

## Sandon Capital Activist Fund

July 2013 Monthly Report

Entry/Exit Prices: \$1.2817/\$1.2715

### 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/Withdrawals	Monthly/Quarterly

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>2009</b>									2.5%	2.4%	-0.9%	1.0%	5.0%
<b>2010</b>	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%
<b>2011</b>	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%
<b>2012</b>	-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%
<b>2013</b>	2.1%	3.2%	-1.4%	1.3%	2.8%	-3.7%	6.9%						11.4%

### Fund Commentary

The Fund delivered a return of 6.9% in July. We note that a distribution of 10.95 cents per unit was paid to unitholders as at 30 June 2013. Gains were recorded by most portfolio holdings during the month, some, we suspect, may have been in response to the end of year-end tax selling in May and June. Larger gains came from Emerging Leader Investments Ltd (ELI), contributing approximately 1.7% to total return. We expect shareholders will approve the proposed restructure, which will provide an opportunity to exit at the prevailing NTA at the time. We have begun hedging some of the ELI exposure by shorting exchange traded index funds. Calliden Group Ltd (CIX) which rose over 18% during the month, contributed approximately 1.6%. Two items of news for CIX were affirmation of the \$10m profit guidance for the full year, and a sell-down by the largest shareholder, which, in our opinion, removes an overhang to the stock and has brought new shareholders to the register.

The Fund reported a net contribution of approximately 1% during the month on its partially hedged Trust Company Ltd (TRU) – Perpetual Ltd (PPT) merger arbitrage trade.

We remain cautious about the global macro outlook, as market conditions remain fertile for sentiment to overshoot value (both up and down). The consequences of the significant macro factors at play globally are difficult to predict or quantify.

We remain focused on opportunities that have high levels of tangible assets, marketable securities or cash and whose prospects are somewhat independent of market and economic conditions, as we believe these offer the best risk-adjusted returns in the current environment.

### Portfolio Exposures

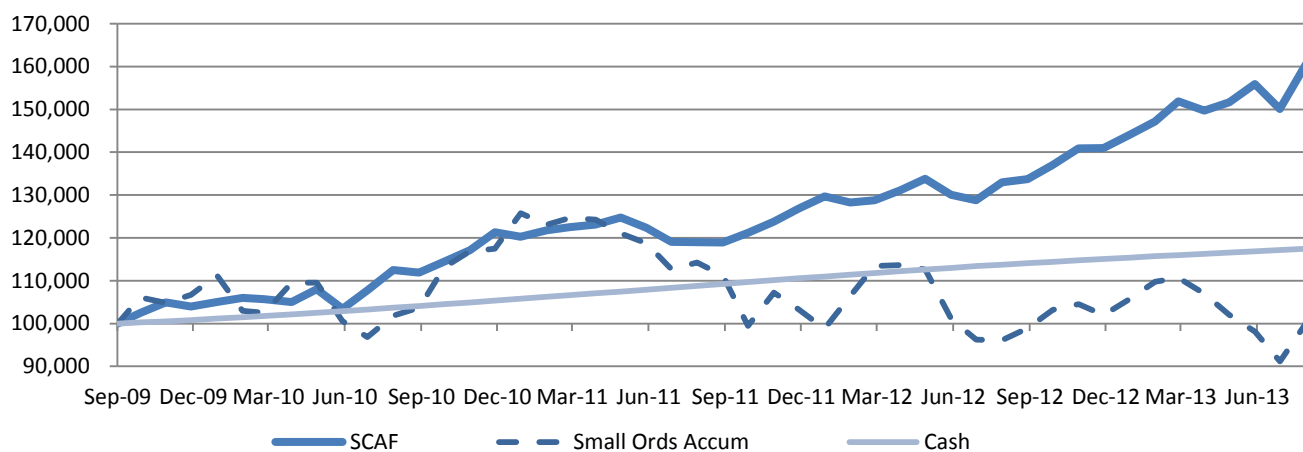
Net Exposure	92%	Long Positions	21
Net Cash	8%	Short Positions	2

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.

