

# SANDON CAPITAL

## Sandon Capital Activist Fund

August 2019 Monthly Report

Entry/Exit Prices: \$1.6473/\$1.6341

### 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
<b>SCAF</b>	1.5%	1.3%	7.8%	7.4%	11.4%	7.9%	193.9%
<b>S&amp;P/ASX 200 Accum.</b>	-2.4%	9.0%	11.4%	7.9%	8.7%	11.6%	130.1%
<b>Small Ordinaries Accum.</b>	-3.9%	0.9%	8.4%	7.8%	4.9%	14.6%	61.3%

### Net Monthly Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>2010</b>	1.0%	-0.3%	-0.7%	2.9%	-4.2%	4.2%	4.4%	-0.6%	2.3%	2.4%	3.5%	-0.9%	<b>14.5%</b>
<b>2011</b>	1.3%	0.6%	0.5%	1.3%	-1.9%	-2.7%	-0.1%	-0.1%	1.9%	2.1%	2.5%	2.2%	<b>7.8%</b>
<b>2012</b>	-1.0%	0.4%	1.8%	2.1%	-2.8%	-1.0%	3.3%	0.5%	2.5%	2.8%	0.1%	2.2%	<b>11.1%</b>
<b>2013</b>	2.1%	3.2%	-1.4%	1.3%	2.8%	-3.7%	6.9%	0.7%	6.5%	5.7%	0.3%	0.3%	<b>27.1%</b>
<b>2014</b>	-0.3%	1.6%	1.9%	-0.3%	2.0%	0.5%	3.9%	2.1%	2.8%	-0.5%	1.0%	0.8%	<b>16.7%</b>
<b>2015</b>	-0.2%	0.0%	1.0%	0.3%	0.2%	-4.1%	3.9%	-4.9%	2.3%	3.5%	1.0%	0.9%	<b>3.6%</b>
<b>2016</b>	-1.3%	-3.3%	2.7%	1.8%	0.8%	0.7%	4.6%	0.0%	1.7%	1.5%	3.3%	0.1%	<b>13.1%</b>
<b>2017</b>	4.4%	-3.4%	0.2%	-2.0%	-1.3%	1.7%	1.3%	3.9%	-2.6%	0.2%	0.4%	2.9%	<b>5.5%</b>
<b>2018</b>	1.4%	-3.6%	2.2%	-0.2%	1.6%	3.1%	2.1%	3.0%	2.6%	-4.6%	-1.8%	-4.0%	<b>1.3%</b>
<b>2019</b>	0.2%	3.3%	1.0%	3.2%	2.7%	-2.3%	-0.2%	1.5%					<b>9.8%</b>

### Portfolio Exposures

Net Exposure	92%	Long Positions	28
Net Cash	8%	Short Positions	2

### Fund Commentary

The Fund return for August 2019 was 1.5%, bringing total returns (net of all fees and expenses) since inception to the equivalent of 11.4% per annum. Cash levels ended the month at approximately 8%.

OneMarket Ltd (OMN) was the largest contributor (~1.5%) followed by Coventry Group Ltd (CYG) (~1.4%) and City Chic Collective Ltd (CCX) (~1.3%). Iluka Resources Ltd (ILU) was the main detractor (~-2.2%) for the month.

Equity market euphoria tempered in August, but announcements favoured a number of the Fund's holdings. At its first AGM, the OMN Chairman announced, among other things, the Board had *"been reviewing options to maximise value for shareholders and to proactively manage the discount to cash backing at which OneMarket trades."* The Chairman's statement succinctly states the situation at OMN. We have been, and remain, supportive of the OMN Board as it conducts this review. OMN anticipates announcing the outcomes, if any, of this review by the end of September 2019. OMN shares ended the month up 25%.

CYG delivered a strong FY19 result. CYG is one of the Fund's longest held investments, having first bought back in 2011. Back then we ran an arduous campaign to remove the then executive chairman. The current Board, chaired by Neil Cathie, and management led by CEO Robert Bulluss, have toiled long and hard on CYG's return to profitability. We commend them and their colleagues. CYG remains a favoured position.

CCX proved once again that fashion retailing can be profitable. CCX reported a 12.6% increase in revenues and a 25.1% increase in underlying earnings before interest, tax, depreciation and amortisation. The outlook statements from the company were positive. Boards, management and staff of CYG and CCX definitely deserve a place on our "wall of fame".

ILU, once again our largest detractor, continued to fall as investors punished the company for problems with its Sierra Rutile operation and concerns of the impact of US-China trade wars on demand for its mineral sand products. These stand in stark contrast to the positive news emanating from its Mining Area C (MAC) iron ore royalty. BHP's South Flank project, which is within MAC, is inching closer to production. According to BHP the project is 39% complete and on schedule to begin producing in 2021. Although the share price fall is disappointing, we believe it serves to highlight the risks associated with the mineral sands operations when compared to the MAC royalty, underlining our argument that the two businesses should be separated.

