

SANDON CAPITAL

Sandon Capital Activist Fund

April 2018 Monthly Report

Entry/Exit Prices: \$1.6454/\$1.6323

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	-0.2%	6.3%	6.8%	11.7%	11.8%	7.8%	163.5%
S&P/ASX 200 Accum.	3.9%	5.5%	5.7%	7.5%	8.2%	11.9%	97.2%
Small Ordinaries Accum.	2.8%	18.4%	11.1%	8.0%	4.8%	14.7%	50.3%

Net Monthly Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
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%	-1.3%	1.7%	1.3%	3.9%	-2.6%	0.2%	0.4%	2.9%	5.5%
2018	1.4%	-3.6%	2.2%	-0.2%									-0.3%

Portfolio Exposures

Net Exposure	86%	Long Positions	32
Net Cash	14%	Short Positions	2

Fund Commentary

The Fund return for April was -0.2%, bringing total returns (net of all fees and expenses) since inception to the equivalent of 11.8% per annum. Cash levels ended the month at approximately 14%.

The main contributors to performance were Mineral Deposits Ltd (MDL) (+2.3%) and Iluka Ltd (ILU) (+1.2%), however this was more than offset by poor performance from Fleetwood Corporation (FWD) (-2.7%) and Consolidated Operations Group Ltd (COG) (-0.8%).

The MDL share price rose 32% for the month following a cash bid from TiZir JV partner, Eramet, at \$1.46/share. We view the bid from Eramet as very opportunistic: it's at a discount to underlying tangible book value and a larger discount to replacement cost, undertaken at a time when TiZir has just emerged from major operational issues, the major competitor (Richards Bay Minerals, majority owned by Rio Tinto) is struggling with industrial unrest and is unlikely to reinvest in replacement capacity, and the wider mineral sands industry is generally booming. The market appears to think the same given the MDL share price is trading at ~10% premium to the Eramet bid at the time of writing. We look forward to the response from MDL and further information to be contained in the Target Statement and Independent Expert Report.

FWD was the main detractor for the month. Our patience with FWD has been worn thin. In fact, it has worn through. We have advocated for the need for strategic focus at FWD. In particular, we have called for the sale of the ute tray and canopy business (Flexiglass), the caravan parts and accessories business (Camec) and the sale or closure of the RV (caravan) manufacturing division. To date, only one sale (Flexiglass) has occurred.

On 8 May, FWD announced a significant downgrade in earnings guidance, largely attributed to worse than expected performance from the RV manufacturing division. FWD has promised for nearly five consecutive years that a turnaround in the business was imminent. Over that time, we estimate the business has consumed well over \$50m in cash, a significant number for a company with a current market capitalisation of \$115 million.

We remain very excited by the opportunities that exist in FWD's manufactured accommodation business. State government announcements of the construction of new schools, including prefabricated units, augur positively for FWD.

The pace of change at FWD has been far too slow and we believe FWD is in need of change, sooner rather than later, both at Board and senior management levels.

