

SANDON CAPITAL

Sandon Capital Activist Fund

April 2016 Monthly Report

Entry/Exit Prices: \$1.5479/\$1.5355

Performance Results (calculated net of all fees, assuming reinvestment of distributions and using unit mid-price. Indices are before fees.)

	1 month	1 year	3 yrs (p.a.)	5 yrs (p.a.)	Annualised since inception	Annualised volatility since inception	Total Return since inception
SCAF	1.8%	2.2%	13.4%	12.1%	12.6%	7.8%	121.0%
S&P/ASX 200 Accum.	3.4%	-4.9%	5.0%	6.5%	7.2%	12.7%	58.7%
Small Ordinaries Accum.	3.0%	5.1%	4.2%	-1.0%	2.2%	15.7%	15.3%

Net Monthly Returns

	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%	-4.2%	4.2%	4.4%	-0.6%	2.3%	2.4%	3.5%	-0.9%	14.5%
2011	1.3%	0.6%	0.5%	1.3%	-1.9%	-2.7%	-0.1%	-0.1%	1.9%	2.1%	2.5%	2.2%	7.8%
2012	-1.0%	0.4%	1.8%	2.1%	-2.8%	-1.0%	3.3%	0.5%	2.5%	2.8%	0.1%	2.2%	11.1%
2013	2.1%	3.2%	-1.4%	1.3%	2.8%	-3.7%	6.9%	0.7%	6.5%	5.7%	0.3%	0.3%	27.1%
2014	-0.3%	1.6%	1.9%	-0.3%	2.0%	0.5%	3.9%	2.1%	2.8%	-0.5%	1.0%	0.8%	16.7%
2015	-0.2%	0.0%	1.0%	0.3%	0.2%	-4.1%	3.9%	-4.9%	2.3%	3.5%	1.0%	0.9%	3.6%
2016	-1.3%	-3.3%	2.7%	1.8%									-0.2%

Portfolio Exposures

Net Exposure	84%	Long Positions	32
Net Cash	16%	Short Positions	0

Fund Commentary

The Fund delivered a return of 1.8% in April, bringing total returns (net of all fees and expenses) since inception to the equivalent of 12.6% per annum.

The main contributor (~1.7%) to this month's return was Fleetwood Corporation (FWD). We have been acquiring shares since September 2015 and recently lodged a substantial shareholder notice in the company after forming an association with Mercantile Investment Company. Despite the recent increase in share price, we believe FWD continues to trade at a substantial discount to our assessment of its intrinsic value, and indeed at a discount to our assessment of fire sale value. We believe FWD has the potential to become a significant contributor to returns over the medium term.

Detractors included Onthehouse Holdings Limited (OTH), whose share price declined as there were no updates regarding the progress of the Dempsey/Macquarie/CoreLogic consortium takeover proposal. Subsequent to month end, OTH announced the sale of its consumer online division for \$3 million cash to CoreLogic. We see this sale as being positive for the value of OTH as it now ends the cash bleed from this business unit, and crystallises value (>\$3m, or ~4cps) for an asset that was otherwise going to be shut down. All things being equal, we see this as improving the overall value of OTH. The strong cash-generative nature of the real estate solutions business should now become even more apparent. OTH shareholders will surely be asking, as we are, how this improvement in value can be delivered to shareholders in any

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corporate transaction.

The other main detractor (~0.5%) during the month was Antares Energy Ltd (AZZ) where administrators were appointed to the company. Although we could wax lyrical about how the company failed in complying with its continuous disclosure obligations (which is why ASX suspended it) and make all sorts of other criticisms of its corporate governance, the end result is that we made a dud investment and did not act quickly enough to exit the position while we had the opportunity. Such lessons are ideally learned vicariously, but as this was first hand, it is learned all the better.

We have a few merger arbitrage positions that are expected to come to fruition before 30 June and cash is slowly building up from current levels (16%)

