

# SANDON CAPITAL

## Sandon Capital Activist Fund

August 2015 Monthly Report

Entry/Exit Prices: \$1.4373/\$1.4258

### 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	-4.9%	-0.1%	15.3%	12.9%	12.7%	7.9%	105.2%
S&P/ASX 200 Accum.	-7.8%	-3.2%	11.2%	8.2%	7.3%	12.7%	52.8%
Small Ordinaries Accum.	-4.9%	-9.6%	0.4%	-0.7%	0.0%	15.9%	0.0%

### 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%					-4.0%

### Portfolio Exposures

Net Exposure	76%	Long Positions	30
Net Cash	24%	Short Positions	1

### Fund Commentary

The Fund delivered a return of -4.9% in August, bringing total returns (net of all fees and expenses) since inception to the equivalent of 12.7% per annum. August is best described as a month of financial market turmoil. At the low point of the month, the Australia share market, measured by the S&P/ASX200 index was down 11.8%. It ended the month down 7.8%. The Small Ordinaries was down 8.8% at its low point, ending the month down 4.9%. Against this background, the Fund took advantage of price weakness to add to existing positions, as well as initiating some new positions at prices we considered attractive.

BlueScope Steel Ltd (BSL) was the major positive contributor (~1%) to the result as its share price rose on the back of the company pursuing \$200 million of cost savings at its Port Kembla operations. Management have clearly outlined the consequences of failing to achieve these full savings; the closure of the blast furnace, resulting in an end to steel-making at Port Kembla. Although both alternatives represent difficult choices, we are supportive of BSL's apparent willingness to adapt to the structural changes that have occurred in the steel industry.

The main detractor to the overall result was Armidale Investment Corporation Ltd (AIK), (~-1.5%). AIK's share price fell during the month, despite the release of what we considered a good financial result for the 2015 financial year. In particular, it reported continued significant growth in its leasing operations, with new lease originations more than doubling to \$25.2 million. We believe the leasing business is now back onto a growth trajectory and expect to see

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further growth during FY16 underpinning further increases in the value of this business.

During the month, we exited investments in iiNet Ltd and ASK Funding. We expect further cash realisations in coming months from takeovers completing and capital returns in the form of cash.

The broader share market continues to swing wildly as global and local factors continue to drive sentiment. We remain comfortable with the portfolio and its ~24% cash weighting. Any market turmoil will likely provide good opportunities for adding to existing positions as well as providing new opportunities.

## 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

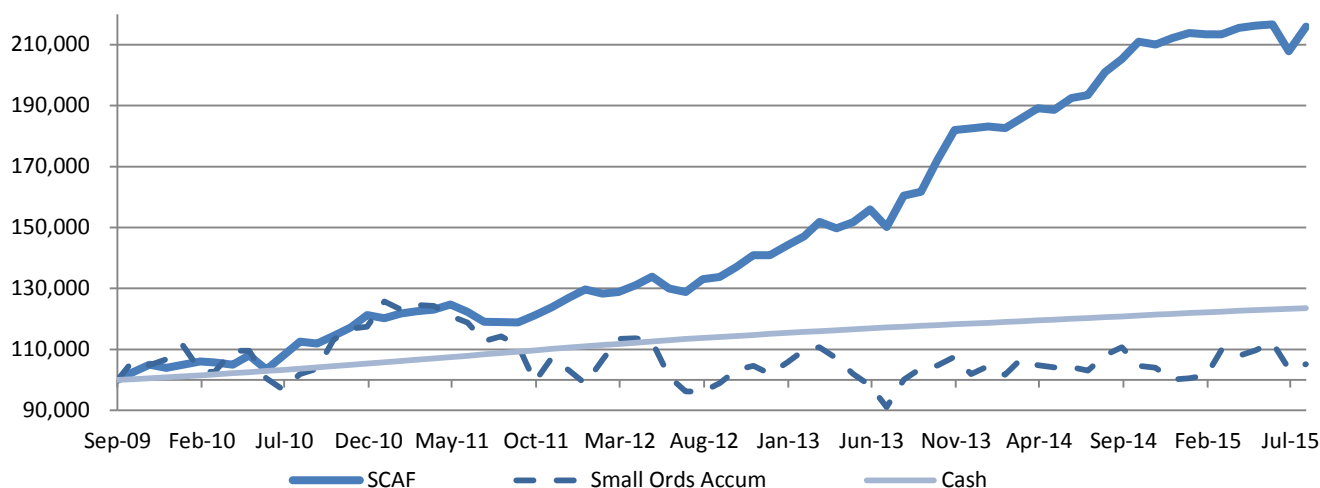
Structure	Wholesale unit trust	Minimum Investment	\$250,000 (or as agreed with trustee)
Trustee	Fundhost Ltd	Trustee Fees	0.21%
Custodian	National Australia Bank	Management Fees	1.33%
Fund Auditor	EY	Performance Fees	15.375% of returns above cash
Investment Manager	Sandon Capital Pty Ltd	Highwater Mark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