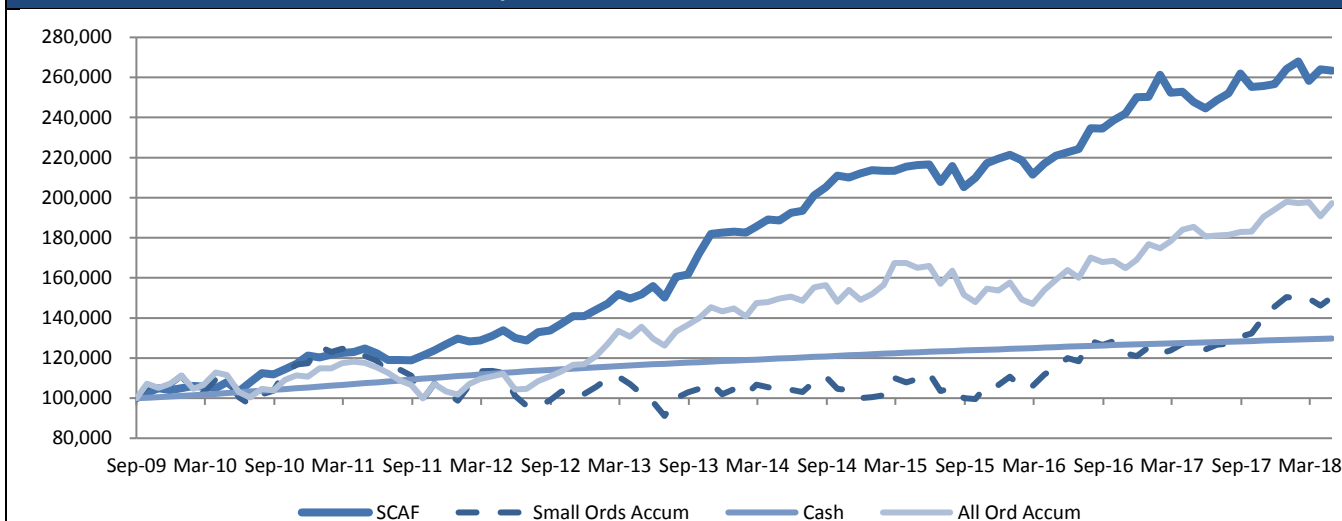
Fund Description

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.

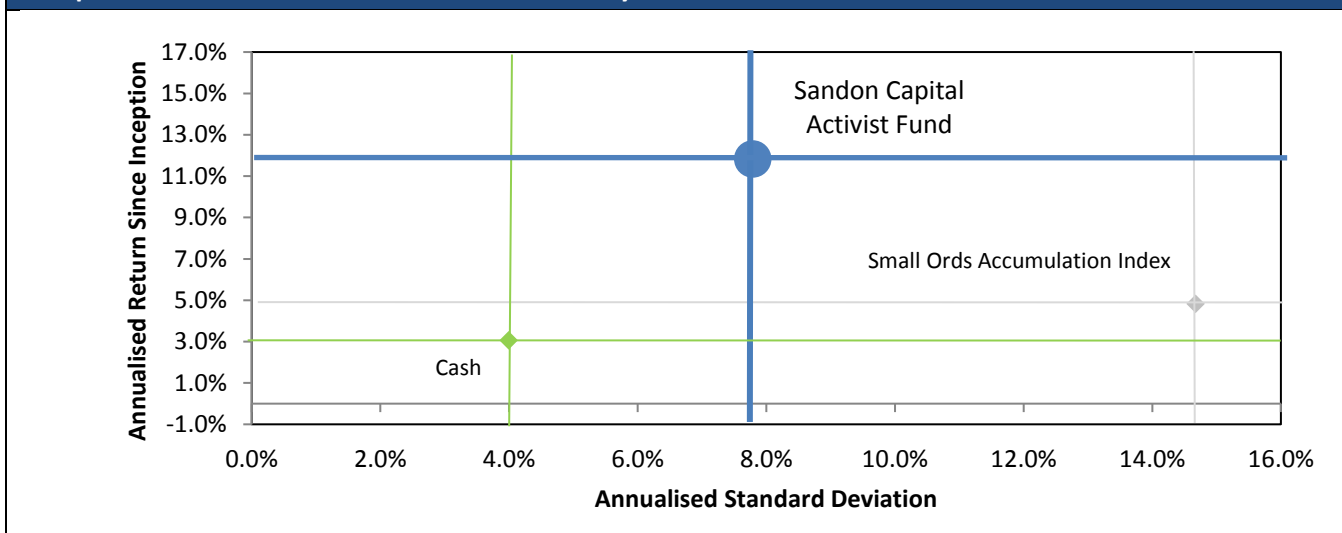
Fund Details

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

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.

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 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.

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.