

SANDON CAPITAL

Sandon Capital Activist Fund

July 2015 Monthly Report

Entry/Exit Prices: \$1.5120/\$1.4999

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	3.9%	7.4%	17.5%	13.9%	13.9%	7.5%	115.9%
S&P/ASX 200 Accum.	4.4%	5.7%	15.1%	9.7%	8.9%	12.3%	65.7%
Small Ordinaries Accum.	1.6%	-2.8%	3.1%	0.6%	0.9%	15.9%	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%						1.0%

Portfolio Exposures

Net Exposure	80%	Long Positions	31
Net Cash	20%	Short Positions	1

Fund Commentary

The Fund delivered a return of 3.9% in July, bringing total returns (net of all fees and expenses) since inception to the equivalent of 13.9% per annum.

The largest contributor to this month's result was Armidale Investment Corporation Ltd (AIK) (~2.5%). The price rose in the absence of any significant news. The long-mooted partial acquisition of an asset finance business remains incomplete, though due diligence enquiries have now been announced as completed. Post month end, AIK advised that certain legal restructures within the vendor businesses would push completion out until November 2015. In the meantime, we are keenly awaiting the release of the full year results and looking for further evidence of growth within the Hal Data Services leasing book.

BlueScope Steel Ltd (BSL) was another major contributor (~1%) to the result as its share price rose. There is now much anticipation amongst shareholders regarding the release of the full year result. We believe much of this anticipation is focused on any plans BSL might announce regarding the future of the Port Kembla blast furnace. We expect the overall financial result for FY2015 to be weaker than 2014, given the global contraction in steel spreads. By maintaining production at Port Kembla, BSL is obliged to sell excess supply into export markets at a loss. Given the structural changes in the global steel industry, and the recent devaluation of the Chinese currency, the outlook for profitability for domestic steel producers continues to remain extremely difficult. This is why we believe the Port Kembla blast furnace should be

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mothballed and why BSL should focus its attention on the other points we raised in our analysis (sale of excess land, sale of building solutions, taking steps to highlight the value inherent in the Northstar joint venture and capital management.)

The main detractor to the month's result was AMP China Growth Fund (AGF) (~-1.4%), which followed the decline in the Chinese share market. Despite this decline, AGF units continue to trade at a substantial discount to NTA (more than 25%). The responsible entity, AMP Capital, has announced it is exploring options to further improve fund performance, having hired an investment bank to advise on these options. We look forward to learning what plans AMP decides to pursue, as we do not see how the current, and persistently long-term, discount can continue.

The broader share market continues to swing wildly as global (viz China) and local (viz bank capital raisings) factors continue to drive sentiment. We remain comfortable with the portfolio and its 20% cash weighting. Any further market turmoil will likely provide good opportunities for adding to existing positions as well as providing new opportunities.

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

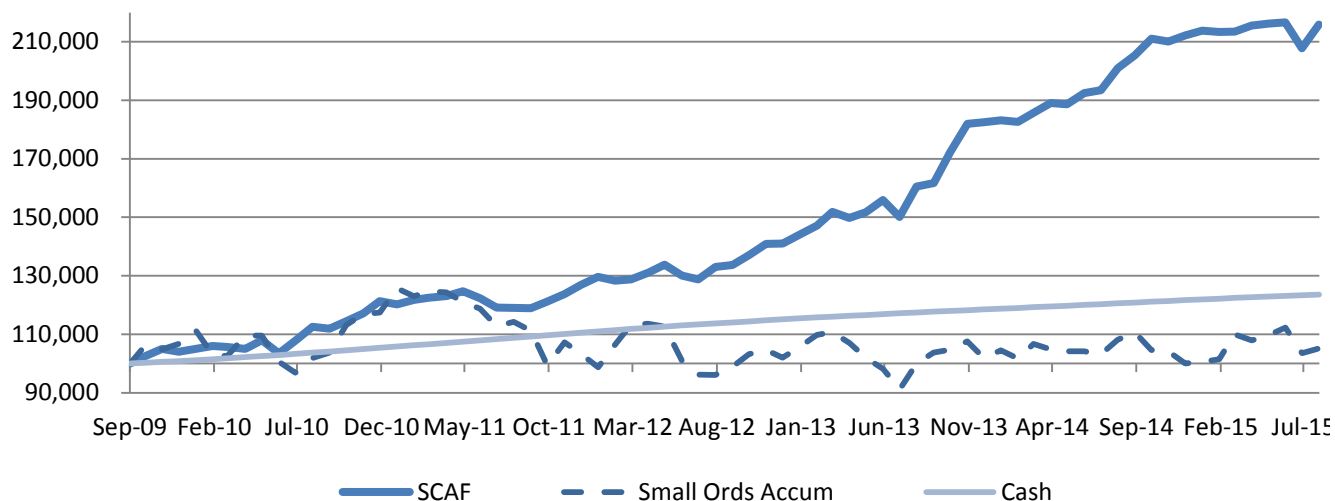
Structure	Wholesale unit trust	Minimum Investment	\$250,000 (or as agreed with trustee)
Trustee	Fundhost Ltd	Trustee Fees	0.21%
Custodian	National Australia Bank	Management Fees	1.33%
Fund Auditor	EY	Performance Fees	15.375% of returns above cash
Investment Manager	Sandon Capital Pty Ltd	Highwater Mark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

