

SANDON CAPITAL

Sandon Capital Activist Fund

December 2017 Monthly Report

Entry/Exit Prices: \$1.6501/\$1.6370

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	2.9%	5.5%	7.3%	12.9%	12.4%	7.8%	164.2%
S&P/ASX 200 Accum.	1.8%	11.8%	8.6%	10.2%	8.5%	12.0%	97.4%
Small Ordinaries Accum.	3.2%	20.0%	14.4%	7.3%	5.0%	14.9%	50.4%

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%	-2.6%	0.2%	0.4%	2.9%	5.5%

Portfolio Exposures

Net Exposure	82%	Long Positions	28
Net Cash	18%	Short Positions	1

Fund Commentary

The Fund delivered a 2.9% return for December, bringing total returns (net of all fees and expenses) since inception to the equivalent of 12.4% per annum. Cash levels ended the month at approximately 18%.

Fleetwood Corporation (FWD) was the main contributor to the portfolio this month (~1.1%). The company announced that Flexiglass Challenge was to be divested to Aeroklas Australia for \$7m. Whilst this is a start, we believe there is much more FWD can do to rationalise its portfolio. The obvious candidate is the RV Manufacturing business which has burnt through ~\$40m in cash over the past few years. We also believe that caravan parts distributor, Camec, and the Searipple accommodation village hold more value to alternative owners. This would leave FWD as a focused, pure play Manufactured Accommodation business, where we see significant growth potential from a number of different end markets over the medium term.

The fund's mineral sands holdings, Iluka Resources Ltd (~0.9%) and Mineral Deposits Ltd (~0.6%), were also strong contributors to performance for the month. Trade journals noted that Tronox, a global titanium dioxide and mineral sands producer, will raise zircon prices by US\$125/t (~10%) for 1H18. Tronox's price increase highlights that extremely tight supply in global zircon markets will keep strong upward pressure on prices for the foreseeable future. In addition to strong pricing momentum for its mineral sands products, Iluka announced the sanctioning of its Cataby mineral sands project. With capex of ~\$275m and a payback period of two years, the project looks to be a good one.

Tabcorp Holdings Ltd (TAH) was another strong performer during the month (~0.7%) as the Scheme of Arrangement with Tatts Group Ltd (TTS) was implemented (our previous holding in TTS converted to TAH upon implementation of the Scheme). The share price of TAH moved up sharply as the market started to factor in the significant value accretion as a result of the bargain basement price paid for TTS. Unfortunately, this uplift in value has been at the expense of legacy TTS shareholders. Whilst TTS has been a profitable position for the fund, we are disappointed that the true value of the company was not reflected by the market nor a strategic acquirer.

Acorn Capital Investment Fund Limited (ACQ) announced the acquisition of more unlisted assets. These assets were acquired from WH Soul Pattinson Ltd. Payment will be in the form of new ACQ shares issued to the vendor at a price equivalent to the post-tax NTA of ACQ at completion. ACQ also announced an increase in the target dividend yield from 3% to 5%. ACQ's presumptive new largest shareholder and improved dividend policy appears to have been well received by the market, as its shares jumped.

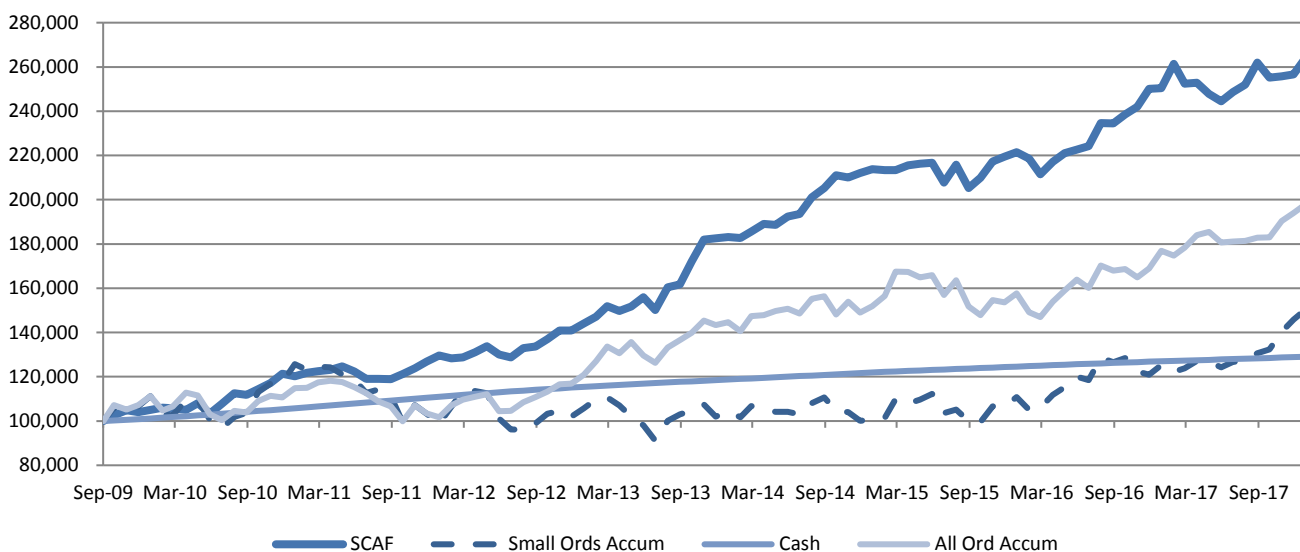
Fund Description

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.

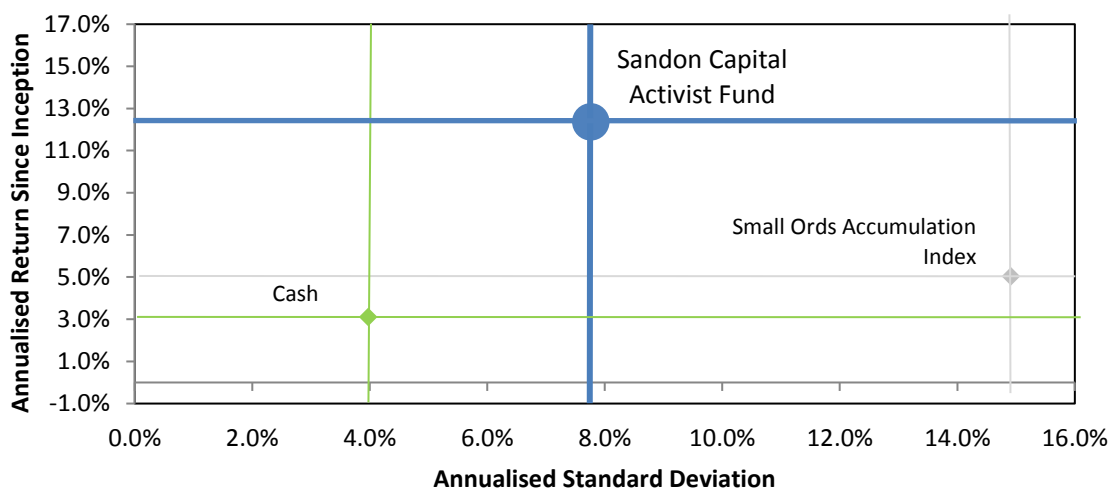
Fund Details

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.