard to the Benchmark, in the construction of the Portfolio. The Portfolio and Benchmark will have different risk profiles.

(A) COMPARATIVE INVESTMENT RETURN

The graph below conveys the accumulated investment return of \$10,000 invested in the Spheria Australian Smaller Companies Fund assuming the funds were invested on 11 July 2016 and all distributions were reinvested. The Benchmark investment return has been provided to assist in comparing what return may have been available had the initial \$10,000 been invested in the Benchmark on the same date.

Value of \$10,000 invested in the Spheria Australian Smaller Companies Fund since inception of the investment strategy to 31 August 2017

**Notes:**

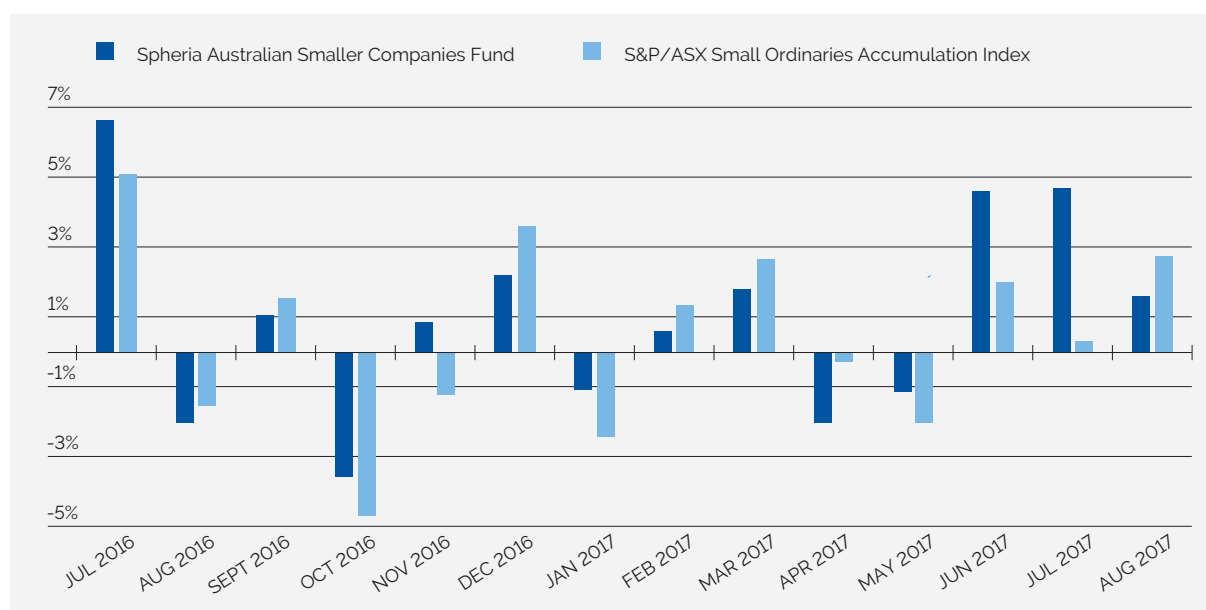
1. The above chart reflects the period commencing 11 July 2016 and ending 31 August 2017.
2. The S&P/ASX Small Ordinaries Accumulation Index has been chosen for comparison purposes only. The graph is not intended to be an indication of future performance of any asset class, index or the Portfolio.
3. The performance of the Spheria Australian Smaller Companies Fund is calculated in Australian dollars, using unaudited monthly exit prices after ongoing fees and expenses but excluding taxation and assumes all distributions are reinvested.
4. The performance of the S&P/ASX Small Ordinaries Accumulation Index is based on trading data prepared by S&P. S&P has not consented to the use of this data in the Prospectus.
5. Past performance is not a reliable indicator of future performance. The performance of the Company's Portfolio (over a 12 month period and over a 3 to 5 year period) could be significantly different to the performance of the Spheria Australian Smaller Companies Fund over the period from 11 July 2016 to 31 August 2017.
6. The Benchmark is used for comparison purposes as it is the Company's Benchmark. The Manager will not seek to replicate, but will have regard to the Benchmark, in the construction of the Portfolio. The Portfolio and Benchmark each have different risk profiles.
7. The relative returns identified above are not intended to be an indication of the future performance of the Company, the Portfolio or the market. Further, the relative returns detailed in the above chart are not indicative of returns that have been achieved by other investment strategies or indicative of returns which other investment managers may have achieved over the same period using a similar strategy.

(B) COMPARATIVE MONTHLY RETURNS TO 31 AUGUST 2017

The chart below illustrates the monthly investment performance of the Spheria Australian Smaller Companies Fund compared to the Benchmark from 11 July 2016 to 31 August 2017.

The Benchmark is used for comparison purposes as it is the Company's Benchmark. The Manager will not seek to replicate, but will have regard to the Benchmark, in construction of the Portfolio. The Portfolio and Benchmark will have different risk profiles.

As shown in the chart below, the Spheria Australian Smaller Companies Fund has outperformed the Benchmark by an average of 0.5% per month. The Spheria Australian Smaller Companies Fund has outperformed the Benchmark in the majority of months where the Benchmark declined in value. This is consistent with the Manager's investment strategy.

Spheria Australian Smaller Companies Fund – Monthly returns to 31 August 2017**Notes:**

1. The above performance for the month of July 2016 was only in respect of the period from 11 July 2016 to 31 July 2016.
2. The performance of the Spheria Australian Smaller Companies Fund is calculated in Australian dollars, based on the unaudited monthly exit price, after ongoing fees and expenses but excluding taxation and assuming all distributions are reinvested.
3. The performance of the S&P/ASX Small Ordinaries Accumulation Index is based on trading data prepared by S&P. S&P has not consented to the use of this data in the Prospectus.
4. Past performance is not a reliable indicator of future performance. The performance of the Company's Portfolio (over a 12 month period and over a 3 to 5 year period) could be significantly different to the performance of the Spheria Australian Smaller Companies Fund over the period from 11 July 2016 to 31 August 2017.
5. The relative returns identified above are not intended to be an indication of the future performance of the Company, the Portfolio or the market.
6. The Benchmark is used for comparison purposes as it is the Company's Benchmark. The Manager will not seek to replicate, but will have regard to the Benchmark, in the construction of the Portfolio. The Portfolio and Benchmark will have different risk profiles.

(C) SNAPSHOT OF THE SPHERIA AUSTRALIAN SMALLER COMPANIES FUND'S PORTFOLIO

The composition of the Spheria Australian Smaller Companies Fund's portfolio and the Company's Portfolio, including the weighting of individual positions, is expected to be similar.

Below are details of the top 5 holdings within the Spheria Australian Smaller Companies Fund portfolio (by security name) and details of sector exposure within the Spheria Australian Smaller Companies Fund portfolio as at 31 August 2017¹. These tables do not reflect the current portfolio of investments held by the Spheria Australian Smaller Companies Fund.

Spheria Australian Smaller Companies Fund – Top 5 Holdings as at 31 August 2017

Company	% of Fund
Isentia Group Limited	5.1
Sirtex Medical Limited	4.5
Platinum Asset Management Limited	4.5
Blackmores Limited	4.3
Monadelphous Group Limited	4.2
Total	22.6

Note:

1. This date has been chosen to be consistent with the other data in this Section.

This table does not reflect the likely weightings of the Portfolio. It is provided as an example only – it is not to be taken as an example of the optimal portfolio allocation, now or in the future.

Spheria Australian Smaller Companies Fund – Portfolio by sector as at 31 August 2017

Sector	% of Fund
Consumer Discretionary	26.4%
Information Technology	19.7%
Industrials	17.1%
Consumer Staples	10.8%
Materials	8.1%
Health Care	6.1%
Financials	5.2%
Energy	2.8%
Cash	3.8%
Total	100%

This table does not reflect the likely weightings of the Portfolio. It is provided as an example only – it is not to be taken as an example of the optimal portfolio allocation, now or in the future.

4.9. THE MANAGER'S OTHER EXPERIENCE

The Manager is also the manager of the Spheria Australian Microcap Fund and the Spheria Opportunities Fund. The Company considers that the performance of those funds is not directly relevant to the Company because of the differences in investment strategies and investment focus (being different buckets of securities) compared with the Company's. Importantly:

- (a) the Spheria Australian Microcap Fund's investment strategy invests primarily in securities outside of the top 250 ASX-listed companies (by market capitalisation) with a maximum market capitalisation of \$500 million when purchased; and
- (b) the Spheria Opportunities Fund's investment strategy invests primarily in securities outside of the top 50 ASX-listed companies and is benchmarked against the S&P/ASX Mid Small Accumulation Index.

4.10. PARTICIPATION BY THE SPHERIA INVESTMENT TEAM

The Spheria Investment Team, and entities associated with them are permitted to participate in the Offer. At completion of the Offer, the Spheria Investment Team are expected to have acquired the following number of Shares:

Spheria Investment Team	Number of Shares
Matthew Booker	50,000 Shares
Marcus Burns	50,000 Shares
Adam Lund	50,000 Shares

SECTION 5. RISK FACTORS

5.1. INTRODUCTION

There are certain risks generally associated with investing in the securities of publicly listed companies, some of which are set out in Section 5 below. There are also other risks associated more specifically with the Company, including its investment objectives and Investment Strategy, and the Manager. Key specific risks are set out in Sections 5.2 and 5.3 below.

Some of the events and circumstances described below may negatively impact the Company's investment performance and NTA backing per Share, which may in turn cause the market price of the Company's Shares to fall and may result in the loss of income and the principal you invested. The market price of the Shares may also be directly affected by some of the events and circumstances described below.

While the Company and the Manager have put in place various corporate governance, compliance and risk management systems to mitigate risks, neither the Company nor the Manager can guarantee that these safeguards and systems will be effective. Some risks are outside the control of the Company, the Directors, the Manager and its directors and employees, and cannot be mitigated.

Before making a decision on whether to apply for any Shares under the Offer, you are urged to carefully consider the risks described in this Section 5, which is not an exhaustive list of all the possible risks associated with investing in the Company, as well as any other risk factors that you may consider relevant to such investments. Your financial adviser can assist you in determining the risks of investing in the Company and whether it is suited to your needs and circumstances.

5.2. KEY INVESTMENT STRATEGY AND MANAGER RISK

The Company's investment activities will expose it to a variety of risks. The Company has identified some of them as being particularly relevant to its Investment Strategy, namely:

- (a) The Company's performance depends on the expertise and investment decisions of the Manager. The Manager's opinion about the intrinsic worth of a company or security may be incorrect, the Company's investment objectives may not be achieved and the market may continue to undervalue the securities within the Portfolio from time to time. The past performance of the Investment Strategy (represented by the performance of the Spheria Australian Smaller Companies Fund from 11 July 2016) is not necessarily a guide to future performance of the Company.
- (b) The success and profitability of the Company in part depends upon the retention of the Manager as manager of the Company and the retention of key personnel with the Manager with responsibility for managing the Portfolio. See Section 9.1 for detail on the Investment Management Agreement terms. The ability of the Manager to continue to manage the Portfolio may be compromised by such events as the loss of its AFSL authorisations or non-compliance with conditions by Pinnacle or the Manager under its AFSL authorisations or the Corporations Act. If the Investment Management Agreement is terminated, the Company will need to identify and engage a suitably qualified and experienced manager to implement the Company's Investment Strategy. There is a risk that the Company may not be able to identify a suitable manager within a reasonable period.

5.3. SIGNIFICANT RISKS OF INVESTING IN THE COMPANY

The following risks should be carefully evaluated before making an investment in the Company. Consideration must also be given to the speculative nature of the Company's investments. The following is not an exhaustive list of the risks of investing in the Company.

MARKET RISK (AT THE PORTFOLIO LEVEL)

The Portfolio will be exposed to market risks. Broad market risks include movements in domestic and international securities markets, movements in foreign exchange rates and interest rates, changes in taxation laws and other laws affecting investments and their value. Certain events may have a negative effect on the price of all types of investments within a particular market. These events may include changes in economic, social, technological or political conditions, as well as market sentiment. The value of the Company's investments may be impacted by such factors.

