

## Sandon Capital Activist Fund

December 2011 Monthly Report

Entry/Exit Prices: \$1.1813/\$1.1719

### 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%
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/Withdrawals	Monthly/Quarterly

### Fund Performance (calculated net of all fees, assuming reinvestment of distributions and using unit mid-price. YTD figure is compounded)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>2009</b>									2.5%	2.4%	-0.9%	1.0%	5.0%
<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%	14.5%
<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%	7.8%

### Fund Commentary

The Fund returned 2.2% in December. Broader market volatility continued, with the Small Ordinaries and S&P/ASX200 Indices falling 4.4% and 1.4% respectively.

Adelaide Managed Funds Asset Backed Yield Trust (AYT) rose 56% during the month, contributing ~2.1% to the portfolio return. AYT was the subject of a takeover bid during the month at 4.8 cents per unit. (Note the portfolio manager of this fund is a director of the bidder). Almost at the same time as the offer was launched, AYT upgraded its NTA from 4.7 cents per unit to 5.5 cents per unit. The market price following the takeover rose to above the offer price, and the offer was not increased. AYT has since delisted from the ASX (an action we supported), and will continue with an orderly return of capital to unit holders. Our investment thesis for AYT is predicated on buying at a discount to an NTA that will be returned to us over time. Since the first bought units, it has received more than \$1.75 in capital returns and distributions (we first acquired units for less than \$1.30). The potential for some upside on the last remaining asset, agricultural managed investment scheme loans related to failed forestry promoters, was (and remains) the proverbial icing on the cake. We believe there is potential for some upside to the reported value once litigation associated with these assets is resolved, and are confident the current asset backing is realisable.

We continue to remain cautious about the global macro outlook. The consequences of the significant macro factors at play globally, are difficult to predict or quantify.

There are investments representing ~50% of the portfolio by weighting that will become cash (either by way of takeover or buy-back) within the next three months, which provides adequate dry powder.

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

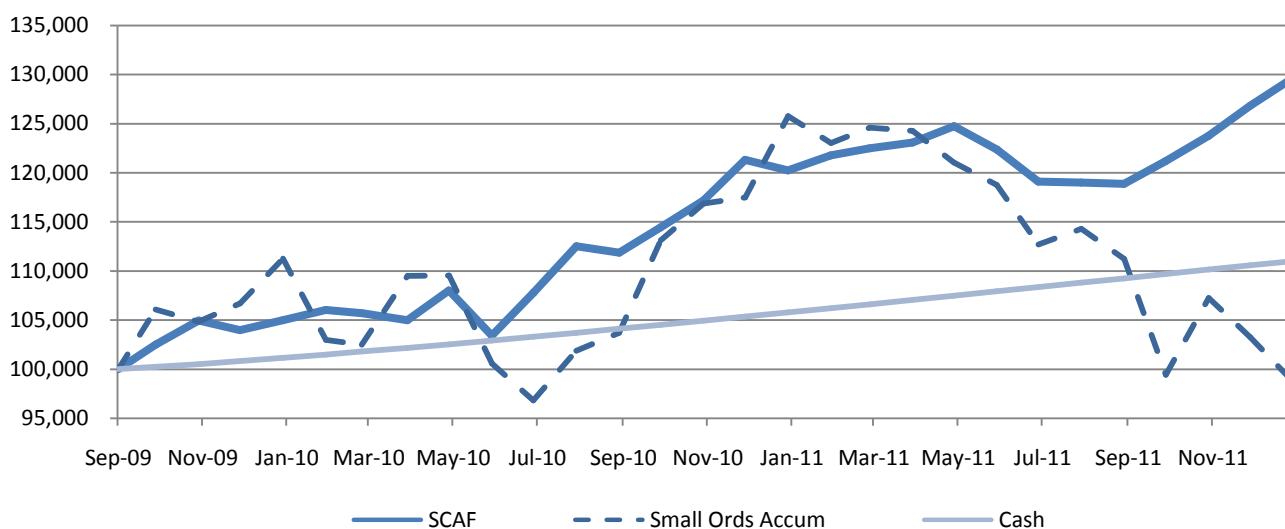
Long Exposure	80%	Long Positions	15
Cash	20%		

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.

