

SANDON CAPITAL

Sandon Capital Activist Fund

April 2017 Monthly Report

Entry/Exit Prices: \$1.6623/\$1.6490

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 Fund inception	Annualised volatility since Fund inception	Total Return since Fund inception
SCAF	-2.0%	12.1%	9.5%	13.1%	12.6%	7.8%	147.8%
S&P/ASX 200 Accum.	1.0%	17.8%	7.3%	11.0%	8.5%	12.3%	87.0%
Small Ordinaries Accum.	-0.2%	10.0%	6.8%	2.4%	3.2%	15.3%	26.9%

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%	0.8%	0.7%	4.6%	0.0%	1.7%	1.5%	3.3%	0.1%	13.1%
2017	4.4%	-3.4%	0.2%	-2.0%									-1.0%

Portfolio Exposures

Net Exposure	86%	Long Positions	33
Net Cash	14%	Short Positions	1

Fund Commentary

The Fund delivered a -2.0% return for April, bringing total returns (net of all fees and expenses) since inception to the equivalent of 12.6% per annum. Cash levels ended the month at approximately 14%.

Consolidated Operations Group Ltd (COG), formerly known as Armidale Investment Corporation Ltd, was the main detractor (~-1.7%) for the month. There was no news to explain the decline, however we believe the "indigestion" that occurred following the first time reporting as a consolidated entity continues to weigh on the share price. Subsequent to month's end, COG announced the proposed acquisition of another finance broker. The two most recent acquisitions, that are expected to complete on 1 July 2017, could, based on announced deal metrics, contribute additional EBITDA of at least \$3 million on top of any growth from the existing businesses. If such results come to fruition, we anticipate the market might be more favourably disposed to COG's growth potential. An entitlement offer at 12 cents per share has been announced, though timing is yet to be settled. While this will weigh on the share price in the short term, we remain confident of the outlook for COG.

Iluka Resources Ltd (ILU) was the largest positive contributor (~0.9%). In its March quarter production report, ILU reported that its net debt had reduced by ~\$100m since 31 December, underscoring our view that the company does not need to raise capital post the acquisition of Sierra Rutile late last year. The company also highlighted a positive demand and pricing outlook for its key zircon and titanium dioxide (TiO₂) feedstock products. In addition, Chinese and western world TiO₂ pigment producers have recently announced a further round of price increases, which augurs well for further

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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 25 October 2013. In particular, it is important that you understand the risks associated with an investment in the Fund set out on page 6 of the IM.

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sustained increases in TiO2 feedstocks.

We were disappointed when Tatts Group Ltd (TTS) concluded that the indicative, non-binding \$4.21 cash proposal from Pacific Consortium was not superior to the cash and scrip merger proposal from Tabcorp Ltd (TAH). We would have liked to see TTS come to a different conclusion, which would have allowed the Pacific Consortium to conduct due diligence enquiries. This might have led to a higher cash offer. The TAH merger proposal remains subject to Australian Competition Tribunal as well as shareholder approvals. We remain of the view that better long term value would accrue to TTS shareholders if the company were to retain its crown jewel Lotteries business and spin-off Wagering.