KEY MAN RISK

The Company has no right to terminate the Investment Management Agreement in the event of a change of control of the Manager or in the event of a material change to the composition of the Spheria Investment Team. For example, the Company cannot terminate the Investment Management Agreement if Matthew Booker or Marcus Burns resigns from the Manager. The risk of these events is mitigated by:

- (a) the Manager's intention to expand its current team in the future;
- (b) the Manager being majority owned by various members of the Spheria Investment Team such that the interests of the Spheria Investment Team are aligned with that of the Company; and
- (c) the Manager's distribution services and other infrastructure being outsourced to Pinnacle and thereby allowing the Manager to concentrate on investment with minimal personnel (even if a portfolio manager departs).

EQUITY RISK

There is a risk that securities will fall in value over short or extended periods of time. Security markets tend to move in cycles, and individual share prices may fluctuate and underperform other asset classes over extended periods of time. Shareholders are exposed to this risk both through their holdings in Shares in the Company as well as through the Company's investments. In respect of the equity risk within the Portfolio, the Company aims to minimise this risk through the Manager's careful analysis of each security the Company invests in and the Manager's strategy of constructing a diversified portfolio.

REGULATORY RISK

All investments carry the risk that their value may be affected by changes in laws and regulations, especially taxation laws. Regulatory risk includes risk associated with variations in the taxation laws of Australia, including the franking credit regime. The Manager's portfolio construction process aims to maintain a well diversified portfolio of companies which assists to minimise regulatory risk specific to individual securities.

COUNTERPARTY RISK

Investment in securities and financial instruments generally involves third parties as counterparties to contracts. Use of third parties carries risk of default which could adversely affect the value of the Company.

The Company will outsource key operational functions including investment management, administrative support services (i.e. accounting and company secretarial services) and custodial services to third party service providers. There is a risk that third party service providers may breach their obligations to the Company or provide services below standards which are expected by the Company, causing loss to the Company.

The Company aims to keep this risk to a minimum by regularly monitoring its key service providers.

LIQUIDITY RISK

There is a risk that one or more of the securities in the Portfolio (from time to time) may become illiquid. This can result in a loss if the Manager needs to sell it within a particular time frame. The Manager will seek to minimise liquidity risk by:

- (a) ensuring that there is no significant exposure to illiquid or thinly traded financial instruments; and
- (b) being aware of liquidity when constructing and managing the Portfolio to ensure that there is no undue concentration of liquidity risk to a particular security.

COMPANY RISK

The Company is a new entity with no operating history and no proven track record.

FOREIGN ISSUER AND MARKET RISK

The Company's Investment Strategy permits investments in New Zealand securities. Investments in foreign companies may be exposed to a higher degree of sovereign, political, economic, market and corporate governance risks than domestic investments.

CONCENTRATION RISK

There may be more volatility in the Portfolio as compared to the Benchmark because the Portfolio will be comprised of a smaller number of securities than the broader market index.

SMALL CAP AND MICROCAP INVESTMENT RISK

The Investment Strategy of the Company involves investing in Australian Small Cap Securities, which are typically smaller companies. Smaller companies typically have less diversified income streams, less stable funding sources and weaker bargaining positions with their counterparties when compared to larger companies.

There is also typically less third party research available in respect of smaller companies, which may result in investments in smaller companies being riskier than investments in larger companies where information is more readily available.

PRE-IPO SECURITIES RISK

The Investment Strategy of the Company may involve investing in Pre-IPO Securities, which will likely be illiquid prior to the listing of the relevant security. There is a risk that the listing of the relevant security does not occur and the Manager may not be able to sell the relevant securities.

The Manager will seek to minimise Pre-IPO Securities risks by:

- (a) ensuring that there is no significant exposure to Pre-IPO Securities (and no more than 10% of the Portfolio's NAV); and
- (b) ensuring that at the time of acquiring such Pre-IPO Securities, there is in the reasonable opinion of the Manager, a likelihood of a successful listing of those Pre-IPO Securities within 12 months from the date of acquisition.

CURRENCY RISK

The Company's Investment Strategy permits investment in New Zealand securities. Investing in assets denominated in a currency other than the Company's base or reporting currency may cause losses resulting from exchange rate fluctuations. Additionally, the Company will not engage in any hedging transactions to minimise the currency exposure as a result of the Company's investment in New Zealand securities.

5.4. RISKS ASSOCIATED WITH INVESTMENT IN SHARES

The prices at which Shares will trade on the ASX are subject to a number of risks, including:

OPERATIONAL COSTS

Operational costs for the Company as a proportion of total assets will be affected by the level of acceptance of the Offer. Operational costs representing a greater proportion of total assets will reduce the operating results of the Company and its ability to pay dividends.

DIVIDEND RISK

The Company's ability to pay a fully or partly franked dividend is contingent on it making taxable profits. No guarantee can be given concerning the future earnings of the Company, the earnings and capital appreciation of the Company's Portfolio or the return of your investment. The Manager may make poor investment decisions which may result in the Portfolio's return being inadequate to pay dividends to security holders.

MARKET RISK

Share markets tend to move in cycles, and individual securities prices may fluctuate and underperform other asset classes over extended periods of time. The value of securities listed on the ASX may rise or fall depending on a range of factors beyond the control of the Company. Shareholders in the Company are exposed to this risk both through their holding in Shares as well as through the Company's investment in the Portfolio.

ECONOMIC RISK

Investment returns are influenced by numerous economic factors. These factors include changes in the economic conditions (e.g. changes in interest rates or economic growth), changes to the legislative and political environment, as well as changes in investor sentiment.

In addition, exogenous shocks, natural disasters and acts of terrorism and financial market turmoil (such as the global financial crisis) can (and sometimes do) add to equity market volatility as well as impact directly on individual entities. As a result, no guarantee can be given in respect of the future earnings of the Company or the earnings and capital appreciation of the Portfolio or appreciation of the Share price.

LIQUIDITY RISK

The Company will be a listed entity, therefore the ability to sell Shares will be a function of the turnover of the Shares at the time of sale. Turnover itself is a function of the size of the Company and also the cumulative investment intentions of all current and possible investors in the Company at any one point in time.

DISCOUNT TO NTA

The Company will be listed on the ASX and may not trade in line with the underlying value of the Company's investments. The Company may trade at a discount or a premium to its NTA.

5.5. OTHER RISK FACTORS

Before deciding to subscribe for Shares, investors should consider whether Shares are a suitable investment.

There may be tax implications arising from the application for Shares, the receipt of dividends (both franked and unfranked) from the Company, participation in any future dividend reinvestment plan² of the Company, participation in any on market share buy-back and on the disposal of Shares. Investors should carefully consider these tax implications and obtain advice from an accountant or other professional tax adviser in relation to the application of tax legislation.

If you are in doubt as to whether you should subscribe for Shares, you should seek advice on the matters contained in this Prospectus from a stockbroker, solicitor, accountant or other professional adviser immediately.

5.6. TIME FRAME FOR INVESTMENT

The Investment Strategy aims to provide total returns in excess of the Benchmark and capital growth.

Investors are strongly advised to regard any investment in the Company as a long term proposition (5+ years) and to be aware that, as with any equity investment, substantial fluctuations in the value of their investment may occur over that period.

In addition, the above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares. Therefore, there is no guarantee with respect to the payment of dividends, returns of capital or the market value of the Shares.

You should consider that an investment in the Company is speculative and consult your professional adviser before deciding whether to apply for the Shares.

2. There is currently no intention to implement a dividend reinvestment plan.

SECTION 6.

FINANCIAL POSITION OF THE COMPANY

6.1. PROCEEDS OF THE ISSUE

The Board intends to use the funds raised from the Offer for investment consistent with the investment objectives and investment process set out in Sections 3 and 4.

6.2. UNAUDITED PRO FORMA STATEMENT OF FINANCIAL POSITION

The unaudited pro forma statements of financial position set out below represent the pro forma statements of financial position of the Company adjusted for completion of the Offer for the different subscription amounts as if they had occurred on 30 August 2017 being the incorporation date of the Company. It is intended to be illustrative only and it neither reflects the actual position of the Company as at the date of this Prospectus nor at the conclusion of the Offer.

The pro forma statements of financial position have been prepared in accordance with the accounting policies set out in Section 6.8 below.

SPHERIA EMERGING COMPANIES LIMITED

Unaudited Pro Forma Statement of Financial Position

Assumes completion of the Offer

The unaudited pro forma statements of financial position are presented in summary form only and do not comply with the presentation and disclosure requirements of Australian Accounting Standards.

The information in this Section should also be read in conjunction with the Risk Factors set out in Section 5 and other information contained in this Prospectus.

	Minimum Subscription \$100 million (\$'000)	Subscription \$175 million (\$'000)	Maximum Subscription \$250 million (\$'000)
Assets			
Cash	96,869	169,905	242,884
Receivables	3,131	5,095	7,116
Total Assets	100,000	175,000	250,000
Total Liabilities			
Net Assets	100,000	175,000	250,000
Equity			
Contributed Equity	100,000	175,000	250,000
Less: Capitalised costs of the Offer	(2,969)	(4,807)	(6,698)
	97,031	170,193	243,302
Costs to be recouped	2,969	4,807	6,698
Total Equity	100,000	175,000	250,000
NAV Backing Per Share (\$)	2.00	2.00	2.00

6.3. CAPITAL STRUCTURE

The anticipated capital structure of the Company on completion of the issue is set out below:

	Minimum Subscription \$100 million	Subscription \$175 million	Maximum Subscription \$250 million
Shares on Issue	50,000,001	87,500,001	125,000,001

6.4. CASH

A reconciliation of the pro forma statements of financial position for cash is as below:

	Minimum Subscription \$100 million (\$)	Subscription \$175 million (\$)	Maximum Subscription \$250 million (\$)
Initial Subscriber Share	1	1	1
Proceeds of Offer	100,000,000	175,000,000	250,000,000
Expenses of Offer	(2,968,888)	(4,807,403)	(6,698,331)
GST Receivable	(161,932)	(287,856)	(417,615)
Estimated net cash position	96,869,181	169,904,742	242,884,055

6.5. RECEIVABLE

The Company has entered into an agreement with the Manager to recoup from the Manager the Offer Costs by means of the Manager agreeing to:

- forego Performance Fees from the date of listing until the end of the first 4 full calendar years from listing (i.e. by 31 December 2021) or until such time as the Company has recouped all of the Offer Costs (whichever is earlier); and
- if the Offer Costs are not fully recouped during the first 4 full calendar years after listing (i.e. by 31 December 2021), the Manager will forego Management Fees that accrue after this time (i.e. in respect of the period commencing 1 January 2022) until the Company has recouped all of the Offer Costs. The Manager will be entitled to receive Performance Fees during this period.

See Section 6.7 for further details.

This right to recoup will be recognised as a receivable along with GST to be recovered on the Offer Costs.

The receivable balances are based on the estimated Offer Costs in Section 6.7 below.

	Minimum Subscription \$100 million (\$)	Subscription \$175 million (\$)	Maximum Subscription \$250 million (\$)
Receivable for recoupment of Offer Costs	2,968,888	4,807,403	6,698,331
GST Receivable	161,932	287,855	417,614
Total Estimated Receivable	3,130,820	5,095,258	7,115,945

6.6. ASSUMPTIONS

These unaudited pro forma statements of financial position and the information in Sections 6.2 to 6.5 have been prepared on the basis of the following assumptions:

- Application of the proposed accounting policies and notes to the accounts set out in Section 6.8.
- In the unaudited pro forma statement of financial position entitled "Minimum Subscription \$100,000,000", the reference is to issuing 50,000,000 Shares to Applicants under this Prospectus.

- (c) In the unaudited pro forma statement of financial position entitled "Subscription \$175,000,000", the reference is to issuing 87,500,000 Shares to Applicants under this Prospectus.
- (d) In the unaudited pro forma statement of financial position entitled "Maximum Subscription \$250,000,000", the reference is to issuing 125,000,000 Shares to Applicants under this Prospectus.
- (e) Offer Cost will be paid by the Company and recouped from the Manager (refer to Section 6.7).
- (f) The Company will pay a Broker Firm selling fee equal to 1.50% (including GST) of the Application Monies provided with valid Application Forms bearing a licensee's stamp to the extent Shares are allotted under the Broker Firm Offer and the Applications or commitments to lodge Application Forms (with respect to the Broker Firm Offer) are received before the Closing Date. No selling fee will be payable on General Offer or Priority Allocation Applications.
- (g) For the purpose of the unaudited pro forma statement of financial position, it has been assumed that the Broker Firm selling fee of 1.50% (including GST) will be paid on:
- (i) 85% of Applications in respect of the Minimum Subscription of \$100,000,000;
 - (ii) 87.5% of Applications in respect of the Subscription of \$175,000,000; and
 - (iii) 90% of Applications in respect of the Maximum Subscription of \$250,000,000.
- (h) The Company will pay an arranger fee equal to 0.11% (including GST) of the total proceeds raised under the Offer. The Company will pay each of the qualifying Joint Lead Managers (being each Joint Lead Manager which has raised more than \$25,000,000), in equal proportions, a management fee equal to 1.10% (including GST) on the amount raised under the General and Broker Firm Offers.