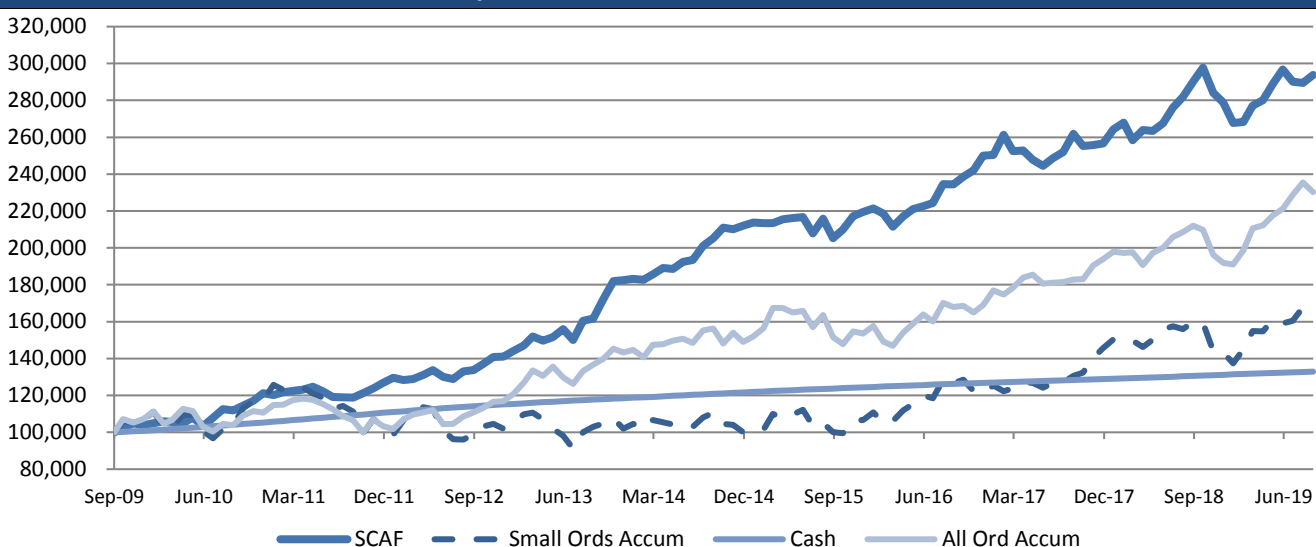
## Fund Description

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.

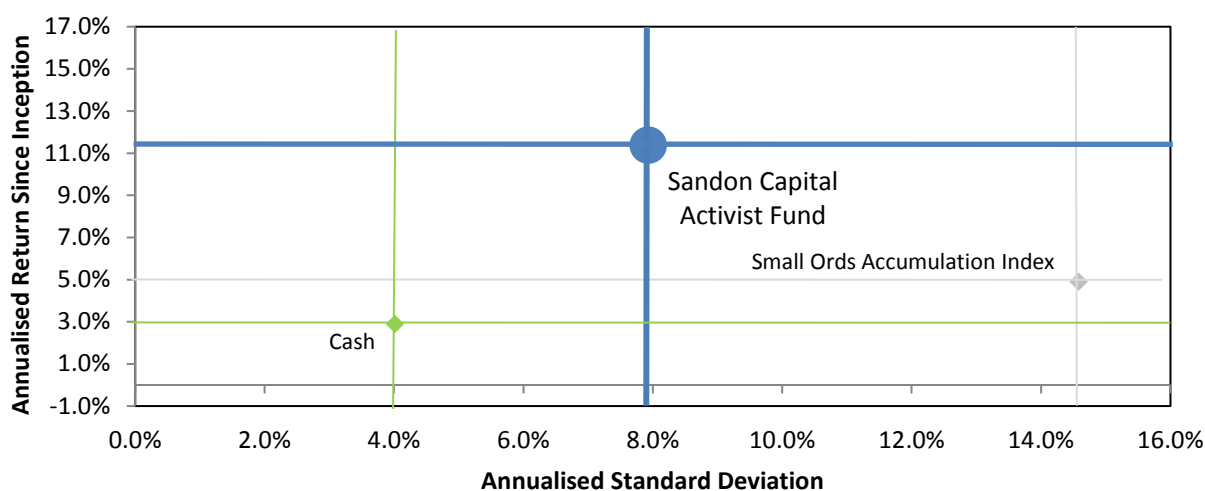
## Fund Details

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.