

Sandon Capital Activist Fund

Aug 2010 Monthly Report

Entry/Exit Prices: \$1.0900/\$1.0813

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. YTD figure is compound)

	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%					6.6%

Fund Commentary

The Fund reported small decline this month (-0.6%). August practically marks one year of performance. Since inception, the Fund has delivered a net return of 11.9%, compared to 3.7% for the Small Ords Accumulation Index and 4.1% for cash over the same period (note that Small Ords and Cash figures are before fees).

August itself was relatively uneventful from a performance perspective. Of note, LinQ Resources Fund (LRF) (~-0.3% detractor to the monthly result) announced that it would provide investors with a withdrawal offer, presumably at a smaller discount than the ~35% discount at which its units trade. The way in which the proposal has been devised means the units now trade "ex-participation", thus depressing the market price. All our units will be able to participate (subject to final terms being announced), though the market price will affect our short term results.

Gunns Ltd (~-0.2% detractor) fell in what we suspect was a response to the federal election result. The press reported secret talks between Gunns and environmental groups about a total exit from logging native forests (not denied by either party), something we see as a positive step (and unlikely to have occurred previously).

We closed out our partial hedge during the month (~0.1% contribution), temporarily abandoning the "belt & braces" approach, as cash levels increased (intra month as high as ~38%) as a result of capital returns. We ended the month with ~28% and will revisit hedging in due course as we deploy more cash.

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	72%	Long Positions	13
Cash	28%		

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.