6.7. OFFER COSTS

The Company will initially pay the Offer Costs including all establishment costs, legal and investigating accountant fees, printing and initial ASX listing fees. The Company will recoup these costs from the Manager in accordance with the agreement between the Manager and the Company whereby the Manager has agreed to:

- (a) forego Performance Fees from the date of listing until the end of the first 4 full calendar years from listing (i.e. by 31 December 2021) or until such time as the Company has recouped all of the Offer Costs (whichever is earlier); and
- (b) if the Offer Costs are not fully recouped during the first 4 full calendar years after listing (i.e. by 31 December 2021), the Manager will forego Management Fees that accrue after this time (i.e. in respect of the period commencing 1 January 2022) until the Company has recouped all of the Offer Costs. The Manager will be entitled to receive Performance Fees during this period.

Refer to Section 10.1 for a summary of the Management Agreement.

The Offer Costs have been estimated at \$2,968,888 (net of tax) assuming the Minimum Subscription is achieved and \$6,698,331 (net of tax) assuming the Maximum Subscription is fully subscribed.

A breakdown of these expenses (including GST), assuming the Minimum Subscription of Applications for \$100,000,000, Subscription of Applications for \$175,000,000 and Maximum Subscription of Applications for \$250,000,000 is provided below:

	Minimum Subscription \$100 million (\$)	Subscription \$175 million (\$)	Maximum Subscription \$250 million (\$)
Joint Lead Manager fees (including the selling fee, offer management fee and the Lead Arranger fee)	2,485,000	4,414,375	6,400,000
Legal fees	165,000	165,000	165,000
Investigating accountant fees	40,700	40,700	40,700
ASX fees	159,500	194,564	229,626
ASIC lodgement fees	2,400	2,400	2,400
Other expenses	278,220	278,220	278,220
Total estimated gross Offer Cost	3,130,820	5,095,258	7,115,945
Less: GST receivable	(161,932)	(287,856)	(417,615)
Total estimated Offer Cost	2,968,888	4,807,403	6,698,331

6.8. PROPOSED SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A summary of significant accounting policies that have been adopted in the preparation of unaudited pro forma statements of financial position set out in Section 6.2 or that will be adopted and applied in preparation of the financial statements of the Company for the period ended 30 June 2018 and subsequent periods is set out as follows:

(A) BASIS OF PREPARATION

The pro forma statements of financial position have been prepared in accordance with Australian Accounting Standards and Interpretations, issued by the AASB and the Corporations Act, as appropriate for for-profit oriented entities (as modified for inclusion in the Prospectus). Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board. Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated. The financial information presented in the Prospectus is presented in an abbreviated form and does not contain all of the disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act. The pro forma statements of financial position have been prepared on the basis of assumptions outlined in Section 6.6. The pro forma statements of financial position have been prepared on an accrual basis and are based on historical costs.

(B) INVESTMENTS

(i) Classification

The category of financial assets and financial liabilities comprises:

Financial instruments designated at fair value through profit or loss

These include financial assets that may be sold and their fair value changes are recorded in profit or loss.

Financial instruments designated at fair value through other comprehensive income (long-term equity investments)

Long term equity investments comprise holdings in marketable equity securities which are intended to be held for the long term and their fair value changes are recorded in other comprehensive income.

(ii) Recognition

Financial assets and liabilities at fair value through profit or loss and financial instruments designated at fair value through other comprehensive income are recognised initially at cost on the trade date at which the Company becomes party to the contractual provisions of the instrument.

(iii) Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Gains or losses on long term equity investments are transferred from the asset revaluation reserve to the capital profits reserve.

(iv) Valuation

All investments are classified and measured as being at fair value. Shares that are listed or traded on an exchange are fair valued using last sale prices, as at the close of business on the day the shares are being valued. If a quoted market price is not available on a recognised security exchange, the fair value of the instruments are estimated using valuation techniques, which include the use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation techniques that provide a reliable estimate of prices obtained in actual market transactions.

(C) REIMBURSEMENT RIGHT

The Company's right to be reimbursed for the Offer Costs are included as a receivable asset within the statement of financial position at cost less provision for impairment.

(D) REVENUE

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

Dividend income is recognised in the profit or loss on the day on which the relevant investment is first quoted on an "ex-dividend" basis.

(E) EXPENSES

All expenses, including performance fees and investment management fees, are recognised in the statement of profit or loss on an accrual basis.

(F) INCOME TAX

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amounts of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and deferred tax liabilities can be presented as a net balance in the statement of financial position when:

- the Company has a legally enforceable right to offset its current tax assets and current tax liabilities; and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

(G) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), unless GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

(H) CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(I) SHARE CAPITAL

Ordinary shares will be classified as equity. Costs directly attributable to the issue of ordinary shares will be recognised as a deduction from equity, net of any tax effects.

SECTION 7.

INDEPENDENT ACCOUNTANT'S REPORT



PITCHER PARTNERS
ACCOUNTANTS • AUDITORS • ADVISORS

Level 22 MLC Centre
19 Martin Place
Sydney NSW 2000

Tel: 02 9221 2099
Fax: 02 9223 1762

Postal Address:
GPO Box 1615
Sydney NSW 2001

www.pitcher.com.au
sydneypartners@pitcher.com.au

10 October 2017

Board of Directors
Spheria Emerging Companies Limited
Level 35, 60 Margaret Street
Sydney NSW 2000

Dear Directors

PART 1: INDEPENDENT LIMITED ASSURANCE REPORT ON SPHERIA EMERGING COMPANIES LIMITED PRO FORMA HISTORICAL FINANCIAL INFORMATION

7.1. INTRODUCTION

The Directors of Spheria Emerging Companies Limited (the "**Company**") have engaged Pitcher Partners Sydney Corporate Finance Pty Ltd ("**Pitcher Partners**") to report on the pro forma historical financial information of the Company as at 30 August 2017.

We have prepared this Independent Limited Assurance Report ("**Report**") to be included in a Prospectus dated on or about 10 October 2017 and relating to the offer of up to 125,000,000 fully paid ordinary Shares at an offer price of \$2.00 per share to raise up to \$250,000,000 should the Maximum Subscription be raised.

The Minimum Subscription is 50,000,000 fully paid ordinary Shares. The Offer is not underwritten.

Unless stated otherwise, expressions defined in the Prospectus have the same meaning in this Report and section references are to sections of the Prospectus.

The nature of this report is such that it can only be issued by an entity which holds an Australian Financial Services Licence ("**AFSL**") under the Corporations Act. Pitcher Partners holds the appropriate AFSL authority under the Corporations Act. Refer to our Financial Services Guide included as Part 2 of this Report.

7.2. BACKGROUND

The Company was incorporated on 30 August 2017 and has not traded. As at the date of this Report, the Company has 1 Share on issue and has net assets of \$1.

Pitcher Partners Sydney Corporate Finance Pty Ltd, ABN 77 122 561 184, is an authorised representative of Pitcher Partners Sydney Wealth Management Pty Ltd, AFS Licence No. 336950, ABN 85 135 817 766. A member of Pitcher Partners, a national association of independent firms. Liability limited by a scheme approved under Professional Standards Legislation.



7.3. SCOPE

This Report deals with the pro forma financial information included in Section 6 of the Prospectus ("**Financial Information**"). The Financial Information consists of the pro forma statements of financial positions as at 30 August 2017 and related notes as set out in Section 6 of the Prospectus.

The unaudited pro forma statements of financial position in Section 6.2 have been prepared to illustrate the financial position of the Company on completion of the Offer and have been prepared on the basis of the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the events to which the pro forma assumptions relate, as described in Section 6.6 of the Prospectus, as if those events had occurred as at 30 August 2017. Due to its nature, the pro forma historical financial information does not represent the Company's actual or prospective financial position.

The pro forma statements of financial position are presented in an abbreviated form insofar as it does not include all the presentation and disclosures required by Australian Accounting Standards applicable to general purpose financial reports.

Pitcher Partners disclaims any responsibility for any reliance on this Report or the financial information to which it relates for any purpose other than that for which it was prepared. This Report should be read in conjunction with the full Prospectus and has been prepared for inclusion in the Prospectus.

7.4. DIRECTORS' RESPONSIBILITIES

The Directors of the Company are responsible for the preparation and presentation of the pro forma statements of financial position including the selection and determination of pro forma assumptions, accounting policies and the notes included in the pro forma historical financial information. This includes responsibility for such internal controls as the Directors determine are necessary to enable the preparation of the pro forma historical financial information that are free from material misstatement, whether due to fraud or error.

7.5. OUR RESPONSIBILITIES

Our responsibility is to express a limited assurance conclusion on the pro forma historical financial information included in Section 6 of the Prospectus based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit.

Accordingly, we do not express an audit opinion on the pro forma historical financial information of the Company.

Our engagement did not involve updating or re issuing any previously issued audit or review report on any financial information used as a source of the financial information.

7.6. CONCLUSION

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the pro forma historical financial information (being the pro forma statements of financial position of the Company) are not presented fairly, in all material respects, in accordance with the assumptions described in Section 6.6 of the Prospectus and the stated basis of preparation as described in Section 6.2 of the Prospectus and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, and the Company's accounting policies.

7.7. RESTRICTION ON USE

Without modifying our conclusions, we draw attention to Section 6 of the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

Investors should consider the statement of investment risks set out in Section 5 of the Prospectus.

7.8. LEGAL PROCEEDINGS

To the best of our knowledge and belief, there are no material legal proceedings outstanding or currently being undertaken, not otherwise disclosed in this Report, which would cause the information included in the Report to be misleading.

7.9. NO OTHER EVENTS

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief no other material transactions or events outside of the ordinary business of the Company have come to our attention, that would require comment on, or adjustment to the information referred to in our Report, or that would cause such information to be misleading or deceptive.

7.10. SOURCES OF INFORMATION

Pitcher Partners has made enquiries of the Directors, the Manager and other parties as considered necessary during the course of our analysis of the pro forma historical financial information of the Company. We have also referred to the Prospectus and material documents which relate to the proposed operations of the Company.

We have no reason to believe the information supplied is not reliable.

7.11. INDEPENDENCE OR DISCLOSURE OF INTEREST

Pitcher Partners has no financial or other interest that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion on the matters that are subject of this Report for which normal professional fees will be received.

Neither Pitcher Partners Sydney Corporate Finance Pty Ltd, Pitcher Partners Sydney Wealth Management Pty Ltd, any director thereof, nor any individual involved in the preparation of the Report have any financial interest in the outcome of this Offer, other than a fee payable to Pitcher Partners in connection with the preparation of our Report for which normal professional fees will be received.

7.12. LIABILITY

Pitcher Partners has consented to the inclusion of this Report in the Prospectus in the form and context in which it is included. At the date of this Report, this consent has not been withdrawn.

The liability of Pitcher Partners is limited to the inclusion of this Report in the Prospectus. Pitcher Partners has not authorised the issue of the Prospectus. Accordingly, Pitcher Partners makes no representation regarding, and takes no responsibility for, any other statements or material in or omissions from, the Prospectus.

7.13. FINANCIAL SERVICES GUIDE

We have included our Financial Services Guide as Part 2 of this Report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our Report.

Yours faithfully

Pitcher Partners Sydney Corporate Finance Pty Ltd



Scott Whiddett

Director

PART 2 – FINANCIAL SERVICES GUIDE

1. Pitcher Partners Sydney Corporate Finance Pty Ltd

Pitcher Partners Sydney Corporate Finance Pty Ltd ("**Pitcher Partners**") is an authorised representative of Pitcher Partners Sydney Wealth Management Pty Ltd ("**Licence Holder**") in relation to Australian Financial Services Licence No. 336950.

Pitcher Partners may provide the following financial services to wholesale and retail clients as an authorised representative of the Licence Holder:

- Financial product advice in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds, deposit and payment products, life products, retirement savings accounts and superannuation (collectively "**Authorised Financial Products**"); and
- Applying for, varying or disposing of a financial product on behalf of another person in respect of Authorised Financial Products.

