

SANDON CAPITAL

Sandon Capital Activist Fund

February 2016 Monthly Report

Entry/Exit Prices: \$1.4813/\$1.4695

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 | -3.3% | -0.9% | 11.7% | 11.5% | 12.2% | 7.9% | 111.5% |
| S&P/ASX 200 Accum. | -1.8% | -13.7% | 3.0% | 4.9% | 6.1% | 12.7% | 46.6% |
| Small Ordinaries Accum. | 0.9% | -3.6% | -1.4% | -3.2% | 0.9% | 15.8% | 6.1% |

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% | | | | | | | | | | | -4.5% |

Portfolio Exposures

| | | | |
|--------------|-----|-----------------|----|
| Net Exposure | 78% | Long Positions | 33 |
| Net Cash | 22% | Short Positions | 0 |

Fund Commentary

The Fund delivered a return of -3.3% in February, bringing total returns (net of all fees and expenses) since inception to the equivalent of 12.2% per annum.

The main detractor to the Fund's performance was RNY Property Trust (RNY), whose share price fell sharply following a reduction in the valuation of the various properties in which it has an interest. RNY holds interests in suburban office properties in the New York tri-state area. Demand for such properties – both in terms of leasing and sales – has been adversely affected in the past few years as demographic and economic trends have resulted in companies favouring city and urban properties over suburban ones. This trend has been evident for several years, and we invested being well aware of it. We were surprised by the extent of the reduction in value reported in the full year results, especially as values reported 6 months earlier cited similar market conditions, yet valuations at that time only declined 2.3%. These are some things for us to ponder. The diminution in NTA per share is disappointing, but if NTA can be realised, RNY should still deliver a tidy profit to the Fund. We seized the opportunity of the fallen unit price to add to our position, increasing our potential return.

The Onthehouse Holdings Ltd (OTH) share price also fell during the month, as investors likely questioned whether a revised bid would emerge from the Macquarie/CoreLogic/Dempsey consortium, which had earlier had its indicative non-binding 75.5 cents per share proposal rejected by the OTH Board. Subsequent to month end, the consortium submitted a

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revised indicative, non-binding takeover proposal for OTH at 85 cents per share. Interestingly, the proposal was described as being final as to price, subject to there being no alternative proposal. Such wording could suggest they are perhaps not completely certain of being the only party interested in OTH... We will observe with great interest how this situation develops in coming weeks.

During the month we received significant cash inflows including the Alchemia return of capital and the proceeds from a number of merger arbitrage positions, including the Vocus – M2 Communications merger, as well as the Coffey International, iProperty and UXC takeovers.

Other fluctuations in the portfolio were minor in quantum.

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

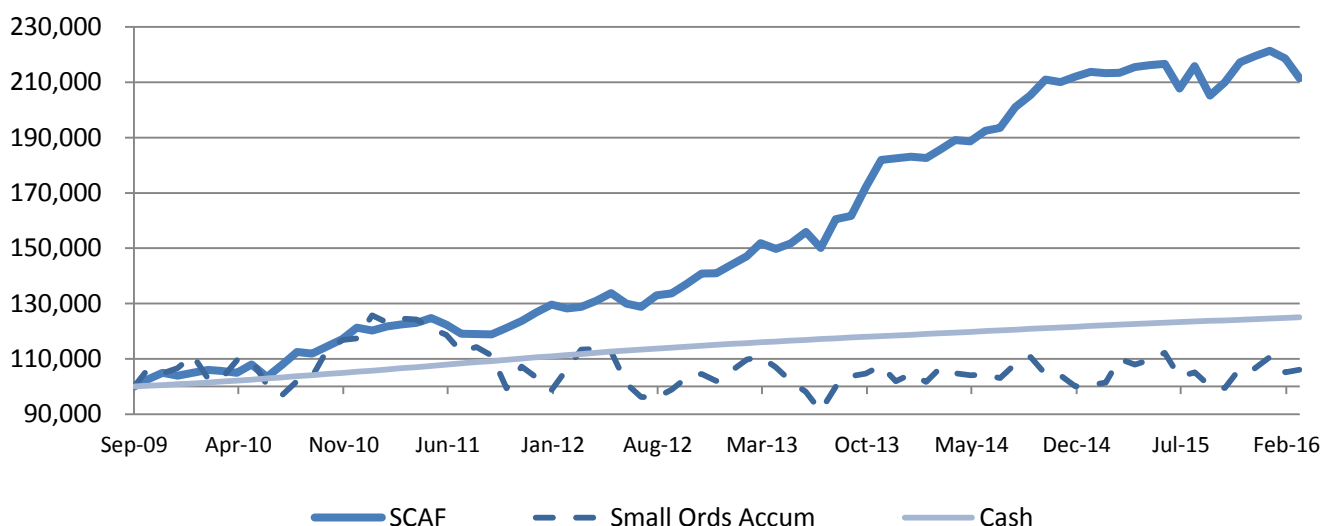
| | | | |
|--------------------|--|--------------------------|---------------------------------------|
| Structure | Wholesale unit trust | Minimum Investment | \$250,000 (or as agreed with trustee) |
| Trustee | Fundhost Ltd | Trustee Fees | 0.21% |
| Custodian | National Australia Bank | Management 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 |

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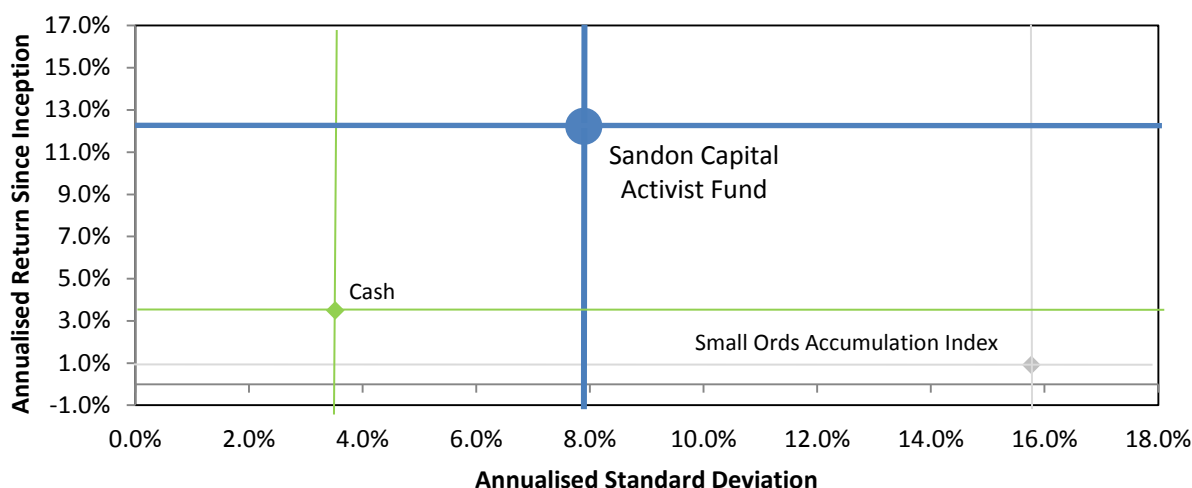
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Growth of \$100,000 invested since inception (assumes reinvestment of distributions)



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.

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