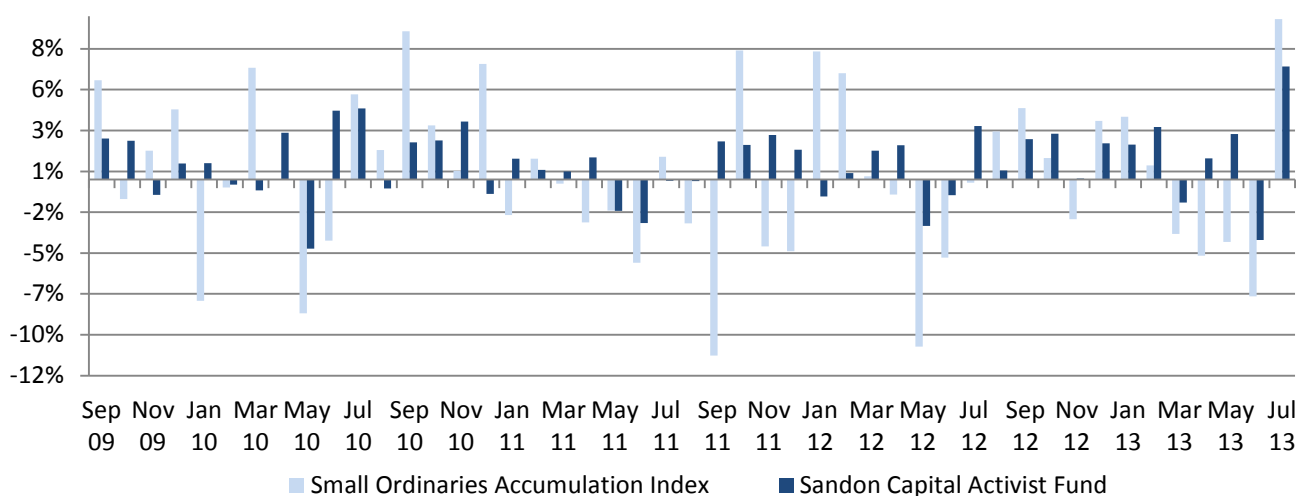
Fund performance is after fees and assumes distributions are reinvested. Past performance is not a reliable guide to future performance. This information has been prepared without taking into account your investment objectives, financial situation, or needs. Before making an investment decision you should 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.

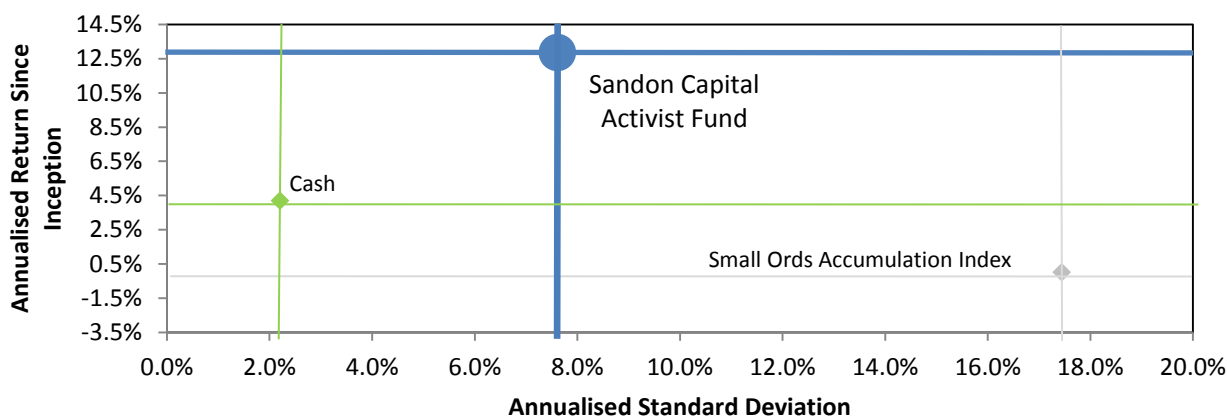
### Growth of \$100,000 invested since inception (assumes reinvestment of distributions)



### 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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