2. Financial Services Guide

The Corporations Act 2001 requires Pitcher Partners to provide this Financial Services Guide ("**FSG**") in connection with its provision of an Investigating Accountant's Report ("**Report**") which is included in the Prospectus provided by Spheria Emerging Companies Limited (the "**Entity**").

3. General Financial Product Advice

The financial product advice provided in our Report is known as "general advice" because it does not take into account your personal objectives, financial situation or needs. You should consider whether the general advice contained in our Report is appropriate for you, having regard to your own personal objectives, financial situation or needs. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence ("**AFSL**") to assist you in this assessment.

4. Remuneration

Pitcher Partners' client is the Entity to which it provides the Report. Pitcher Partners receives its remuneration from the Entity. Our fee for the Report is based on a time cost or fixed fee basis. This fee has been agreed in writing with the party who engaged us. Neither Pitcher Partners nor its Directors and employees, nor any related bodies corporate (including the Licence Holder) receive any commissions or other benefits in connection with the preparation of this Report, except for the fees referred to above.

All our employees receive a salary. Employees may be eligible for bonuses based on overall productivity and contribution to the operation of Pitcher Partners or related entities but any bonuses are not directly connected with any assignment and in particular not directly related to the engagement for which our Report was provided.

We do not pay commissions or provide any other benefits to any parties or person for referring customers to us in connections with the reports that we are licensed to provide.

5. Independence

Pitcher Partners is required to be independent of the Entity.

Neither Pitcher Partners, Pitcher Partners Sydney Wealth Management Pty Ltd, any Director thereof, nor any individual involved in the preparation of the Report have any financial interest in the outcome of this Offer, other than a fee in connection with the preparation of our Report for which professional fees in the order of \$39,000 (excluding GST) will be received. No pecuniary or other benefit, direct or indirect, has been received by Pitcher Partners, their Directors or employees, or related bodies corporate for or in connection with the preparation of this Report.

6. Complaints Resolution

Pitcher Partners is only responsible for its Report and this FSG. Complaints or questions about the Prospectus should not be directed to Pitcher Partners which is not responsible for that document.

Both Pitcher Partners and the Licence Holder may be contacted as follows:

By phone: (02) 9221 2099

By fax: (02) 9223 1762

By mail: GPO Box 1615 SYDNEY NSW 2001

If you have a complaint about Pitcher Partners' Report or this FSG you should take the following steps:

1. Contact the Enquiries and Complaints Officer of the Licence Holder on (02) 9221 2099 or send a written complaint to the Licence Holder at Level 22, MLC Centre 19 Martin Place, Sydney NSW 2000. We will try and resolve your complaint quickly and fairly.
2. If you still do not get a satisfactory outcome, you have the right to complain to the Financial Industry Complaints Service at PO Box 579 Collins St West, Melbourne, Victoria 8007 or call on 1300 78 08 08. We are a member of this scheme.
3. The Australian Securities & Investments Commission (ASIC) also has a freecall Infoline on 1300 300 630 which you may use to make a complaint and obtain information about your rights.

The Licence Holder, as holder of the AFSL, gives authority to Pitcher Partners to distribute this FSG.

SECTION 8.

DIRECTORS OF THE COMPANY

8.1. INTRODUCTION

The Company believes that the Manager has the skill, depth of knowledge and history of achieving results using the Investment Strategy and processes to manage this Portfolio.

The Manager will be overseen by the Board of Directors who have a broad range of experience in investment management combined with financial and commercial expertise.

The following table provides information regarding the Directors, including their positions:

Director	Position	Independence
Jonathan Trollip	Chairman	Independent
Lorraine Berends	Non-executive Director	Independent
Adrian Whittingham	Non-executive Director	Non-Independent

8.2. BACKGROUND OF THE DIRECTORS



JONATHAN TROLLIP – CHAIRMAN

Jonathan Trollip is an experienced Director with over 30 years of commercial, corporate, governance, legal and transaction experience.

Jonathan is currently non-executive chairman of ASX listed Global Value Fund Limited, Future Generation Investment Company Limited, Antipodes Global Investment Company Limited, Plato Income Maximiser Limited and Spicers Limited and a non-executive director of ASX listed Kore Potash Limited. He holds commercial private company directorships with Propel Funeral Partners Limited and BCAL Diagnostics Pty Ltd. In the philanthropy area he is chairman of Science for Wildlife Limited, and a director of The Watarrka Foundation and the University of Cape Town Australia Alumni Trust.

Jonathan worked as a principal of Meridian International Capital Limited about 22 years. Prior to that, he was a Partner with law firm Herbert Smith Freehills. He holds postgraduate degrees in economics and law, was admitted as a qualified lawyer in England and Australia and is a Fellow of the Australian Institute of Company Directors.



LORRAINE BERENDS – INDEPENDENT DIRECTOR

Lorraine has worked for over 30 years in the pension and investment industries, and possesses extensive experience in both the investment management and superannuation fields.

Lorraine is currently a non-executive director of ASX listed Antipodes Global Investment Company Limited and Plato Income Maximiser Limited. Lorraine also serves on the BT Financial Group Superannuation Board, the Board of the MDC Foundation and is a member of the investment committee of QSuper. She served on the Board of the Association of Superannuation Funds of Australia for 12 years and the Board of the Investment Management Consultants Association for 13 years, and has been awarded Life Membership of both associations.

Lorraine is a Fellow of the Institute of Actuaries of Australia, a Fellow of ASFA and holds a BSc from Monash University, Melbourne.



ADRIAN WHITTINGHAM – NON-INDEPENDENT DIRECTOR

Adrian joined Pinnacle as an equity partner in 2008 and is responsible for manager acquisition and research as well as having a primary focus of building relationships with asset consultants, institutional investors and financial advisers on behalf of Pinnacle's specialist investment managers in Australia and offshore.

Adrian has 15 years investment experience and sits on the board of Pinnacle Investment Management Group Limited (ASX: PNI), Pinnacle, Hyperion Asset Management Limited and the Manager. Prior to joining Pinnacle, Adrian was a Director at Schroder Investment Management.

8.3. ALTERNATE DIRECTOR



ALEX IHLENFELDT – ALTERNATE DIRECTOR TO ADRIAN WHITTINGHAM (NON-INDEPENDENT)

Alex Ihlenfeldt has over 25 years commercial experience in financial services in Australia and overseas and has proven expertise in the provision of the full suite of turn-key, institutional quality non-investment services for investment managers. He is experienced in operating across the full spectrum, from start-up boutiques to mature investment managers.

Alex is currently Chief Operating Officer and Chief Financial Officer of Pinnacle Investment Management Limited with whom he has been associated since inception in 2006. Prior to joining Pinnacle in 2011, he spent 10 years with the Wilson HTM Investment Group as Chief Operating Officer, Chief Financial Officer and Head of Wealth Management.

Alex has a Bachelor of Commerce (Hons) and is a member of the Institute of Chartered Accountants Australian and New Zealand as well as a Fellow of the Australian Institute of Company Directors.

Alex is a Director of each of Pinnacle, Solaris Investment Management Limited, Antipodes Partners Limited, an Alternate Director of Resolution Capital Limited and he is Chairman of the Pinnacle Fund Services Limited's Compliance Committee. Alex is a non-independent director of ASX listed Antipodes Global Investment Company Limited and Plato Income Maximiser Limited.

8.4. INDEPENDENT DIRECTORS

Jonathan and Lorraine, being independent Directors, are free from any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of the person's judgement.

8.5. DIRECTOR DISCLOSURES

No Director has been the subject of any disciplinary action, criminal conviction, personal bankruptcy or disqualification in Australia or elsewhere in the last 10 years which is relevant or material to the performance of their duties as a Director.

No Director has been an officer of a company that has entered into any form of external administration as a result of insolvency during the time that they were an officer or within a 12 month period after they ceased to be an officer.

8.6. THE ROLE OF THE BOARD

The Directors will ensure the Company has corporate governance procedures and that those procedures are followed. In addition, the Board will be responsible for reviewing the Manager's performance and ensuring compliance with the Investment Management Agreement terms.

The members of the Board may implement capital management strategies (in line with the policy set out in Section 3.9) from time to time.

It is expected that Board meetings will be held at least quarterly and more frequently as required.

The Company has outsourced its investment management functions to the Manager in accordance with the Investment Management Agreement. The accounting and share registry functions have been outsourced to various service providers. The Board will oversee the performance of the Manager and other service providers.

Each Director has confirmed that, notwithstanding their other commitments, they will be available to spend the required amount of time on the Company's affairs including attending Board meetings of the Company.

8.7. PARTICIPATION BY DIRECTORS AND ALTERNATE DIRECTOR

Alex Ihlenfeldt currently holds one Share in the Company, which was issued on incorporation.

The Directors, and entities associated with them, are permitted to participate in the Offer. At completion of the Offer, the Directors are expected to have a Relevant Interest in the following numbers of Shares:

Director	Shares
Jonathan Trollip	25,000
Lorraine Berends	25,000
Adrian Whittingham	25,000

Additionally, Alex Ihlenfeldt, as the Alternate Director of Adrian Whittingham, is expected to have a Relevant Interest in 25,001 Shares at completion of the Offer.

8.8. NO OTHER INTERESTS

Except as set out in this Prospectus, there are no interests that exist at the date of this Prospectus and there were no interests that existed within two years before the date of this Prospectus that are, or were respectively, interests of a Director, a proposed Director of the Company or a promoter of the Company or in any property proposed to be acquired by the Company in connection with its formation or promotion or the Offer.

Further, there have been no amounts paid or agreed to be paid to a Director in cash or securities or otherwise by any persons either to induce them to become or to qualify them as a Director or otherwise, for services rendered by them in connection with the promotion or formation of the Company.

8.9. DIRECTORS' REMUNERATION

The Company's independent (non-executive) Directors may be paid Directors' fees of up to \$250,000 per annum. The Company's non-independent (non-executive) Directors, Adrian Whittingham and Alex Ihlenfeldt (as alternate director for Adrian Whittingham), will not receive Directors' fees from the Company.

Additional remuneration may be paid in accordance with the Company's Constitution. As at the date of the Prospectus, the Company has agreed to pay the independent (non-executive) Directors' the following annual fees:

Director	Director's Fees
Jonathan Trollip	\$40,000
Lorraine Berends	\$30,000

For the year ending 30 June 2018 the Directors will be paid a pro rata amount calculated by reference to the date of this Prospectus.

The remuneration for Directors will be reviewed by the Board on a periodic basis as the Company develops its business and, subject to the Listing Rules, may be increased.

8.10. DIRECTORS' INDEMNITY

The Company has agreed to provide an indemnity to the Directors in limited circumstances. See Section 9.3 for details.

8.11. CORPORATE GOVERNANCE POLICIES

The Board has the responsibility of ensuring the Company is properly managed so as to protect and enhance Shareholders' interests in a manner that is consistent with the Company's responsibility to meet its obligations to all parties with which it interacts. To this end, the Board has adopted what it believes to be appropriate corporate governance policies and practices having regard to its size and the nature of activities.

The Board endorses the Corporate Governance Principles and Recommendations (**ASX Recommendations**) published by the ASX Corporate Governance Council and has adopted corporate governance charters and policies reflecting those ASX Recommendations (to the extent that such principles and recommendations are applicable to an entity of the size and structure of the Company). These will be available on the section of the Manager's website dedicated to the Company, at www.spheria.com.au.

The Board will review the corporate governance policies and structures that the Company has in place on an ongoing basis to ensure that these are appropriate for the size of the Company and nature of its activities, and that these policies and structures continue to meet the corporate governance standards to which the Board is committed.

8.12. RELATED PARTY DISCLOSURES

Each Director has entered into a director protection deed with the Company pursuant to which the Company has agreed to, amongst other things, indemnify (to the extent permitted by law) each Director in respect of certain liabilities incurred in their capacity as Directors. These deeds contain standard commercial terms and are consistent with market practice (see Section 9.3).

The non-independent Director, Adrian Whittingham, and Alex Ihlenfeldt (as alternate director for Adrian Whittingham) will benefit from the Investment Management Agreement (through the payment of fees to the Manager) and the services agreement with Pinnacle (through the payment of fees to Pinnacle). Adrian and Alex are officers of the Manager (Adrian is a director and Alex is the company secretary), directors of Pinnacle and minority shareholders in Pinnacle's holding company, Pinnacle Investment Management Group Limited. Pinnacle owns approximately 40% of the Manager, and will provide accounting and company secretarial services to Company. Details of the financial benefit payable under the Investment Management Agreement are included in Section 9.1. Details of the financial benefit payable under the services agreement are summarised below. In light of these benefit, the Company has agreed that the non-independent Director and his alternate will not receive Directors' fees from the Company.