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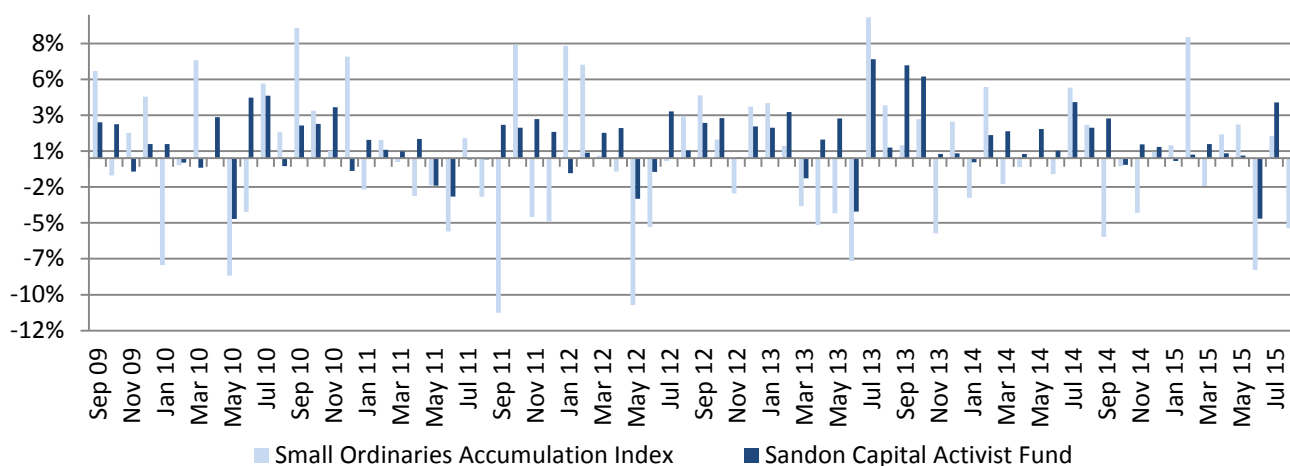
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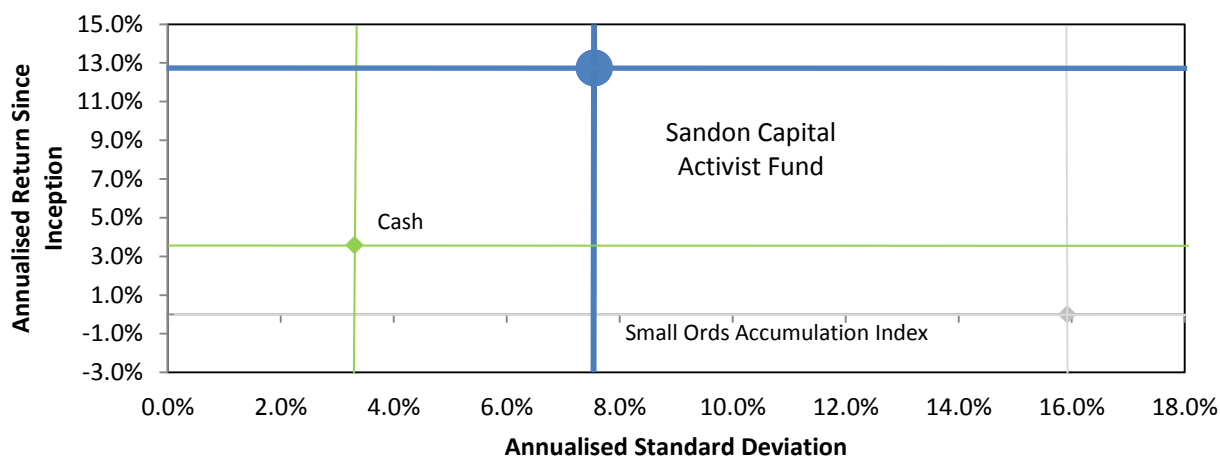
### Growth of \$100,000 invested since inception (assumes reinvestment of distributions)



### Comparison of Monthly Index Returns



### 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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