

SANDON CAPITAL

Sandon Capital Activist Fund

January 2016 Monthly Report

Entry/Exit Prices: \$1.5312/\$1.5190

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	-1.3%	2.5%	14.1%	12.4%	13.0%	7.8%	118.6%
S&P/ASX 200 Accum.	-5.5%	-6.1%	5.4%	5.7%	6.4%	12.6%	49.3%
Small Ordinaries Accum.	-5.1%	3.6%	-1.4%	-3.1%	0.8%	15.8%	5.1%

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%												-1.3%

Portfolio Exposures

Net Exposure	91%	Long Positions	36
Net Cash	9%	Short Positions	1

Fund Commentary

The Fund delivered a return of -1.3% in January, bringing total returns (net of all fees and expenses) since inception to the equivalent of 13.0% per annum.

January provided another rollercoaster for global markets. Australia was not spared, with the S&P/ASX200 Accumulation Index falling 5.5% and the Small Ords Accumulation Index falling 5.1%.

The commentary from the December 2015 report remains largely current, and is repeated here: *Volatility in the market continued to provide good opportunities for adding to existing positions as well as providing new opportunities.*

Several investments provided positive returns during the month, including Alchemia Ltd (ACL), BlueScope Steel Ltd (BSL), Centrepoint Alliance Ltd (CAF) and Coventry Group Ltd (CGF). Negative movements for the month were mainly further down the alphabet, including companies such as RNY Property Trust (RNY), Tatts Group Ltd (TTS) and Warrnambool Cheese and Butter Factory Ltd (WCB). Most other price moves were immaterial. There was scant news flow regarding companies in the portfolio, although ACL shareholders approved a 9.3 cents per share return of capital in late January and there were press reports regarding permanent capacity closures in the Chinese steel industry, which positively impacted the BSL share price.

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.

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There were continued press reports regarding the possibility of TTS and Tabcorp Ltd (TAH) renewing discussions of a nil-premium merger, something we believe is not in the best interests of TTS shareholders. We have publicly stated a preference for a demerger of the TTS wagering business from its other businesses, including lotteries. We believe this would provide a clearer picture of the true worth of the jewel in the crown, lotteries, whilst still allowing a future merger of the wagering operations with those of TAH (or another party).

During the month Onthehouse Holdings Ltd (OTH) rejected the overtures from the Macquarie/CoreLogic/Dempsey consortium that had delivered a pre-Christmas indicative non-binding merger proposal. We believe the OTH Board were right in rejecting this overture, given the low-ball indicated price. OTH also announced it was in discussions to spin its loss-making consumer online division (COD) into a joint venture with the real estate agent-owned RealestateView business. If this proposal can be consummated, it is expected to staunch the cash drain from the loss-making COD division. We eagerly await further disclosure from the Company on this, and whether the consortium decides to revisit its proposal at a higher price.

