

## Sandon Capital Activist Fund

Jul 2010 Monthly Report

Entry/Exit Prices: \$1.0960/\$1.0873

### 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	NAB Custodian	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	Monthly
		Withdrawals	Quarterly

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

	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%						7.2%

### Fund Commentary

The Fund reported a 4.4% increase this month in the context of a 4.5% increase in the S&P/ASX200 Accumulation Index and a 5.2% increase in the Small Ords Accumulation Index. Cash returned ~0.4% for the month.

Wallace Absolute Return Ltd, which received a competing takeover offer, contributed ~2.5% to the Fund return. Note that Sandon Capital is advising one bidder, Armidale Investment Company. Other notable results came from van Eyk Three Pillars (1%), which obtained a favourable tax ruling for a return of capital.

Contango Capital Partners (CCQ) contributed 0.6% to the Fund return. It trades at a more than 35% discount to reported net asset value, a circumstance, in our opinion, largely of the company's making (both through action and inaction on a number of fronts). CCQ has a large share overhang which in all likelihood is not assisting the share price performance.

Of note, capital management is a well entrenched theme within the portfolio; 4 companies are presently undertaking buy-backs and two are returning (or intending to return) capital to shareholders.

We continue to maintain a partial hedge (~53% of equity exposure), now at 4200 on the S&P/ASX200 Index as we hold the same view as expressed in prior reports. This position was a negative contributor to the performance this month (~1.1%). Cash levels increased as a result of capital returns and dividends to ~29% (though the effective figure is closer to 40% when including those companies that are cum-returns of capital within the next month or so).

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	71%	Long Positions	13
Cash	29%		

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.