

SANDON CAPITAL

Sandon Capital Activist Fund

August 2017 Monthly Report

Entry/Exit Prices: \$1.6358/\$1.6228

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	3.9%	11.7%	8.5%	14.4%	12.8%	7.8%	161.9%
S&P/ASX 200 Accum.	0.7%	9.8%	5.1%	10.6%	7.9%	12.1%	83.4%
Small Ordinaries Accum.	2.7%	3.2%	5.7%	5.7%	3.4%	15.0%	30.6%

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%	-1.3%	1.7%	1.3%	3.9%					4.6%

Portfolio Exposures

Net Exposure	94%	Long Positions	30
Net Cash	6%	Short Positions	1

Fund Commentary

The Fund delivered a 3.9% return for August, bringing total returns (net of all fees and expenses) since inception to the equivalent of 12.8% per annum. Cash levels ended the month at approximately 6%.

Fleetwood Corporation Ltd (FWD) was once again the month's largest positive contributor (~2.0%). Whilst the market reacted positively to the company's FY17 earnings release, we were less enamoured with the announcement. Despite a number of forecasts from the company over several years that profitability was on the horizon for the RV Manufacturing division, the business continues to flounder, delivering a fourth straight year of meaningful losses. We were also less than impressed with the company's management of working capital, with operating cash flow from the underlying businesses once again negative (after removing the positive impact of the sale of Osprey and other assets held for sale over the last two years). In our original presentation made public in June 2016, we highlighted both of these issues as areas the company should address. Whilst improvements have been made in other areas, we will continue to focus our campaign on these two issues specifically.

After several disappointing months, the shares of Consolidated Operations Group Ltd (COG) finally started to turn upwards, contributing ~0.8% to performance. The company delivered a solid FY17 result, and importantly, has also begun to improve communications with the market. We see significant embedded earnings growth in COG as a result of two factors: (i) acquisitions made in FY17 will contribute meaningfully to FY18 earnings, and (ii) due to the delayed profit recognition on leases the company writes, earnings from the TL Rentals business will more than triple over the next three years, even if the lease book stagnates at levels guided for FY18. Furthermore, the company has significant surplus capital (>\$50m) which will continue to support acquisitions in the asset financing broking and aggregation industry.

The other major contributor for the month was Coventry Group Ltd (CYG), which added ~0.7% to performance. Whilst the FY17 result was underwhelming, with another loss reported, recent management changes and green shoots in the mining sector augur well for an improvement in future financial performance. We look forward to any positive changes that new CEO & MD, Robert Bulluss, can make to the perennially underperforming Trade Distribution Australia business. We also believe there is potential for the company to monetise assets that are not core to its future.

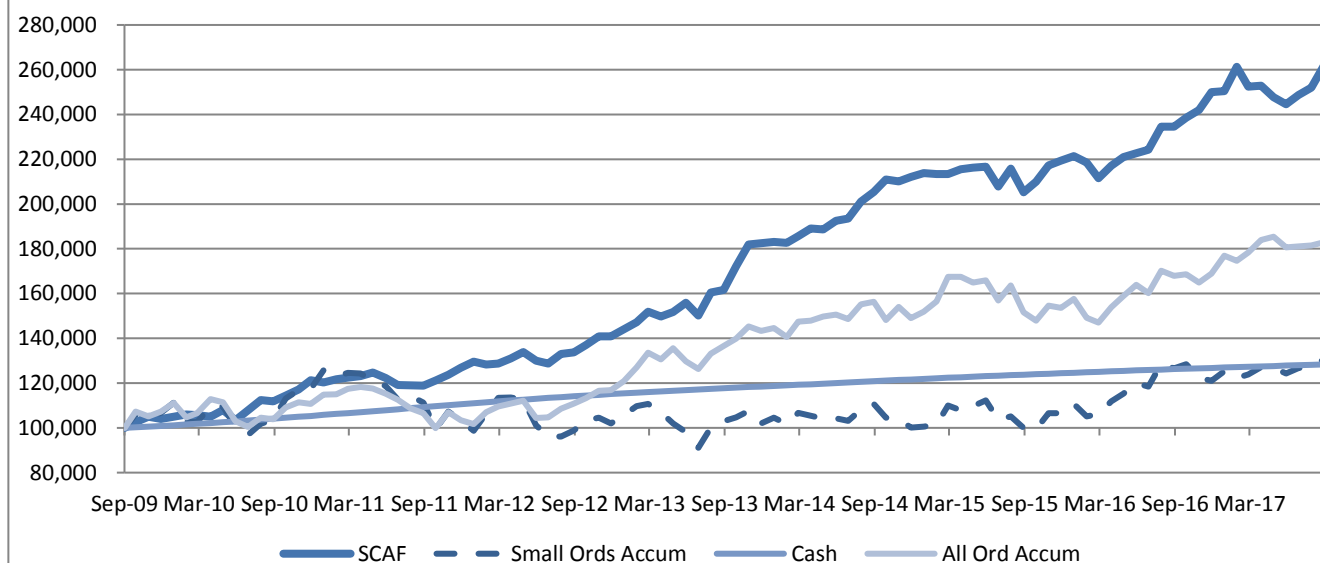
Fund Description

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.

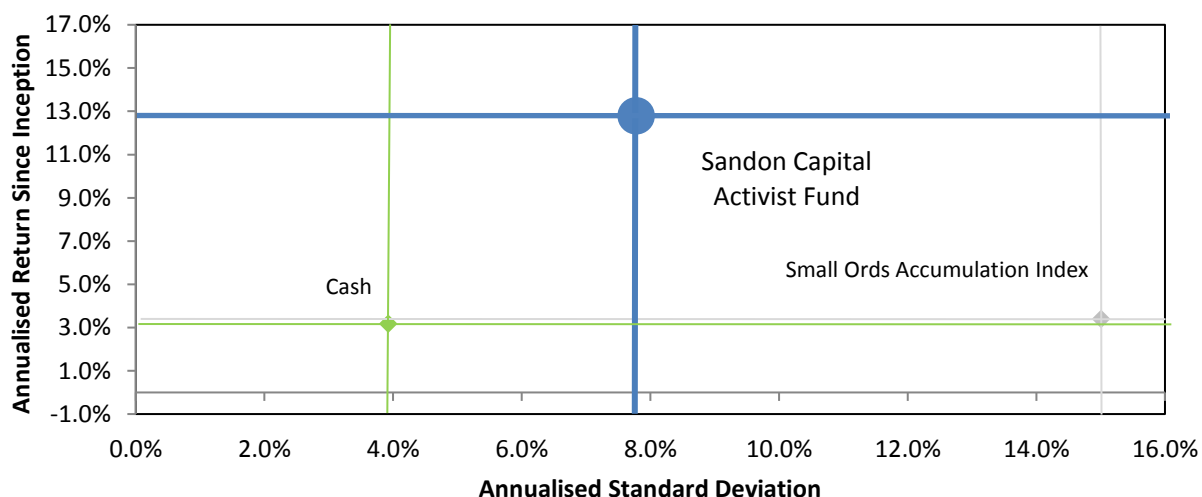
Fund Details

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.