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

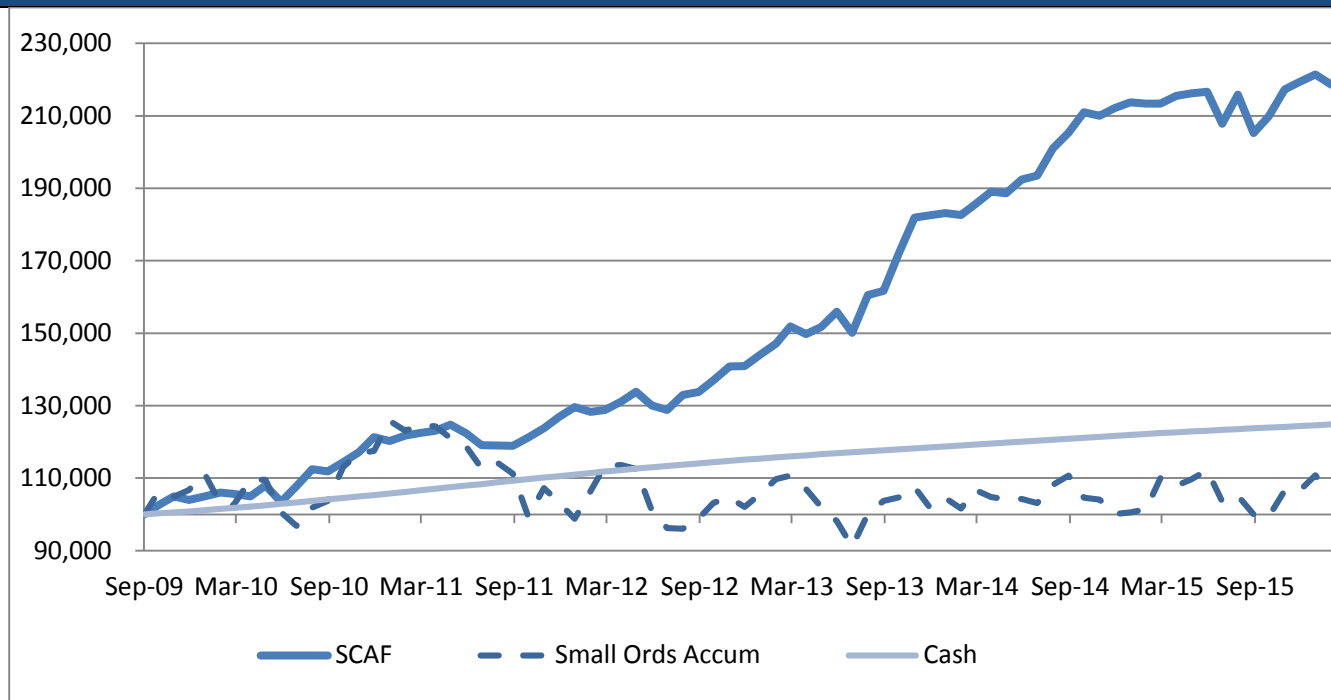
Structure	Wholesale unit trust	Minimum Investment	\$250,000 (or as agreed with trustee)
Trustee	Fundhost Ltd	Trustee Fees	0.21%
Custodian	National Australia Bank	Management Fees	1.33%
Fund Auditor	EY	Performance Fees	15.375% of returns above cash
Investment Manager	Sandon Capital Pty Ltd	Highwater Mark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

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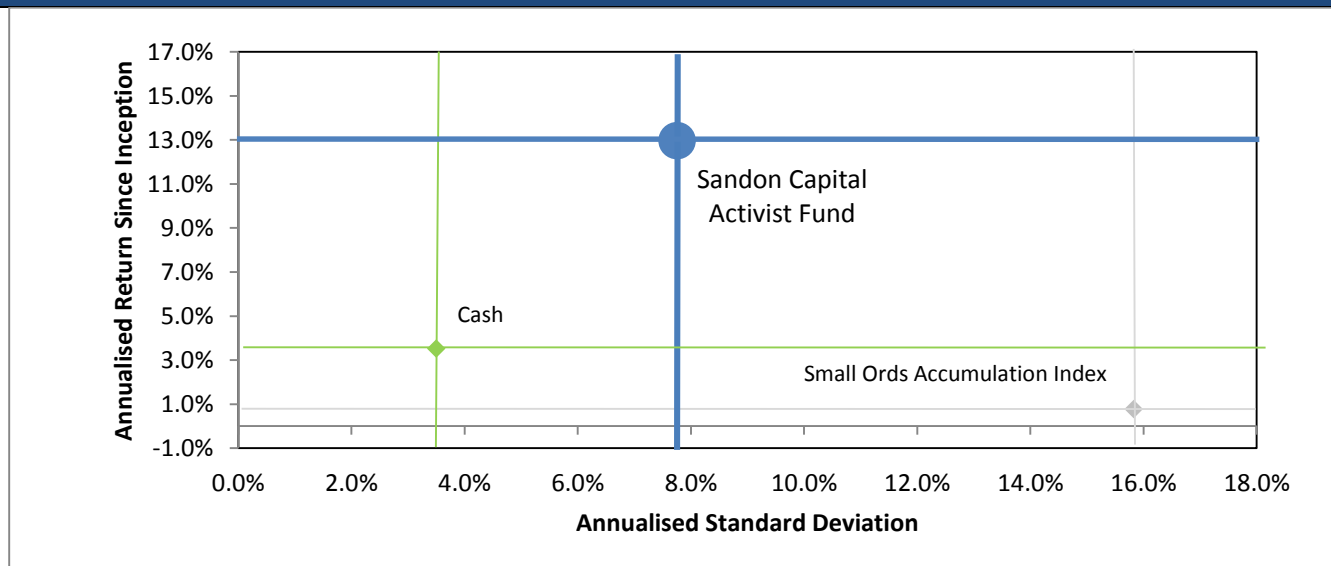
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Growth of \$100,000 invested since inception (assumes reinvestment of distributions)



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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