Under the direction of the Board, Pinnacle will provide accounting and company secretarial services reasonably required by the Company to conduct its business. These services may include:

- (a) portfolio reconciliation services (if required);
- (b) maintenance of the corporate and statutory records of the Company;
- (c) liaison with ASIC with respect to compliance with the Corporations Act;
- (d) liaison with the ASX with respect to compliance with the Listing Rules; and
- (e) liaison with the Company's service providers (including the Share Registry and the auditor).

In consideration for Pinnacle providing these services to the Company, on commercial arm's length terms, the Company will pay Pinnacle an annual fee (paid quarterly) of \$70,000 per annum (plus GST) (indexed by 3% annually) and will reimburse Pinnacle for any expenses it incurs providing the services. As the owner of 40% of the ordinary shares on issue in the Manager, Pinnacle will also benefit from any fees paid to the Manager in accordance with the Investment Management Agreement.

Pinnacle has been appointed as the distribution partner by the Manager pursuant to a distribution agreement between Pinnacle and the Manager. Pinnacle will provide distribution services in relation to the Offer and is expected to provide additional services to the Manager in relation to shareholder engagement pursuant to the distribution agreement. The Manager has agreed to pay Pinnacle for these services (and will not be reimbursed by the Company). This distribution agreement between the Manager and Pinnacle is entered into on arms length terms.

Other than as set out above or elsewhere in this Prospectus, there are no existing agreements or arrangements and there are no currently proposed transactions in which the Company was, or is to be, a participant, and in which any related party had or will have a direct or indirect material interest.

SECTION 9.

MATERIAL CONTRACTS

The Directors consider that the material contracts described below and elsewhere in this Prospectus are those which an investor would reasonably regard as material and which investors and their professional advisors would reasonably expect to find described in this Prospectus for the purpose of making an informed assessment of the Offer. This Section contains a summary of the material contracts and their substantive terms.

9.1. INVESTMENT MANAGEMENT AGREEMENT

The Company has entered into the Investment Management Agreement with the Manager on 10 October 2017 with respect to the investment management services to be provided to the Company's Portfolio. Set out below is a summary of the material terms of the Investment Management Agreement.

SERVICES

The Manager must manage and supervise the Portfolio and all investments within the Portfolio.

PERMITTED INVESTMENTS

The Manager is permitted to undertake investments on behalf of the Company without Board approval. However, if the proposed investment is not in accordance with the approved Investment Strategy, Board approval for the investment is required. The Board may approve changes to the approved Investment Strategy from time to time.

To the extent the Manager does not have the requisite authorisations required to provide advice or deal in certain investments, the Manager may engage external advisors with the appropriate AFSL authorisations.

POWERS OF THE MANAGER

Subject to the Corporations Act, the Listing Rules and the Investment Strategy agreed with the Company from time-to-time, the Manager has the powers necessary to, on behalf of the Company, invest money constituted in or available to the Portfolio, and make, hold, realise and dispose of the Company's investments. Any investment outside the Investment Strategy of the Board requires Board approval.

Subject to an obligation to liquidate the Portfolio to meet the Company's operating costs, dividend payments, capital returns, buybacks or other distributions the Manager has absolute and unfettered discretion to manage the Portfolio and to do all things considered necessary or desirable in relation to the Portfolio, including:

- (a) investigation, negotiation, acquisition, or disposal of every investment;
- (b) to sell, realise or deal with all or any of the investments or to vary, convert, exchange or add other investments;
- (c) if any investments are redeemed or the capital paid on it is wholly or partly repaid by the entity by which that investment was created or issued:
 - (i) to convert that investment into some other investment; or
 - (ii) to accept repayment of the capital paid or advance on the investment and any other monies payable in connection with that redemption or repayment;
- (d) retain or sell any shares, debentures or other property received by the Company by way of bonus, or in satisfaction of a dividend in respect of any investments or from the amalgamation or reconstruction of any entity; and
- (e) to sell all or some of the rights to subscribe for new securities in an investment, to use all or part of the proceeds of the sale of such rights for the subscription for securities or to subscribe for securities pursuant to those rights.

VALUATIONS

The Company must arrange for calculation of the value of its investments at least monthly or at such more frequent times as may be agreed between the Manager and the Company. The Manager must provide reasonable assistance to the Company to determine such calculations. All costs incurred in arranging this calculation are to be paid by the Company. To assist with the reconciliation of all valuations, the Company has entered into a separate agreement with Pinnacle pursuant to which Pinnacle will provide administrative support services including reconciliation services. See Section 8.12 for details.

DELEGATION

The Manager may, with the prior approval of the Company (not to be unreasonably withheld), appoint or employ any person, including any Related Body Corporate of the Manager, to be a sub-contractor for the Manager to perform any or all of the duties and obligations imposed on the Manager by the Investment Management Agreement.

NON-EXCLUSIVITY AND CONFLICT MANAGEMENT

The Manager may from time to time perform similar investment and management services for itself and other persons similar to the services performed for the Company under the Investment Management Agreement, provided the Manager does not prejudice or otherwise derogate its responsibilities specified in the Investment Management Agreement.

CONFIDENTIALITY

To protect the confidentiality of information related to the Company and its assets under management, the Manager has provided various confidentiality undertakings in the Investment Management Agreement. These undertakings are consistent with market practice. Importantly these undertakings:

- (a) effectively prohibit the Manager from using the Company's information for any purpose other than in its role as the Company's Manager; and
- (b) require the Manager to take all reasonable, proper and effective precautions to maintain the confidential nature of the Company's information.

RELATED PARTY PROTOCOLS

The Manager is not prohibited under the Investment Management Agreement from acquiring assets from, or disposing assets to, a related party. However, if the Manager does ever propose that the Company acquire assets from or dispose of assets to a related party of the Manager, the Company must approve that acquisition or disposal to the extent required by the Corporations Act or the Listing Rules.

AMENDMENT

The Investment Management Agreement may only be altered by the agreement of the Company and the Manager. The Company and the Manager have agreed that they will only make material changes to the Investment Management Agreement if the Company has obtained Shareholder approval for these material changes.

CHANGE OF CONTROL PROVISIONS

The Manager has no right to terminate the Investment Management Agreement in the event of a change of control of the Company.

Similarly, the Company has no right to terminate the Investment Management Agreement in the event of a change of control of the Manager.

The Investment Management Agreement does not contain any pre-emptive rights over the Portfolio which are exercisable by either the Company, the Manager or a related entity of the Manager in the event of a change of control of either the Company or the Manager.

COMPANY INDEMNITY

The Company must indemnify the Manager against any losses or liabilities reasonably incurred by the Manager arising out of, or in connection with, and any costs, charges and expenses (including legal expenses) incurred in connection with the Manager or any of its officers, employees or agents acting under the Investment Management Agreement or on account of any bona fide investment decision made by the Manager or its officers or agents except insofar as any loss, liability, cost, charge or expense is caused by the negligence, default, fraud or dishonesty of the Manager or its officers or employees.

This obligation continues after the termination of the Investment Management Agreement.

MANAGER'S LIABILITY

Subject to the Corporations Act, the Listing Rules and the Investment Management Agreement, the Manager will, in relation to all the powers, authorities and discretions vested in it, have absolute and uncontrolled discretion as to:

- (a) whether or not to exercise them; and
- (b) the manner or mode of, and time for, their exercise.

In the absence of negligence, default, fraud or dishonesty, the Manager will not be in any way whatsoever responsible for any loss, costs, damages or inconvenience that may result from the exercise or failure to exercise those powers, authorities and discretions.

MANAGER INDEMNITY

The Manager must indemnify the Company against any losses or liabilities reasonably incurred by the Company arising out of, or in connection with, and any costs, charges and expenses incurred in connection with any negligence, default, fraud or dishonesty of the Manager or its officers. This obligation continues after the termination of the Investment Management Agreement.

MANAGEMENT FEE

In return for the performance of its duties as Manager of the Portfolio, the Manager is entitled to be paid a Management Fee equal to 1.00% (plus GST) per annum of the value of the Company's investments (calculated on the last business day of each month and paid at the end of each month in arrears).

The Management Fee is to be paid to the Manager regardless of the performance of the Company. Management Fees will increase if the value of the Company's investments increases, and decrease if the value of the Company's investments decreases, over the period.

Under the Investment Management Agreement, to the extent that the Offer Costs have not been recouped in full by the Company in the period ending 31 December 2021 (through the retention of the Performance Fee (described below)), the Company will retain Management Fees that accrue after 1 January 2022 until it has recouped all of the Offer Costs.

As a worked example, assuming \$250,000,000 is raised under the Offer and after payment of Offer Costs and retention of non-portfolio cash for payment of operating costs, the Manager is provided an initial Value of the Portfolio of \$240,000,000 at 1 December 2017, and nil performance on the Portfolio each month, the Management Fee payable on the portfolio for the 12-month period from 1 December 2017 to 30 November 2018 would be approximately \$2,388,662 (plus GST). As these Management Fees have accrued prior to 1 January 2022, the Manager will be paid the full amount of these Management Fees. The Management Fee will accrue regardless of the performance of the Company. Management Fees will increase if the value of the Company's investments increases, and decrease if the value of the Company's investments decreases, over the period. Under the Investment Management Agreement, to the extent that the Offer Costs have not been recouped in full by the Company in the period ending 31 December 2021 (through the retention of the Performance Fee (described below)), the Company will retain Management Fees that accrue after 1 January 2022 until it has recouped all of the Offer Costs.

If we assume an initial Value of the Portfolio of \$240,000,000, the estimated Offer Costs to be recouped by the Company are \$6,698,331 and nil performance on the Portfolio each month over the period from listing to 31 December 2022:

- (a) the Value of the Portfolio after payment of management fees monthly would be approximately \$228,005,346;
- (b) the Company will have recouped none of the Offer Costs through Performance Fees in respect of the period ending 31 December 2021; and
- (c) the Management Fee payable on the Portfolio for the 12-month period from 1 January 2022 to 31 December 2022 would be approximately \$2,290,713 (plus GST).

In this example, the Company would retain 100% of the Management Fees that accrue over this 12 month period and the amount of Offer Costs to be recouped will have been reduced to \$4,407,618.

PERFORMANCE FEE

The Investment Manager is entitled to be paid by the Company a fee (**Performance Fee**) equal to 20% (plus GST) of the base amount (**BA**), subject to high watermark mechanism. BA for a Performance Calculation Period is calculated in accordance with the following formula:

$$BA = (FV + CP - IV) - \left[IV \times \frac{(FI - II)}{II} \right]$$

Where:

FV is the Value of the Portfolio calculated on the last business day of the relevant Performance Calculation Period;
IV is the Value of the Portfolio calculated on the last business day of the preceding Performance Calculation Period;
CP is the total cash payments made during the Performance Calculation Period in respect of dividend distributions and transfers out of the Portfolio to non-portfolio cash (being cash held by the Company from time to time and excluded from the Portfolio for the purpose of paying corporate expenses, dividend distributions and any other purpose determined by the Company) including for payment of Management Fees, Performance Fees and taxes;
FI is the level of the S&P/ASX Small Ordinaries Accumulation Index published by the ASX on the last Business Day of that Performance Calculation Period; and
II is the level of the S&P/ASX Small Ordinaries Accumulation Index published by the ASX on the last Business Day of the preceding Performance Calculation Period.

If the amount calculated for BA above is a negative number:

- (a) no Performance Fee is payable in respect of that Performance Calculation Period; and
- (b) that negative number is to be carried forward to the following Performance Calculation Period(s) until it has been recouped in full against future positive performance. No Performance Fees will be payable until the full recoupment of prior underperformance.

In calculating the Performance Fee for a Performance Calculation Period, changes in the Value of the Portfolio as a result of the issue of securities, capital reductions or share buybacks undertaken, payment of tax and dividend distributions made by the Company will be disregarded or adjusted for in a manner determined by the Company's auditor at the conclusion of that Performance Calculation Period.

