

# SANDON CAPITAL

## Sandon Capital Activist Fund

April 2020 Monthly Report

Entry/Exit Prices: \$1.3413/\$1.3306

### 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 years (p.a.)	5 years (p.a.)	10 years (p.a.)	Annualised since Fund inception	Annualised volatility since Fund inception	Total Return since Fund inception
SCAF	11.8%	-17.2%	-1.2%	2.0%	8.3%	8.5%	12.2%	139.3%
S&P/ASX 200 Accum.	8.8%	-9.1%	1.9%	3.5%	6.0%	6.6%	13.6%	97.9%
Small Ordinaries Accum.	14.3%	-13.3%	3.2%	4.9%	2.5%	3.2%	16.6%	39.6%
Cash	0.0%	1.1%	1.6%	1.7%	2.7%	2.8%	4.2%	33.7%

### Portfolio Exposures

Net Exposure	99%	Long Positions	35
Net Cash	1%	Short Positions	2

### Fund Commentary

The Fund return for April 2020 was +11.8%, bringing total returns (net of all fees and expenses) since inception to the equivalent of 8.5% per annum. Cash levels ended the month at approximately 1%.

The portfolio recovered some of its recent mark-to-market losses, though we still have some way to go before we fully recover this drawdown. Market gains in the portfolio this month were widespread with a large number of positions reporting monthly gains well in excess of 20%. The main contributors to the positive performance were City Chic Collective Ltd (+3.3%), Fleetwood Corporation Ltd (+2.6%), Infigen Energy (+1.8%) and IDT Australia Ltd (+1.1%).

A common theme in announcements across the market was the withdrawal of any prior results guidance, and in some instances, dividends were deferred, delayed or cancelled. The indiscriminate selling that occurred in many companies halted and buyers returned after a focus on hard evidence suggested many companies would survive the COVID-19 shutdowns, with some even thriving.

One of the investments in the portfolio that is a potential beneficiary of the COVID-19 pandemic is IDT Australia Ltd (IDT), a pharmaceutical manufacturing company. The company's services range from early stage active pharmaceutical ingredient (commonly known as APIs) development through to finished drug formulation, clinical trial research and scaled commercial manufacturing for global distribution. Funds managed by Sandon Capital are the second largest IDT shareholder, owning approximately 8%.

Over the last 20 years, much of Australia's API manufacturing has been shifted offshore to lower cost jurisdictions such as China and India. Today, Australia imports 90% of its medicines and is at the end of a very long supply chain, making us particularly vulnerable to supply chain disruptions. The COVID-19 pandemic has highlighted offshoring as a key risk to the sourcing of many critical APIs in both Australia and the US (where many of Australia's finished pharmaceutical products are sourced from).

In its recent update to the ASX, IDT noted that its existing contracts remain unimpacted by the COVID-19 pandemic. The company also stated that it has been asked by the Australian Government to assist with certain COVID-19 response activities. Whilst the company has been loss making and consuming cash for some time, its recent foray into manufacturing medicinal cannabis has taken it to the cusp of profitability. We believe the government should take steps to reduce risk in Australia's pharmaceutical supply chain and bring the manufacturing of APIs back onshore. IDT's underutilised facilities and TGA/FDA accreditation place it in a strategically important position to contribute to increasing the resilience and capacity of our domestic pharmaceutical industry.

Writing today, it seems that Australia's response to the public health aspects of the COVID-19 pandemic has been quite successful, avoiding some of the terrible fatalities seen in other countries. The government now appears to be focusing on how successfully the economy can be restarted. The business and investment communities are understandably arguing the case for a faster and wider resumption of economic activity. We continue to review our existing and any prospective investments in the context of an environment of uncertainty. Uncertainty does not, and should not, lead to inaction, but rather we need to ensure prices reflect uncertainty. We continue to observe parts of our market where we believe the prices at which investors are prepared to trade are either over-stating risks and under-estimating opportunity as well as the converse.

