

Sandon Capital Activist Fund

April 2010 Monthly Report

Entry/Exit Prices: \$1.0843/\$1.0756

Fund Description

The objective of the Fund is to deliver returns to investors through a combination of capital growth and distributions. The Fund aims to achieve this objective by seeking to invest in opportunities that are considered by Sandon Capital to be trading below their intrinsic value and that offer the potential of being positively influenced by investors taking an active role in proposing changes in the areas of corporate governance, capital management, strategic and operational issues, management arrangements and other related activities. Neither returns nor capital are guaranteed.

Fund Details

Structure	Wholesale unit trust	Minimum Investment	\$250,000 (or as agreed with trustee)
Trustee	Fundhost Ltd	Trustee Fees	0.21%
Custodian	NAB Custodian	Management Fees	1.33%
Investment Manager	Sandon Capital Pty Ltd	Performance Fees	15.375% of returns above cash
Website	www.sandoncapital.com.au	Buy/Sell Spread	±0.40%
Inception	4 Sep 2009	Applications	Monthly
		Withdrawals	Quarterly

Fund Performance (calculated net of all fees, assuming reinvestment of distributions and using unit mid-price)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2009									2.5%	2.4%	-0.9%	1.0%	5.0%
2010	1.0%	-0.3%	-0.7%	2.9%									2.9%

Fund Commentary

The Fund reported a 2.9% gain this month. There were decent gains across most of the portfolio. Of note, was the announcement by Adelaide Managed Funds that it would undertake an orderly wind-down of the Adelaide Yield Trust (AYT). The price rose to close the month 16% above the pre-announcement price. AYT continues to trade below asset backing and is yielding ~10.5% on an annualised basis. We are obviously pleased with the result.

The significant detractor to the portfolio was Wallace Absolute Return Ltd (WAB) (~-0.82%) which fell from 4.5 cents per share to 4 cents per share. Subsequent to month end, WAB announced it had received an unconditional offer for its interests in a leasing business (which was valued at nil) and also its intention to undertake a rights issue and renew the Board. WAB shareholders will vote in May on the removal of two existing directors and the appointment of two new directors, including the portfolio manager of this Fund. We will be in a position to report on this in next month's newsletter, as well as expanding on the investment thesis behind WAB.

We continue to maintain a partial hedge at 4600 on the S&P/ASX200 Index as we remain cautious about the potential impact of a wide range of macro factors beyond our control and which are, frankly, impossible to accurately forecast (both in terms of occurrence and impact). This position was a negative contributor to the performance this month (~0.5%).

The portfolio holds 15 positions (including the index puts).

We remain focused on opportunities that have high levels of tangible assets, marketable securities or cash, as we believe these offer the best risk-adjusted returns in the current environment.

Portfolio Exposures

Long Exposure	79%	Long Positions	14
Cash	21%		

Fundhost Limited (ABN 69 092 517 087) (AFSL 233045) ("Fundhost") as trustee of, and issuer of units in, the Sandon Capital Activist Fund ("Fund"). Sandon Capital Pty Limited (ABN 98 130 853 691) (AFSL 331 663) ("Sandon Capital") is the Investment Manager of the Fund.

Fund performance is after fees and assumes distributions are reinvested. Past performance is not a reliable guide to future performance. This information has been prepared without taking into account your investment objectives, financial situation, or needs. Before making an investment decision you should consider the appropriateness of the information having regard to these matters. Before you invest it is important that you read and understand the terms set out in the Sandon Capital Activist Fund Information Memorandum ("IM") dated 18 December 2009. In particular, it is important that you understand the risks associated with an investment in the Fund set out on page 9 of the IM.

Information provided by the Investment Manager are views of the Investment Manager only and can be subject to change. While information in this report is given in good faith and is believed to be accurate, Fundhost and Sandon Capital give no warranty as to the reliability or accuracy of the information, nor accept any responsibility for any errors or omissions of third parties. To the extent permitted by law, neither Fundhost nor Sandon Capital, including their employees, consultants, advisors, officers or authorised representatives are liable for any loss or damage arising as a result of reliance placed on the contents of this report.