For the purpose of this calculation, the Value of the Portfolio is defined in the Investment Management Agreement as the aggregate sum of the gross value of each investment less any liability directly or indirectly attributable to the acquisition, maintenance or disposal of any investment or the management and administration of the Portfolio incurred or accrued on or before the date of the calculation (including but not limited to any unpaid purchase consideration, accrued legal or other expenses, brokerage, stamp duty, borrowings or other liabilities).

As a worked example, assuming a Performance Calculation Period of 1 January 2018 to 30 June 2018, an initial Value of the Portfolio of \$240,000,000, and a Value of the Portfolio at the end of the Performance Calculation Period that is 15% higher than at the beginning of \$276,000,000 and non-Portfolio related cash payments (including Management Fees paid monthly) of \$1,300,000 have been made:

- (a) if the S&P/ASX Small Ordinaries Accumulation Index return is 10% for the Performance Calculation Period, there would be an aggregate outperformance of \$13,300,000; and
- (b) in this instance, there would be a Performance Fee payable at 20% of this amount, equating to \$2,660,000 (plus GST) for the Performance Calculation Period, as the Portfolio has outperformed the Benchmark.

In this example, based on subscriptions for Shares raising \$250,000,000, the estimated Offer Costs to be recouped by the Company are \$6,698,331. In this example, the Company would retain 100% of the Performance Fee that accrued in respect of the Performance Calculation Period, and the amount of Offer Costs to be recouped will have been reduced to \$4,038,331.

As a second worked example (continuing on from the first), assuming the balance of Offer Costs to be recouped by the Company are \$4,038,331, a Performance Calculation Period of 1 July 2018 to 31 December 2018, an initial Value of the Portfolio of \$276,000,000 and a Value of the Portfolio at the end of the Performance Calculation Period that is 5% higher than at the beginning of \$289,800,000 and further non-Portfolio related cash payments (including Management Fees paid monthly) of \$1,300,000 have been made:

- (a) if the S&P/ASX Small Ordinaries Accumulation Index return is 10% for the Performance Calculation Period, there would be an aggregate underperformance of \$12,500,000; and
- (b) in this instance, there would be no Performance Fee payable for the Performance Calculation Period, as the Portfolio has underperformed the Benchmark. As no Performance Fee is payable in respect of this Performance Calculation Period, the amount of Offer Costs to be recouped will not be reduced and would remain at \$4,038,331.

As a third worked example, assuming the estimated balance of Offer Costs to be recouped by the Company is \$4,038,331 (for the reasons set out in the second worked example above), a Performance Calculation Period of 1 January 2019 to 30 June 2019, an initial Value of the Portfolio of \$289,800,000, and a Value of the Portfolio at the end of the Performance Calculation Period that is 15% higher than at the beginning of \$333,270,000 and further non-Portfolio related cash payments (including Management Fees paid monthly) of \$1,300,000 have been made:

- (a) if the S&P/ASX Small Ordinaries Accumulation Index return is 5% for the Performance Calculation Period, there would be an aggregate outperformance of \$17,780,000 (after deducting \$12,500,000 in respect of the underperformance in the second worked example above); and
- (b) in this instance:
 - (i) there would be a Performance Fee payable at 20% of this amount, equating to \$3,556,000 (plus GST) for the Performance Calculation Period, as the Portfolio has outperformed the Benchmark; and
 - (ii) the Company would retain 100% of the Performance Fee, and the amount of Offer Costs to be recouped will have been reduced to \$482,331.

As a fourth worked example, assuming the estimated balance of Offer Costs to be recouped by the Company is \$428,331 (for the reasons set out in the third worked example above), a Performance Calculation Period of 1 July 2019 to 31 December 2019, an initial Value of the Portfolio of \$333,270,000, and a Value of the Portfolio at the end of the Performance Calculation Period that is 5% lower than at the beginning of \$316,606,500 and further non-Portfolio related cash payments (including Management Fees paid monthly) of \$1,300,000 have been made:

- (a) if the S&P/ASX Small Ordinaries Accumulation Index return is negative 10% for the Performance Calculation Period, there would be an aggregate outperformance of \$17,963,500; and
- (b) in this instance:
 - (i) there would be a Performance Fee payable at 20% of this amount, equating to \$3,592,700 (plus GST) for the Performance Calculation Period, as the Portfolio has outperformed the Benchmark; and
 - (ii) the Company would retain \$482,331, being the remaining Offer Costs to be recouped, and pay a Performance Fee of \$3,110,369, and the amount of Offer Costs to be recouped will have been reduced to \$nil.

EXPENSES

The Company is liable for and must pay or reimburse the Manager for the fees, costs and expenses approved by the Board provided they were properly incurred in connection with services provided to the Company including the acquisition, disposal or maintenance of any investment, including:

- (a) fees payable to any securities exchange, ASIC, share register, any approved valuer or other regulatory body; and
- (b) all costs, custody fees, stamp duties, financial institutions duties, bank account debits tax, legal fees and other duties, taxes, fees, disbursements and expenses, commissions and brokerage incurred by the Company or the Manager in connection with:
 - (i) the acquisition and negotiation of any investment or proposed investment;
 - (ii) any sale or proposed sale, transfer, exchange, replacement or other dealing or proposed dealing with or disposal or proposed disposal of any investment;
 - (iii) the receipt of income or other entitlements from the Company's direct investments;
 - (iv) the engagement of a custodian to hold an investment on behalf of the Company;
 - (v) the receipt of income or other entitlements from the Investments of the Portfolio
 - (vi) marketing expenses including website and research reports.
 - (vii) all accounting and audit costs of the Company whether or not in relation to the Portfolio.

Notwithstanding the above, the Manager is solely responsible for payment of the fees of any manager engaged by the Manager to assist it in undertaking its duties under the Investment Management Agreement.

ASSIGNMENT

The Manager may assign the Investment Management Agreement to a third party with the prior consent in writing of the Company, which must not be unreasonably withheld or delayed.

TERM OF AGREEMENT

The initial term of the Investment Management Agreement is currently 5 years, which will be automatically extended for successive 5 year periods, unless terminated earlier in accordance with the Investment Management Agreement. The Company will apply to the ASX for a waiver of ASX Listing Rule 15.16 to allow for the initial fixed term of the Investment Management Agreement, to run for 10 years. If this waiver is refused, the initial term of the Investment Management Agreement will remain 5 years.

The Investment Management Agreement gives the Company certain termination rights including the right to immediately terminate if the Manager becomes insolvent or breaches its obligations under the Investment Management Agreement in a material respect and such breach cannot be rectified or is not remedied within 30 days after receiving notice of that breach. No termination fee is payable to the Manager if the Investment Management Agreement is terminated in accordance with these rights.

The Company may also terminate the Investment Management Agreement following the initial term on three months' notice if Shareholders pass an ordinary resolution directing the Company to terminate the Manager's appointment. If the Company terminates the Investment Management Agreement in this way, it must pay to the Manager a termination fee equal to all Management Fees and Performance Fees that accrued in the 12 month period up to the date of termination.

This termination fee must be paid by the Company to the Manager in addition to any accrued but unpaid fees owing to the Manager as at the termination date. If there are still Offer Costs that have not been recouped by the Company at the time of termination, then the Company can offset any outstanding Performance Fees (if the termination date occurs before 1 January 2022) or any outstanding Management Fees (if the termination date occurs on or after 1 January 2022) that would have been payable to the Manager upon termination against the outstanding Offer Costs. The termination fee however cannot be offset against any outstanding Offer Costs.

All fees (including the termination fee if applicable) must be paid by the Company to the Manager within 30 days of the termination date.

The Manager may terminate the Investment Management Agreement at any time after the initial term by giving the Company at least six months written notice.

The outstanding Offer Costs will be borne by the Company if the Investment Management Agreement is terminated before the Offer Costs have been recouped in full.

AFTER TERMINATION

If the Investment Management Agreement is terminated by the Company the Company must call a general meeting to change the Company's name by removing "Sphera". If the Company's name has not been changed within 3 months of the date of termination, the Manager will grant the Company a personal, non-transferable licence to use the "Sphera" name for so long as the Company's name includes the word "Sphera". In consideration for this licence, the Company must pay the Manager an annual licence fee (in advance) equal to 1.5% of the value of the Company's investments calculated on the date of termination and each subsequent anniversary of that date.

The Company does not have an AFSL and so requires an investment manager to manage the Portfolio and implement its Investment Strategy. If the Investment Management Agreement is terminated while the Company remains an investment entity, the management of the Company's portfolio of investments would need to be assigned to a replacement manager and a new management agreement would need to be put in place. Under the Investment Management Agreement the Manager must vest control of the Portfolio to the Company within 30 business days of termination. The Company would seek all necessary Shareholder approvals if this were to occur.

9.2. OFFER MANAGEMENT AGREEMENT

The Company and the Manager have entered into an offer management agreement dated 10 October 2017 (**Offer Management Agreement**) with the Joint Lead Managers pursuant to which the Joint Lead Managers will manage the Offer. Under the Offer Management Agreement, the Company appoints Wilsons as the Lead Arranger and the Authorised Intermediary to make offers to arrange for the issue of the Shares under the Offer.

In return for providing the services under the Offer Management Agreement, the Company will pay:

- (a) the Lead Arranger an arranger fee of 0.10% (plus GST) of the total proceeds raised under the Offer; and
- (b) the qualifying Joint Lead Managers (being each Joint Lead Manager which has raised more than \$25,000,000), in equal proportions, a management fee equal to 1.00% (plus GST) of the of the total proceeds raised under the Offer (split equally between them).

In addition, the Company will pay to each Joint Lead Manager a Broker Firm selling fee of 1.50% (inclusive of GST) of the Broker Firm Offer raised by the relevant Joint Lead Manager and its brokers (including associated Co-Managers). The Joint Lead Managers will pay any other commissions and fees payable to a Co-Manager or its broker.

The Company has agreed to pay or reimburse the Joint Lead Managers for all reasonable legal costs and expenses incurred by them in connection with the Offer, of up to \$30,000 (plus GST and disbursements), as well as other additional out-of-pocket expenses.

The Offer Management Agreement is conditional on a number of things including the Company obtaining any ASX waivers in in-principle form and any ASIC modifications (in a form and substance acceptable to the Joint Lead Managers) to enable the Offer to proceed in accordance with the timetable in the Offer Management Agreement and the Prospectus.

In accordance with the Offer Management Agreement and as is customary with these types of arrangements:

- (a) the Company and the Manager have (subject to certain usual limitations) agreed to indemnify the Joint Lead Managers, their related bodies corporate, their directors, officers, advisers and employees against any losses arising directly or indirectly in connection with the Offer (including for publicity, regulatory reviews or non-compliance of the Prospectus), or a breach by the Company and the Manager of any provision, including representation or warranty of, the Offer Management Agreement;
- (b) the Company and the Manager have given representations, warranties and undertakings in connection with (among other things) the conduct of the Offer and content of the Prospectus;
- (c) the Joint Lead Managers are entitled to appoint co-lead managers and Brokers to the Offer; and
- (d) the Joint Lead Managers may (in certain circumstances, including having regard to the materiality of the relevant event) terminate the Offer Management Agreement and be released from their obligations under it on the occurrence of certain events on or prior to the final settlement date of the Offer, including (but not limited to) where:
 - (i) a statement contained in the offer materials is or becomes materially misleading or deceptive or likely to mislead or deceive or the Offer materials omit any information they are required to contain (having regard to the relevant Corporations Act requirements);
 - (ii) the ASX does not approve the listing of the Company;
 - (iii) there are changes in senior management of the Manager or the Board of Directors of the Company;
 - (iv) material adverse changes to the financial markets, political or economic conditions of key countries, trading halts on all securities listed on certain security exchanges, banking moratoriums, hostilities commence or escalate in key countries or a major terrorist act is perpetrated in key countries;
 - (v) the Company or the Manager breaches any law or regulatory requirements or the Company fails to conduct the Offer in accordance with the law;
 - (vi) there is, or is likely to be, a material adverse change, or event involving a prospective material adverse change, in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company;
 - (vii) a regulatory investigation or legal action is commenced against the Company; or
 - (viii) a breach of the representations, warranties and undertakings or default of the Offer Management Agreement.

Please note that the above is not an exhaustive list of the termination events in the Offer Management Agreement.

9.3. DIRECTOR PROTECTION DEEDS

The Company has entered into director protection deeds with each Director. Under these deeds, the Company has agreed to indemnify, to the extent permitted by the Corporations Act, each officer in respect of certain liabilities which the officer may incur as a result of, or by reason of (whether solely or in part), being or acting as an officer of the Company. The Company has also agreed to maintain in favour of each officer a directors' and officers' policy of insurance for the period that they are officers and for 7 years after they cease to act as officers.

