

Sandon Capital Activist Fund

July 2011 Monthly Report

Entry/Exit Prices: \$1.0842/\$1.0756 (ex distribution)

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%
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%	-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%						-1.1%

Fund Commentary

The Fund returned -0.1% in July. All movements were within ±0.4%.

During July, we continued to increase the cash holdings of the Fund, ending the month with approximately 53% held in cash. The main realisation was the completion of the takeover of iSoft Ltd, whose shares returned approximately 12% above our average purchase price over a holding period of a little over three months (~0.5% contribution to Fund return).

We continued to accumulate shares in an industrial company we consider has prospects for more proactive capital management (including fully franked dividends).

We remain cautious about the global macro outlook, with what appears to be an exhausting of monetary tools, and a lack of political will to implement fiscal tools. Further government or Federal Reserve responses in the US might yet drive an equity market rebound (beyond that reached at the time of writing mid-Aug), but will not likely address core issues. These, and others, are significant macro factors at play globally, the consequences of which are difficult to predict or quantify.

Notwithstanding these comments, opportunities for our strategy remain. Market turmoil has brought more companies to prices which, prima facie, appear attractive relative to their intrinsic values. We are planning some "engagement" activities, which should emerge during the next quarter. Our high cash weighting provides the opportunity to cushion the portfolio against wild market swings, as well as "dry powder" for emerging opportunities.

We are 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	47%	Long Positions	9
Cash	53%		

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.