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

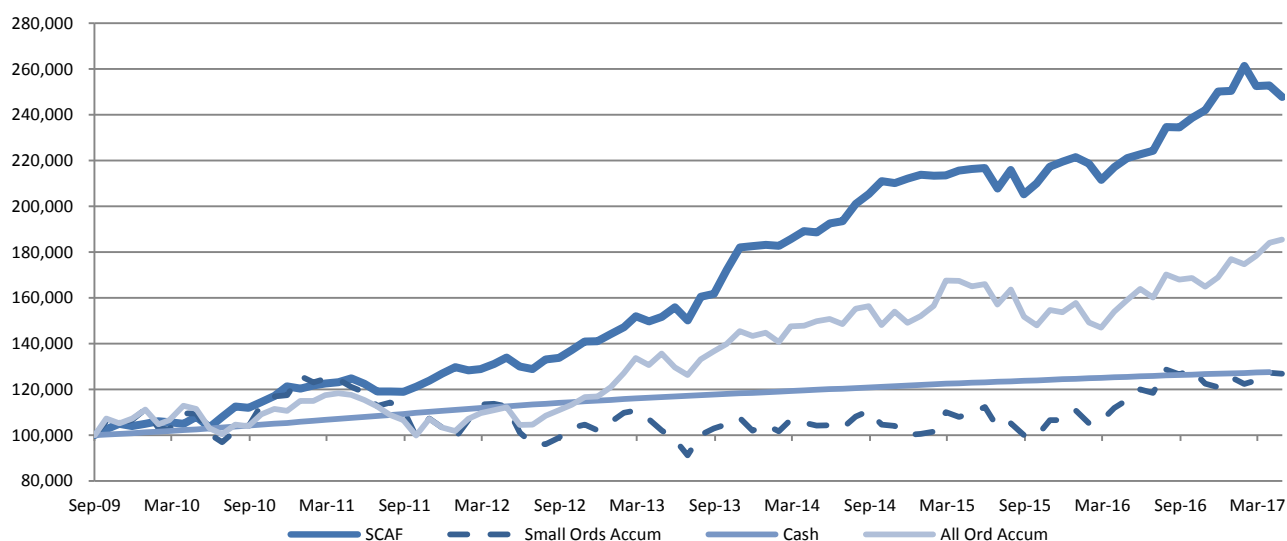
Structure	Wholesale unit trust	Minimum Investment	\$250,000 (or as agreed with trustee)
Trustee	Fundhost Ltd	Trustee Fees	0.21%
Custodian	National Australia Bank	Management Fees	1.33%
Fund Auditor	EY	Performance Fees	15.375% of returns above cash
Investment Manager	Sandon Capital Pty Ltd	Highwater Mark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

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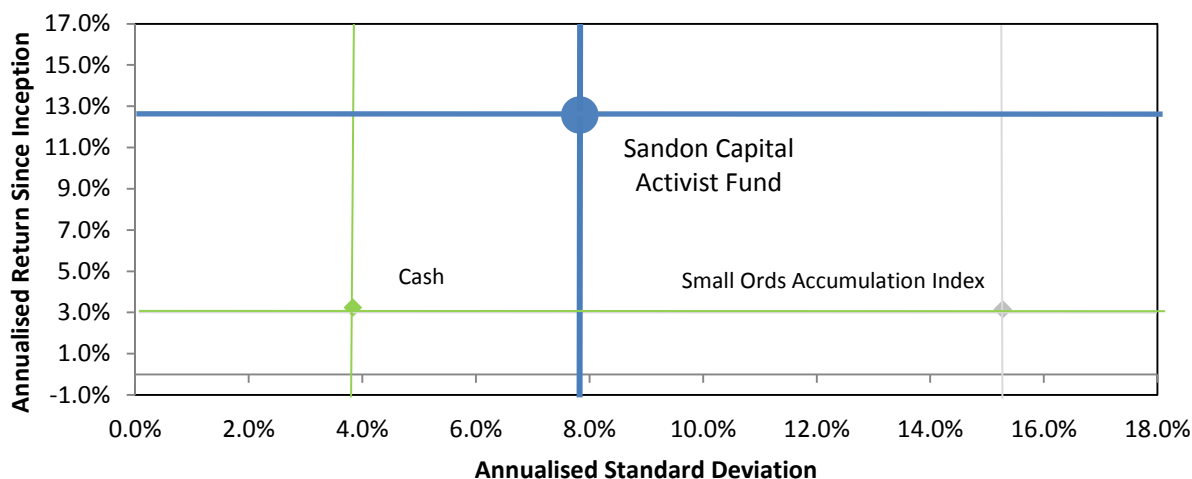
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Growth of \$100,000 invested since inception (assumes reinvestment of distributions)



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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