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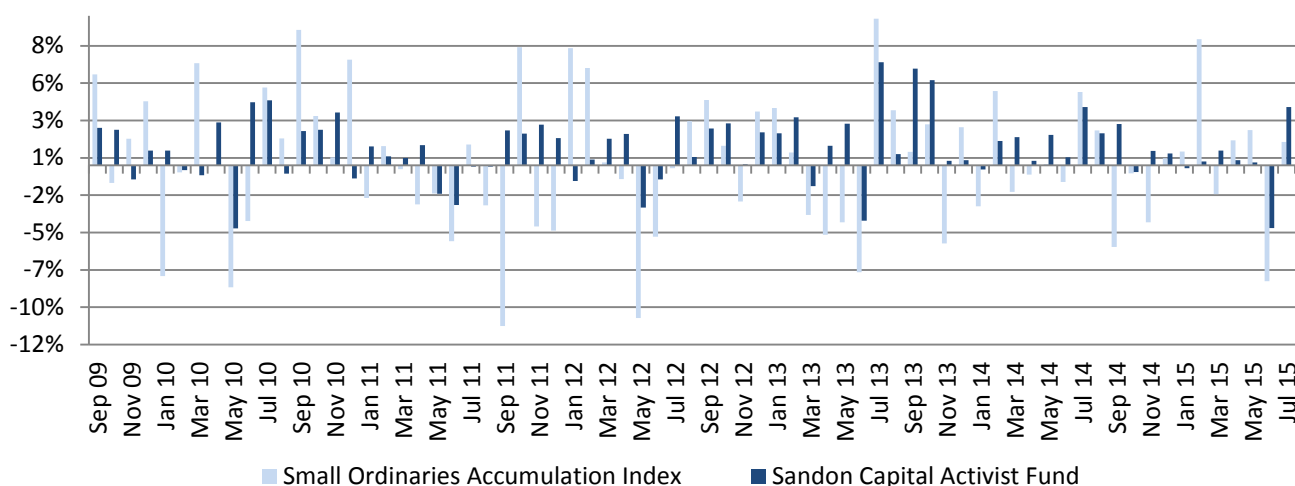
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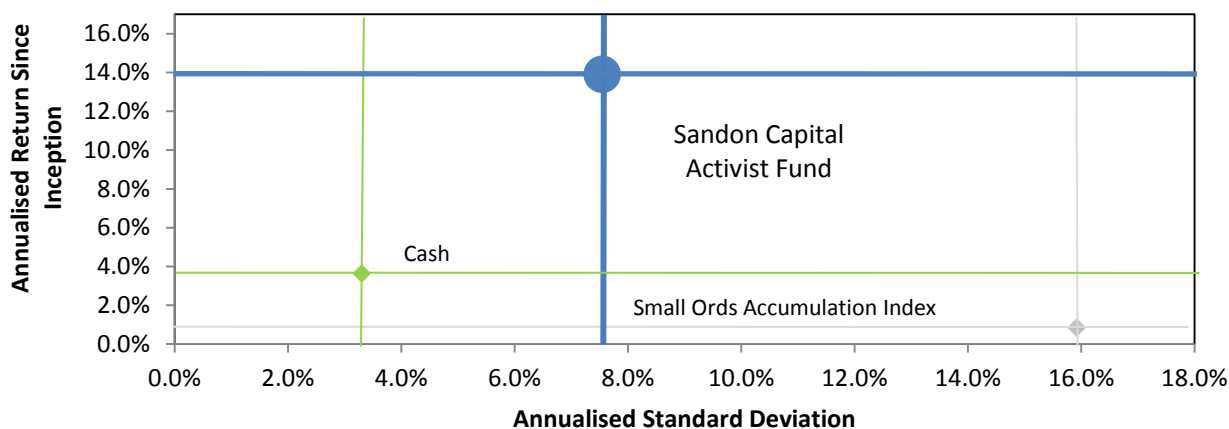
Growth of \$100,000 invested since inception (assumes reinvestment of distributions)



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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