SECTION 10.

ADDITIONAL INFORMATION

10.1. INCORPORATION

The Company was incorporated on 30 August 2017.

10.2. BALANCE DATE AND COMPANY TAX STATUS

The accounts for the Company will be made up to 30 June annually.

The Company will be taxed as a public company.

10.3. RIGHTS ATTACHING TO THE SHARES

The following information is a summary of the Company Constitution. Shareholders have the right to acquire a copy of the Company Constitution, free of charge, from the Company until the expiry of this Prospectus.

Each Share confers on its holder:

- (a) the right to vote at a general meeting of Shareholders (whether present in person or by any representative, proxy or attorney) on a show of hands (one vote per shareholder) and on a poll (one vote per Share on which there is no money due and payable) subject to the rights and restrictions on voting which may attach to or be imposed on Shares (at present there are none);
- (b) the right to receive dividends, according to the amount paid up on the Share;
- (c) the right to receive, in kind, the whole or any part of the Company's property in a winding up, subject to priority given to holders of Shares that have not been classified by the ASX as "restricted securities" and the rights of a liquidator to distribute surplus assets of the Company with the consent of members by special resolution; and
- (d) subject to the Corporations Act and the Listing Rules, Shares are fully transferable.

The rights attaching to Shares may be varied with the approval of Shareholders in general meeting by special resolution.

10.4. ASX WAIVER

ASX Listing Rule 15.16 sets a maximum fixed term of 5 years for an investment management agreement. The Company will apply for a waiver of ASX Listing Rule 15.16 to allow for the initial fixed term of the Investment Management Agreement, to be 10 years.

10.5. ASIC RELIEF

The Company's first financial year will end on 30 June 2018. The Corporations Act requires that the half year be the first 6 months of each financial year and normally imposes certain reporting requirements with respect to that period.

The Company's first half year therefore commences on incorporation (i.e. 30 August 2017) and will end around 28 February 2018. Without relief, the Company would be required to prepare and lodge half yearly accounts for the first half year ending 28 February 2018. Once the Company is listed, the ASX may also require the Company to provide half yearly accounts for the period from incorporation to 31 December 2017.

The Company has applied for and has been granted an 'in-principle' ASIC relief to reduce the reporting period with respect to the first half year imposed by the Corporations Act from 28 February 2018 to 31 December 2017 so that it aligns with any ASX reporting requirements and market practice.

10.6. INVESTOR CONSIDERATIONS

Before deciding to participate in this Offer, you should consider whether the Shares to be issued are a suitable investment for you. There are general risks associated with any investment in an entity listed on the ASX. The value of securities listed on the ASX may rise or fall depending on a range of factors beyond the control of the Company.

If you are in doubt as to the course you should follow, you should seek advice on the matters contained in this Prospectus from a stockbroker, solicitor, accountant or other professional adviser immediately.

The potential tax effects relating to the Offer will vary between investors. Investors are urged to consider the possible tax consequences of participating in the Offer by consulting a professional tax adviser.

10.7. AUSTRALIAN TAXATION IMPLICATIONS OF INVESTING UNDER THE OFFER

INTRODUCTION

The tax implications provided below only relate to Australian Shareholders who hold their Shares on capital account. Different tax implications apply to non-resident Shareholders or Shareholders whose Shares are held on revenue account.

The comments in this Section 10.7 are general in nature on the basis that the tax implications for each Shareholder may vary depending on their particular circumstances.

Accordingly, it is recommended that each Shareholder seek their own professional advice regarding the taxation implications associated with the Offer.

The comments in this Section 10.7 are based on the Income Tax Assessment Act 1936, and the Income Tax Assessment Act 1997, A New Tax System (Goods and Services Tax) Act 1999 and the relevant stamp duties legislation as at the date of this Prospectus.

This Section 10.7 provides a general overview of the Australian income tax implications of investing in the Company, based on current tax law. As such, it is not intended as a substitute for investors obtaining independent tax advice in relation to their personal circumstances.

If you are in doubt as to the course you should follow, you should seek independent tax advice.

INCOME TAX POSITION OF THE COMPANY

The Company will be taxed as a company at the prevailing company tax rate (currently 30.0% for businesses with an aggregate turnover of more than \$25,000,000, or 27.5% for companies with an annual turnover of less than \$25,000,000).

The Company will be required to maintain a franking account and may declare franked dividends to Shareholders. The Directors intend to frank dividends at 100.0%, or to the maximum extent possible.

INCOME TAX POSITION OF AUSTRALIAN RESIDENT SHAREHOLDERS

A general outline of the tax implications associated with the Offer for Australian resident Shareholders who hold their Shares on capital account are set out below.

TREATMENT OF SHARES

The Offer comprises the issue of Shares in the Company. To determine the Capital Gains Tax (CGT) cost base of each asset, an investor's subscription price may need to be apportioned between the Shares and Right based on their respective value.

On disposal of Shares or rights in the Company, an investor will realise a capital gain if the capital proceeds it receives or is deemed to have received for the disposal of the Shares or rights exceeds their respective cost base.

Where a right held in the Company is not exercised or expires, a capital loss may arise equal to the cost base of the right at the time of expiry.

A CGT discount may be available where the Shares or rights have been held for twelve months or more. Where this concession applies, any such capital gain will be reduced (after applying capital losses) by the following percentages:

- (a) 50.0% for an individual or trust; or
- (b) 33.33% for a complying superannuation fund.

DIVIDENDS

Dividends received by Shareholders should be included in the assessable income of Shareholders. Generally, Shareholders will be taxed on the dividends at their relevant marginal rate. If the Shareholder is a company, the Shareholder will be taxed at the prevailing company tax rate (currently 30.0% for companies with an annual turnover of \$25,000,000 or more and 27.5% for companies with an annual turnover of less than \$25,000,000).

Generally, to the extent that the dividends are franked, an amount equal to the franking credits attaching to the dividends will be included in the assessable income of the Shareholder. Further, Shareholders will generally be entitled to a tax offset equal to the amount of the franking credits on the dividend (i.e. Shareholders will effectively get a tax credit for the corporate tax paid in respect of the dividends).

Certain Shareholders (including individuals and complying superannuation funds) may be entitled to a refund of 'excess franking credits' where their tax offset in respect of the franked dividends exceeds their tax liability. The income tax rate for complying superannuation funds is 15.0%. Complying superannuation funds generally obtain a tax offset from franked dividends against the fund's income tax liability, and any excess franking credits may be fully refunded.

A complying superannuation fund 100.0% in pension phase would be entitled to a full refund of franking credits, as all income of the fund would be attributable to the fund's liability to pay current pensions, and are therefore exempt from income tax.

GOODS AND SERVICES TAX (GST)

Shareholders should not be liable for GST in Australia in respect of the acquisition of Shares under the Offer. Shareholders may not be entitled to input tax credits (GST credits) for GST incurred on costs associated with the acquisition of Shares under the Offer.

STAMP DUTY

Shareholders should not be liable for stamp duty in Australia in respect of the acquisition of Shares under the Offer.

10.8. LEGAL PROCEEDINGS

The Company is a newly incorporated company which has not conducted any business to date. The Company is not and has not been, since its incorporation to the date of this Prospectus, involved in any legal or arbitration proceedings that have had a significant effect on the financial position of the Company.

As far as the Directors are aware, no such proceedings are threatened against the Company.

10.9. CONSENTS AND RESPONSIBILITY STATEMENTS

Each of the following parties has given and, before lodgement of the paper Prospectus with ASIC and the issue of the Electronic Prospectus, has not withdrawn its written consent to be named as performing the below role in the form and context in which it is so named.

Name	Role / Responsible
Spheria Asset Management Pty Limited	Manager All information about it, including its investment process and performance history in Section 4 and elsewhere in this Prospectus
KardosScanlan Pty Limited	Australian Solicitor to the Offer
Webb Henderson	New Zealand Solicitor to the Company
Pitcher Partners Sydney Corporate Finance Pty Limited	Investigating accountant for the Company The Investigating Accountant's Report on Pro Forma Financial Information in Section 7
Automic Pty Limited	Share Registrar for the Company
Wilsons Corporate Finance Limited	Lead Arranger, Authorised Intermediary and Joint Lead Manager to the Offer
Ord Minnett Limited, Commonwealth Securities Limited and Taylor Collison Limited	Joint Lead Managers to the Offer
Shaw and Partners Limited and Craigs Investment Partners Limited	Co-Managers to the Offer
Pinnacle Investment Management Limited	Distribution Partner and provision of accounting and company secretarial services
Pinnacle Fund Services Limited	Responsible entity of Spheria Australian Smaller Companies Fund All information about Spheria Australian Smaller Companies Fund, including the historical performance in Section 4

Each of the above parties has only been involved in the preparation of that part of the Prospectus where they are named. Except to the extent indicated above, none of the above parties have authorised or caused the issue of the Prospectus and takes no responsibility for its contents.

Each of the Joint Lead Managers and the Co-Managers has consented to being named as specified above, but does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by that Joint Lead Manager or Co-Manager.

10.10. OFFER EXPENSES

The Company will pay all of the costs associated with the Offer. These costs are fully described in Section 6.

Investors are reminded that the Offer Costs will be fully recouped by the Company under the Investment Management Agreement as described in Section 9.1.

10.11. INTEREST OF EXPERTS

Other than as set out below, no expert nor any firm in which such expert is a partner or employee has any interest in the promotion of or any property proposed to be acquired by the Company.

KardosScanlan Pty Limited has acted as Australian solicitors to the Offer and have performed work in relation to preparing the due diligence program and performing due diligence enquiries on legal matters. In respect of this Prospectus, the Company estimates that it will pay amounts totalling approximately \$110,000 (plus GST and disbursements) to Kardos Scanlan.

Webb Henderson has provided New Zealand legal advice to the Company in relation to the Offer and provided the Company with an address for service in New Zealand. In respect of this Prospectus, the Company estimates that it will pay amounts totalling approximately NZ\$8,000 (plus GST if any) and disbursements) to Webb Henderson.

Pitcher Partners Sydney Corporate Finance Pty Limited has prepared the investigating accountant's report included in this Prospectus and have also performed work in relation to the due diligence enquiries on financial matters. In respect of this work, the Company estimates that it will pay amounts totalling approximately \$39,000 (plus GST and disbursements) to Pitcher Partners Sydney Corporate Finance Pty Limited.

Wilsons Corporate Finance Limited is the Lead Arranger to the Offer. In accordance with the Offer Management Agreement, the Company will pay the Lead Arranger an arranging fee of 0.10% (plus GST) of the total proceeds raised under the Offer.

Wilsons Corporate Finance Limited, Ord Minnett Limited, Commonwealth Securities Limited and Taylor Collison Limited will act as Joint Lead Managers to the Offer. In accordance with the Offer Management Agreement, the Company will pay each qualifying Joint Lead Manager (being each Joint Lead Manager which has raised more than \$25,000,000), in equal proportions, a management fee of 1.00% (plus GST) of the total proceeds raised under the Offer (this fee will be split equally between them). In addition, the Company will pay to each Joint Lead Manager a selling fee of 1.50% (inclusive of GST) of the total proceeds of the Broker Firm Offer raised by the relevant Joint Lead Manager and their associated brokers (including Co-Managers).

Wilsons Corporate Finance Limited is the Authorised Intermediary to the Offer. *Wilsons Corporate Finance Limited* will not be paid a fee for its services as Authorised Intermediary.

Shaw and Partners Limited and *Craigs Investment Partners Limited* will act as Co-Managers to the Offer. The Joint Lead Managers will pay any fees, commissions or rebates due to any Brokers or Co-Managers appointed to the Offer.

Certain partners and employees of the above firms may subscribe for Shares in the context of the Offer.

SECTION 11.

DEFINITIONS AND INTERPRETATION

11.1. DEFINED TERMS

In this Prospectus:

AASB means the Australian Accounting Standards Board.

AFSL means Australian Financial Services Licence.

Alternate Director means an alternate director appointed by a Director from time to time.

Applicant means an applicant for Shares under this Prospectus.

Application means an application for Shares under this Prospectus.

Application Form means the application form attached to this Prospectus.

Application Monies means the Application Price of \$2.00 multiplied by the number of Shares applied for.