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

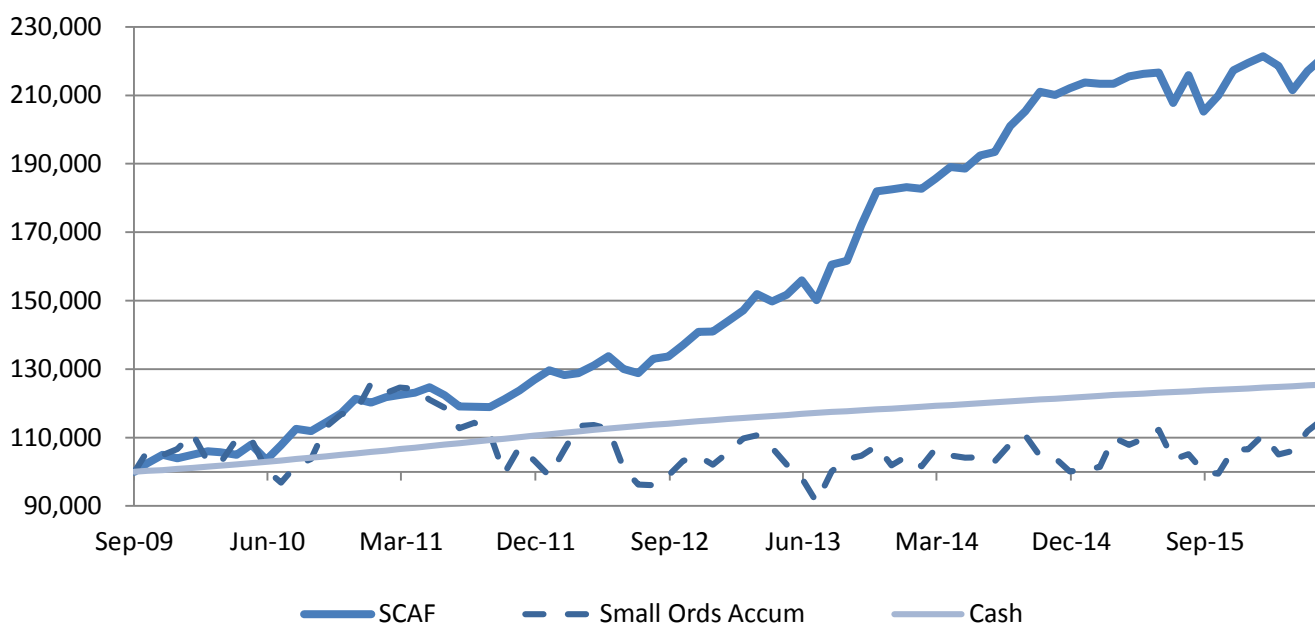
Structure	Wholesale unit trust	Minimum Investment	\$250,000 (or as agreed with trustee)
Trustee	Fundhost Ltd	Trustee Fees	0.21%
Custodian	National Australia Bank	Management Fees	1.33%
Fund Auditor	EY	Performance Fees	15.375% of returns above cash
Investment Manager	Sandon Capital Pty Ltd	Highwater Mark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

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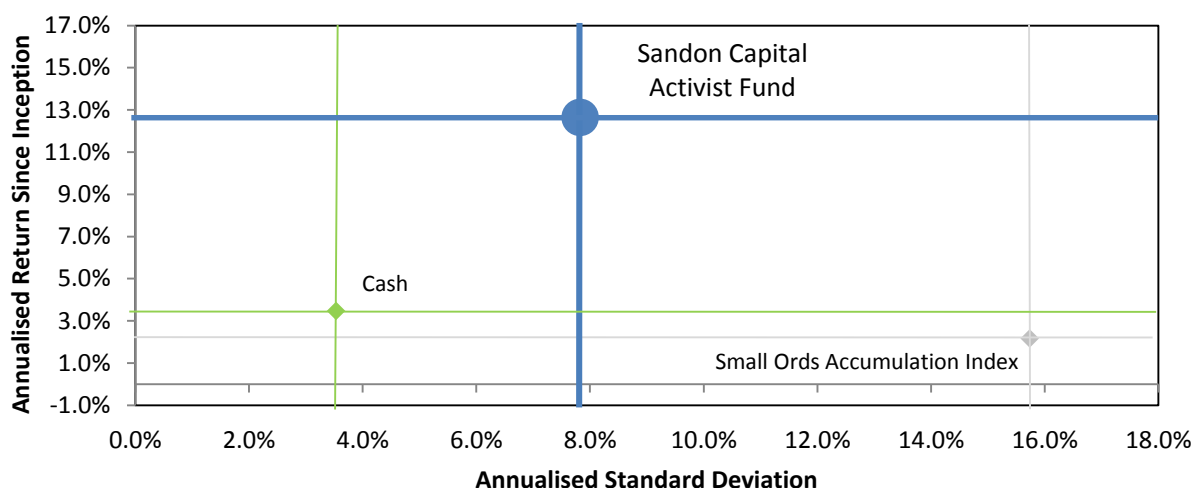
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Growth of \$100,000 invested since inception (assumes reinvestment of distributions)



Comparison of Annualised Return versus Volatility



Source for all charts: Sandon Capital, Bloomberg

Note: SCAF returns are net of all fees and expenses. Fund inception is 4 September 2009.

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