

SANDON CAPITAL

Sandon Capital Activist Fund

January 2015 Monthly Report

Entry/Exit Prices: \$1.5836/\$1.5709

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
	-0.2%	16.8%	18.5%	15.0%	15.0%	7.4%	113.4%
S&P/ASX 200	3.3%	12.5%	14.5%	8.8%	8.9%	12.2%	59.0%
Small Ordinaries	0.9%	-0.2%	-1.6%	-0.3%	0.3%	15.8%	1.4%

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%												-0.2%

Portfolio Exposures

Net Exposure	59%	Long Positions	24
Net Cash	41%	Short Positions	nil

Fund Commentary

The Fund delivered a return of -0.2% in January, bringing total returns (net of all fees and expenses) since inception to the equivalent of 15.0% per annum. January was a quiet month, with little news emanating from portfolio companies. The Australian share market's performance has been influenced by several general themes, including (i) a growing expectation of further interest rate cuts by the RBA, (ii) the declining Australian dollar and (iii) a growing confidence in the performance of the US economy.

Two portfolio holdings in particular have been the beneficiaries of the domestic macro-economic tailwinds, listed property trust RNY Property Trust (RNY) and listed investment company Templeton Global Growth Fund Limited (TGG).

RNY owns interests in suburban office properties in New York's Tri-State area. With the depreciation of the AUD/USD exchange rate, the value of RNY's US assets have increased in AUD terms by almost 20% since early September 2014. Although the RNY unit price has increased by more than 30% over the same period, the market price remains at a significant discount to NTA (currently 37%).

In late 2014 Sandon Capital visited RNY management in New York and toured some of their properties on Long Island. We remain positive on the medium-to-long term prospects of RNY's assets. We see the possibility of RNY refinancing some of its loan facilities in 2015 as a catalyst for its unit price to reflect the underlying value of the assets. We expect asset liquidity will be substantially improved with cross collateralisation clauses in the current facilities likely to be

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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.

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removed. Crucially, this will allow RNY flexibility regarding property disposals and will enable it to sell individual properties (or parts of the portfolio). We expect this will ultimately lead to the winding up of RNY and the capital being returned to unitholders.

TGG, which invests in international shares, has benefited from both the macro tailwinds we mentioned earlier (mainly as the AUD fell against major currencies and as US financial markets have rallied) and a narrowing of the discount to NTA.

Chesser Resources Limited (CHZ) has issued a notice of a General Meeting to be held on 26 February 2015. The general meeting was requisitioned by Sandon Capital late in 2014 to ask shareholders to consider: (a) the removal of Mr Robert Reynolds, Mr Morrice Cordiner and Mr Peter Lester as directors of Chesser and (b) the appointment of Mr Gabriel Radzynski as a director of Chesser.

Unsurprisingly, the incumbent chairman has recommended CHZ shareholders vote against the resolutions proposed by Sandon Capital. The Company further disappointed us by proposing, what for us is, a highly inefficient return of capital. We believe capital can be returned to shareholders in a more efficient mechanism and we have advised the CHZ board that we do not support their proposal.

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

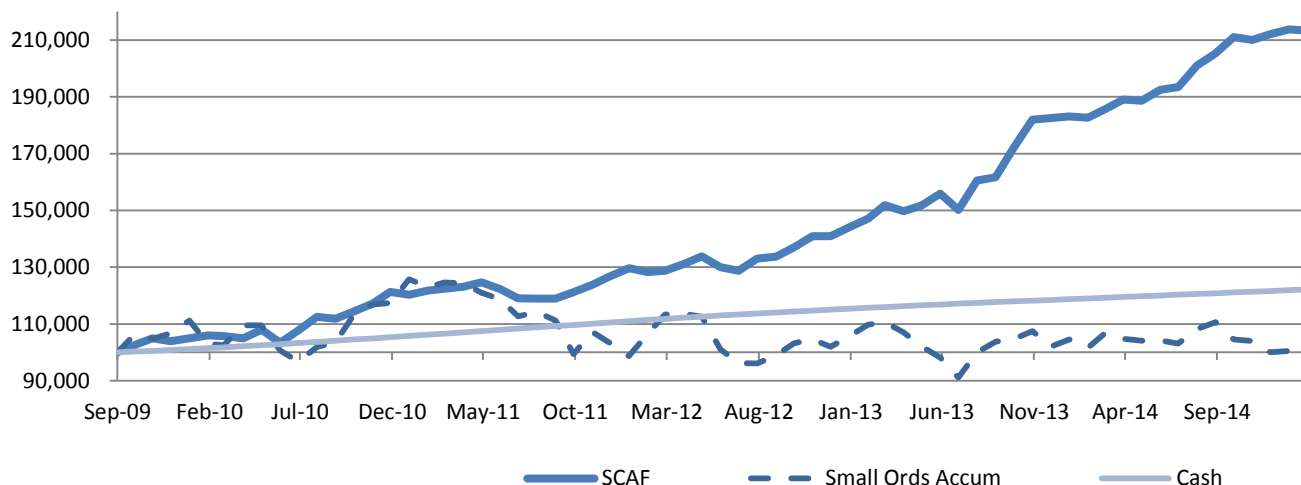
Structure	Wholesale unit trust	Minimum Investment	\$250,000 (or as agreed with trustee)
Trustee	Fundhost Ltd	Trustee Fees	0.21%
Custodian	National Australia Bank	Management Fees	1.33%
Fund Auditor	EY	Performance Fees	15.375% of returns above cash
Investment Manager	Sandon Capital Pty Ltd	Highwater Mark	Yes
Website	www.sandoncapital.com.au	Buy/Sell Spread	±0.40%
Inception	4 Sep 2009	Applications/Withdrawals	Monthly/Quarterly