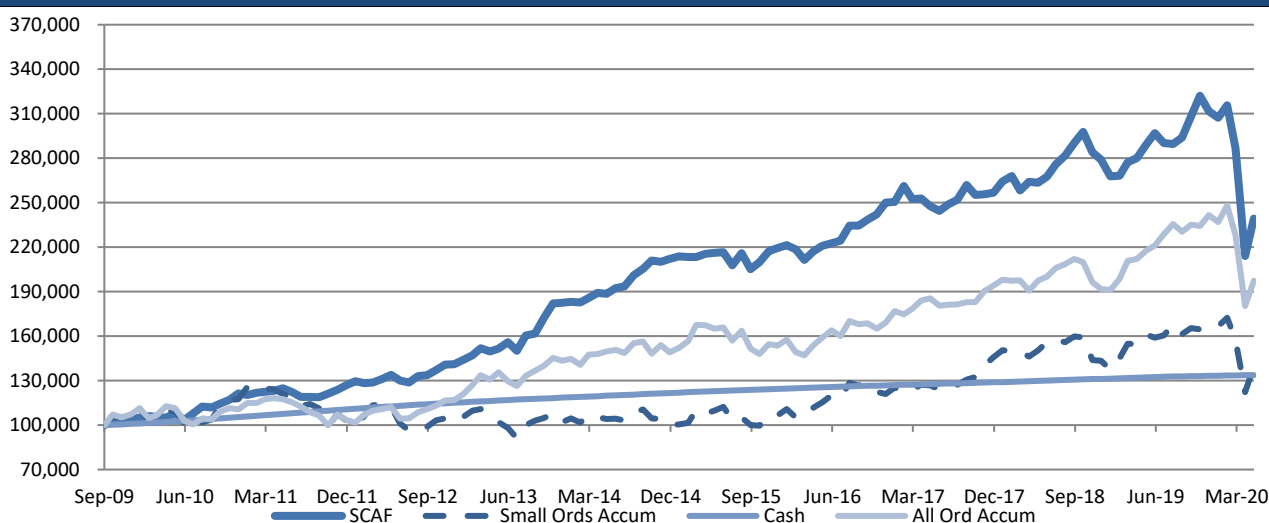
## Fund Description

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.

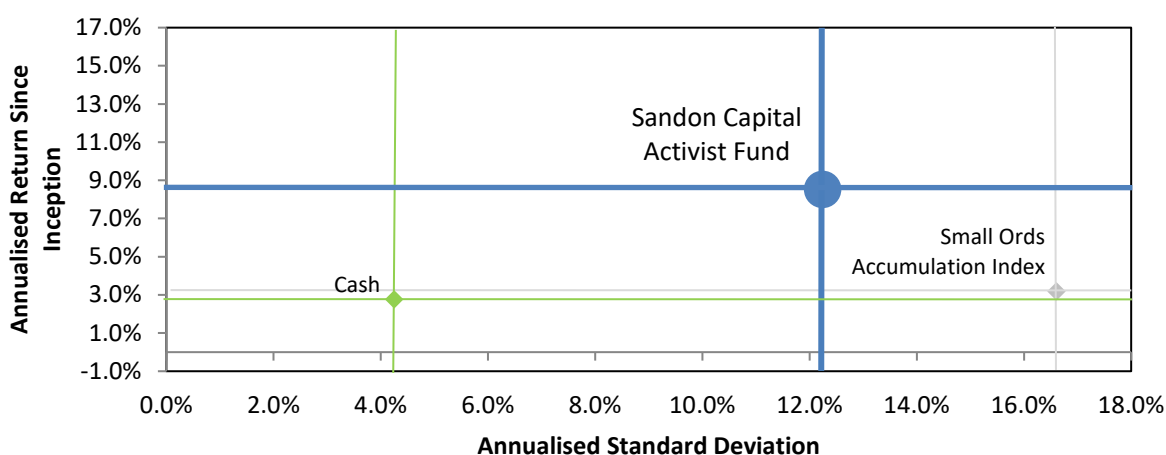
## Fund Details

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 July 2019. In particular, it is important that you understand the risks associated with an investment in the Fund set out on page 5 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.