Application Price means \$2.00 per Share.

Approved Valuer has the meaning given to it in Section 3.11.

ASIC means the Australian Securities & Investments Commission.

ASX or **Australian Securities Exchange** means the ASX Limited or the securities exchange operated by ASX Limited.

ASX Recommendations means the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (third edition, March 2014).

Australian Small Cap Securities means securities within the S&P/ASX Small Ordinaries Index.

Authorised Intermediary means Wilsons Corporate Finance Limited, in its capacity as the authorised intermediary of the Offer.

Benchmark means the S&P/ASX Small Ordinaries Accumulation Index.

Board means the board of Directors of the Company.

Broker or **Broker Firm** means any ASX participating organisation selected by the Joint Lead Managers in consultation with the Company to act as a broker to the Offer.

Broker Firm Application Form means the Application Form to be used by Applicants who are participating in the Broker Firm Offer.

Broker Firm Offer means the broker firm offer referred to in Section 2.2.

Broker Firm Offer Closing Date means the closing date of the Broker Firm Offer, expected to be 5.00pm (Sydney time), 17 November 2017 or such other date as the Company may determine in its discretion.

CHES means Clearing House Electronic Subregister System.

Closing Date means the date by which valid Application Forms must be received, being 24 November 2017 or such other dates as the Company may determine in its discretion.

Co-Manager means a co-manager to the Offer, being Shaw and Partners Limited and Craigs Investment Partners Limited.

Commencement Date is defined in the Investment Management Agreement as the date the Company allots and issues not less than the Minimum Subscription.

Company means Spheria Emerging Companies Limited (ACN 621 402 588).

Constitution means the constitution of the Company.

Corporations Act means Corporations Act 2001 (Cth).

CRN means Customer Reference Number.

Directors or **Board** means the directors of the Company.

Electronic Prospectus means the electronic copy of the Prospectus, a copy of which can be downloaded at www.spheria.com.au.

Eligible Participant means a person eligible to participate in the Priority Allocation, being any:

- (a) registered shareholder of Pinnacle Investment Management Group Limited (ASX: PNI); and
- (b) direct unitholder of the Spheria Australian Smaller Companies Fund, the Spheria Australian Microcap Fund or the Spheria Opportunities Fund, with registered addresses in Australia or New Zealand.

Exposure Period means the period of 7 days after the date of lodgement of the Prospectus with ASIC, which may be extended by ASIC by not more than 7 days pursuant to Section 727(3) of the Corporations Act.

General Offer Application Form means the Application Form to be used by Applicants who are not participating in the Broker Firm Offer.

GST means Goods and Services Tax and has the same meaning as contact in *A New Tax System (Goods and Services Tax)* Act 1999 (Commonwealth).

HIN or **Holder Identification Number** means the unique identifier of holders of shares on the CHESS subregister issued by ASX Settlement.

Investment Management Agreement means the investment management agreement between the Manager and the Company, the terms of which are summarised in Section 9.1.

Investment Strategy means the strategy to be used by the Manager as manager of the Company, summarised in Section 3.3, in accordance with the guidelines set out in Section 3.5 (as amended from time to time).

Joint Lead Managers means Wilsons Corporate Finance Limited, Ord Minnett Limited, Commonwealth Securities Limited and Taylor Collison Limited.

Lead Arranger means Wilsons Corporate Finance Limited, in its capacity as the lead arranger to the Offer.

LIC means a listed investment company.

Listing Rules means the listing rules of the ASX.

Manager means the manager of the Portfolio appointed under the terms of the Investment Management Agreement, being Spheria Asset Management Pty Limited (ACN 611 081 326).

Management Fees means the management fees payable to the Manager in accordance with the Investment Management Agreement.

Maximum Subscription means the maximum subscription being sought by the Company under the Offer, being 125,000,000 Shares.

Minimum Subscription means the minimum subscription being sought by the Company under the Offer, being 50,000,000 Shares.

NAV or **Net Asset Value** means the value of the Company's total assets less the value of any liabilities.

NTA means the value of the Company's total assets less the value of its intangible assets and the value of its liabilities.

Offer means the offer of up to 125,000,000 fully paid ordinary Shares (at an Application Price of \$2.00 per Share) to raise up to \$250,000,000.

Offer Costs means all costs and expenses associated with the establishment of the Company, including the costs and expenses of the Offer.

Offer Management Agreement means the offer management agreement between the Joint Lead Managers and the Company, the terms of which are summarised in Section 9.2.

Official List means the official list of the ASX.

Opening Date means the date the Offer opens, expected to be 25 October 2017.

Performance Calculation Period means:

- (a) for the first Performance Calculation Period, the period from the Commencement Date to the earlier of the date of termination and 31 December 2017;
- (b) thereafter and subject to paragraph (c) each full 6 month period commencing on either 1 July or 1 January (and ending on 30 June or 31 December respectively);

- (c) if the term of the Investment Management Agreement expires on a day other than 30 June or 31 December, the last Performance Calculation Period is the period from the first day after the preceding Performance Calculation Period to the date this Agreement is terminated or expires.

Performance Fees means the performance fees payable under the Investment Management Agreement.

Pinnacle means Pinnacle Investment Management Limited ACN 109 659 109.

Portfolio means the portfolio of investments held by the Company.

Pre-IPO Securities means securities issued by an entity under a private placement prior to the issuing entity undertaking an initial public offering and the issued security becoming listed on a licensed market.

Priority Allocation means the allocation of up to 25,000,000 Shares to Eligible Participants on the terms set out in Section 2.3.

Priority Allocation Application Form means the Application Form to be used by an Eligible Participant who is not participating in the Broker Firm Offer.

Prospectus means this prospectus as modified or varied by any supplementary document issued by the Company and lodged with ASIC from time to time.

Related Body Corporate has the meaning given to that term under Section 50 of the Corporations Act.

Relevant Interest has the meaning set out in the Corporations Act.

S&P means Standard and Poor's Global LLC.

Share means a fully paid ordinary share in the Company.

Shareholder means a registered holder of a Share.

Shareholder Reference Number or SRN is the unique identifier of holders of shares on the issuer sponsored sub-register.

Share Registrar or Registry means Automic Pty Limited (ACN 152 260 814).

Small Cap Securities means listed securities of entities with a market capitalisation typically similar to those securities within the S&P/ASX Small Ordinaries Index.

Sphera Australian Smaller Companies Fund means the Sphera Australian Smaller Companies Fund (ARSN 117 083 762), a registered managed investment scheme, which has been managed by the Manager from 1 July 2016.

Sphera Australian Microcap Fund means the Sphera Australian Microcap Fund (ARSN 611 819 651), a registered managed investment scheme, managed by the Manager.

Sphera Investment Team means the investment personnel detailed in Section 4.5.

Sphera Opportunities Fund means the Sphera Opportunities Fund (ARSN 144 032 431), a registered managed investment scheme, managed by the Manager.

Value of the Portfolio is defined in the Investment Management Agreement as, at any date that such value is required to be ascertained, the aggregate sum of each investment calculated on the relevant date of valuation for each category of investment comprising the Portfolio in the following manner:

- (a) **Securities and rights to them listed on a licensed market** – the last sale price of the securities of that class, or if the securities of that class were not traded on that date, the last sale price of that class of securities on the last day on which trading of those securities occurred;
- (b) **Securities which are not listed on a licensed market** –
 - (i) if the security is an interest in a managed investment scheme, the latest available redemption price of the interests as published by the issuer on the last day on which redemptions of those interests occurred; or
 - (ii) if the security is not an interest in a managed investment scheme, the last sale price of the securities agreed on arm's length terms between a willing buyer and a willing seller, unless the Manager requests in writing that the value be determined by an Approved Valuer, in which case the value will be as so determined by the Approved Valuer;
- (c) **deposits** – the amounts of such deposits unless, in respect of a particular deposit, the Manager or the Company requests the other in writing that the value be determined by an Approved Valuer in which case the value will be as so determined having regard to all the circumstances including the necessity for a provision to be made for possible losses;
- (d) **Other Cash (including income)** – if an investment in cash is not included within paragraphs (c) or (g), the amount of such cash;

- (e) **commercial bills of exchange or negotiable certificates of deposit** – cost of acquisition plus interest accrued since acquisition but not received unless the Manager or the Company requests the other in writing that the value be the amount as fixed by an Approved Valuer in which case the value will be as so determined by the Approved Valuer;
- (f) **option to purchase** – market value as determined by the Manager, unless the Company requests the Manager in writing that the value be determined by an Approved Valuer, in which case the value will be as so determined by the Approved Valuer; and
- (g) **other** – if an Investment is not included within paragraphs (a) to (f) of this definition, the value of that Investment will be as determined by the Company and the Manager, unless the Manager or the Company requests the other in writing that the value be determined by an Approved Valuer, in which case the value will be as so determined by the Approved Valuer,

less any liability directly or indirectly attributable to the acquisition, maintenance or disposal of any Investment or Portfolio Costs incurred or accrued on or before the date of the calculation (including but not limited to any unpaid purchase consideration, borrowings or other portfolio related liabilities).

Wilsons means Wilsons Corporate Finance Limited.

11.2. INTERPRETATION

In this Prospectus the following rules of interpretation apply unless the context otherwise requires:

- (a) Words and phrases not specifically defined in this Prospectus have the same meaning that is given to them in the Corporations Act and a reference to a statutory provision is to the Corporations Act unless otherwise specified;
- (b) The singular includes the plural and vice versa;
- (c) A reference to an individual or person includes a corporation, partnership, joint venture, association, authority, company, state or government and vice versa;
- (d) A reference to any gender includes both genders;
- (e) A reference to clause, section, annexure or paragraph is to a clause, section, annexure or paragraph of or to this Prospectus, unless the context otherwise requires;
- (f) A reference to "dollars", "AUD" or "\$" is to Australian currency;
- (g) In this document, headings are for ease of reference only and do not affect its interpretation; and
- (h) Except where specifically defined in the Prospectus, terms defined in the Corporations Act have the same meaning in this Prospectus.

11.3. GOVERNING LAW

This Prospectus is governed by the laws of New South Wales.

11.4. APPROVAL

This Prospectus has been approved by unanimous resolution of the Directors of the Company.

Dated: 10 October 2017



Jonathan Trollip
Chairman

CORPORATE DIRECTORY

DIRECTORS

Jonathan Trollip (Chairman)
Lorraine Berends
Adrian Whittingham
Alex Ihlenfeldt (Alternate Director
to Adrian Whittingham)

COMPANY SECRETARY

Calvin Kwok

REGISTERED OFFICE

Level 35, 60 Margaret Street
Sydney NSW 2000, Australia

SHARE REGISTRY

Automic Pty Limited
Level 3, 50 Holt Street
Surry Hills NSW 2010, Australia
Telephone: 1300 288 664
(inside Australia) or
+61 2 9698 5414 (outside Australia)

INVESTIGATING ACCOUNTANT

**Pitcher Partners Sydney
Corporate Finance Pty Ltd**
Level 22, MLC Centre
19 Martin Place, Sydney
NSW 2000, Australia

**AUSTRALIAN SOLICITORS
TO THE OFFER**

KardosScanlan Pty Limited
Level 5, 151 Castlereagh Street
Sydney NSW 2000, Australia

MANAGER

Spheria Asset Management Pty Limited
Level 35, 60 Margaret Street, Sydney,
NSW 2000, Australia
Ph: 1300 010 311
Email: invest@pinnacleinvestment.com

LEAD ARRANGER AND JOINT LEAD MANAGER

Wilsons Corporate Finance Limited
Level 30, Waterfront Place
1 Eagle Street
Brisbane QLD 4000, Australia

JOINT LEAD MANAGERS

Ord Minnett Limited
Level 8, NAB House
225 George Street
Sydney NSW 2000, Australia

Commonwealth Securities Limited
Ground Floor, Tower 1
201 Sussex Street
Sydney NSW 2000, Australia

Taylor Collison Limited
Level 16, 211 Victoria Square
Adelaide SA 5000, Australia

CO-MANAGERS

Craigs Investment Partners Limited
Level 36, Vero Centre
48 Shortland Street
Auckland Central, Auckland 1010, New Zealand

Shaw and Partners Limited
Level 15, 60 Castlereagh Street
Sydney NSW 2000, Australia

DISTRIBUTION PARTNER

Pinnacle Investment Management Limited
Level 35, 60 Margaret Street
Sydney NSW 2000, Australia



For personal use only