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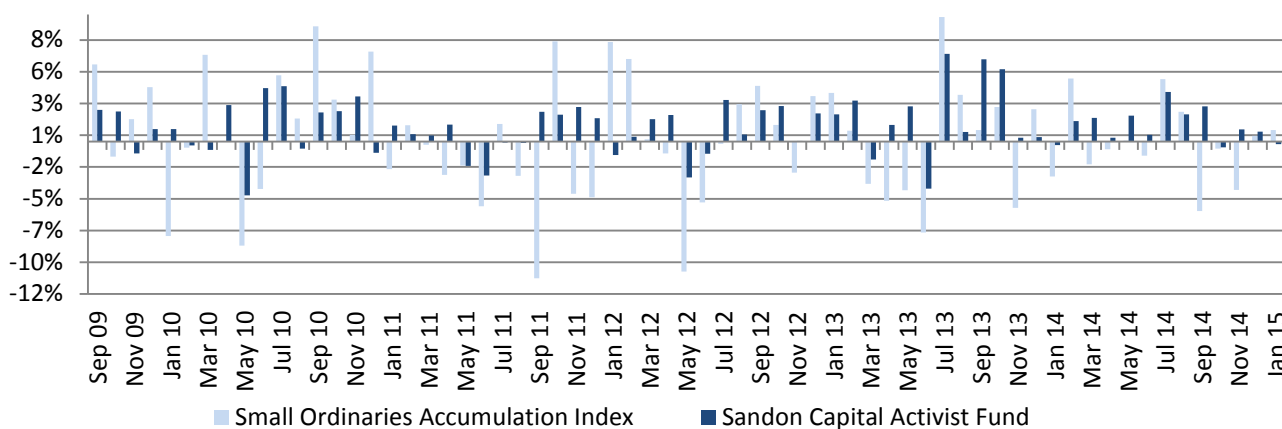
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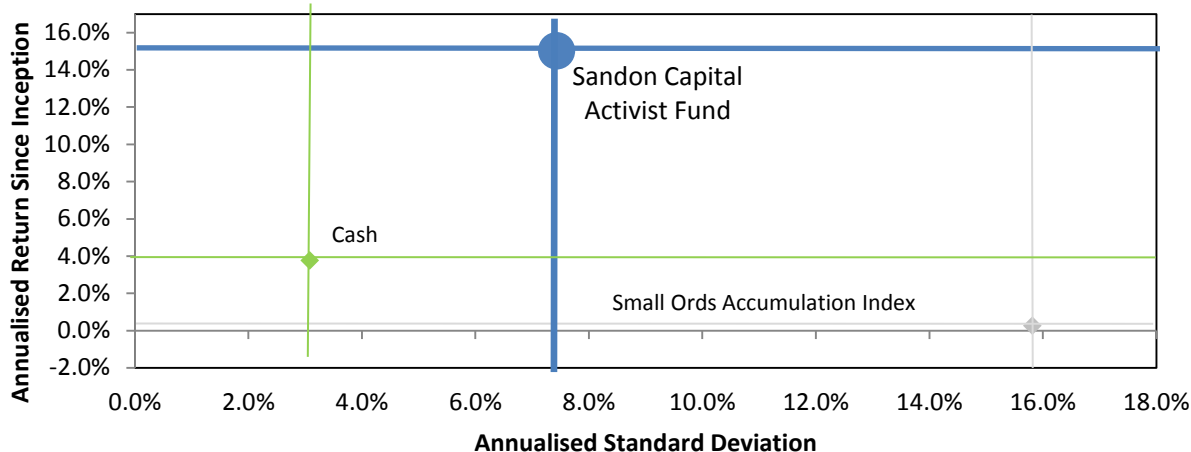
Growth of \$100,000 invested since inception (assumes reinvestment of distributions)



Comparison of 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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