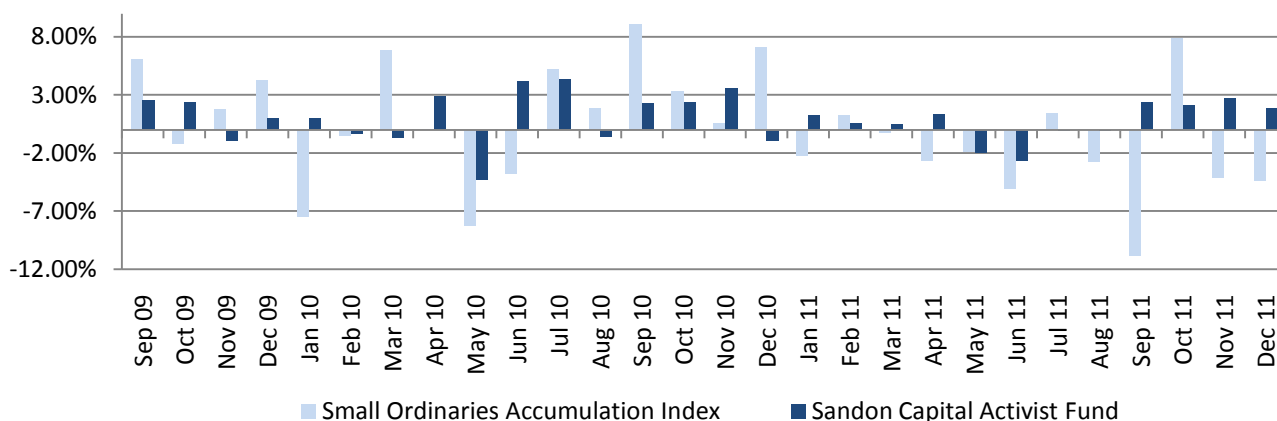
Fund performance is after fees and assumes distributions are reinvested. Past performance is not a reliable guide to future performance. This information has been prepared without taking into account your investment objectives, financial situation, or needs. Before making an investment decision you should 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.

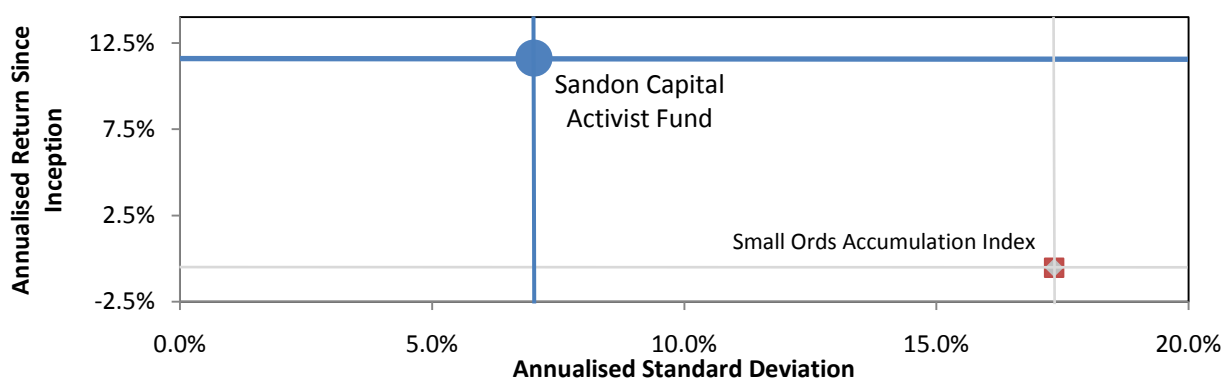
### Growth of \$100,000 invested since inception (assumes reinvestment of distributions)



### 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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