

SANDON CAPITAL

Sandon Capital Activist Fund

July 2018 Monthly Report

Entry/Exit Prices: \$1.7604/\$1.7464

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 Fund inception	Annualised volatility since Fund inception	Total Return since Fund inception
SCAF	2.1%	11.8%	9.3%	11.9%	12.3%	7.7%	181.9%
S&P/ASX 200 Accum.	1.4%	14.6%	8.0%	9.2%	8.6%	11.7%	108.7%
Small Ordinaries Accum.	-1.0%	22.6%	14.0%	9.3%	5.1%	14.5%	55.9%

Net Monthly Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
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%	-3.3%	2.7%	1.8%	0.8%	0.7%	4.6%	0.0%	1.7%	1.5%	3.3%	0.1%	13.1%
2017	4.4%	-3.4%	0.2%	-2.0%	-1.3%	1.7%	1.3%	3.9%	-2.6%	0.2%	0.4%	2.9%	5.5%
2018	1.4%	-3.6%	2.2%	-0.2%	1.6%	3.1%	2.1%						6.7%

Portfolio Exposures

Net Exposure	85%	Long Positions	29
Net Cash	15%	Short Positions	2

Fund Commentary

The Fund return for July was 2.1%, bringing total returns (net of all fees and expenses) since inception to the equivalent of 12.3% per annum. Cash levels ended the month at approximately 15%.

Fleetwood Corporation Ltd (FWD) (~1.4%) was the main contributor for the month. Consolidated Operations Group Ltd (COG) also made a meaningful contribution for the month (~0.7%). Specialty Fashion Group Ltd (SFH) was the main detractor (~-0.5%), the result of no apparent news regarding the company.

FWD contribution to this month's return was the result of the announcement of two acquisitions and the ensuing capital raising. FWD is acquiring two businesses, one which has a contract to build modular prison cells in NSW and the other is a caravan parts business which FWD plans to bolt on to its existing parts and accessories business. The acquisitions were funded by a combination of institutional placement and non-renounceable entitlement offer at \$1.80 per share. Despite not being enamoured of the acquisitions and remaining critical and sceptical of FWD's Board and management, the price offered an opportunity to acquire more shares at an attractive price. Sandon Capital and its associates exercised all entitlements and participated in the placement to maintain its proportional holding in FWD.

COG reported during the month that its TL Rentals leasing business had exceeded the lease origination guidance (\$58.7 million versus \$55 million). This represented a 38% increase on the prior period and the company announced it was targeting lease originations in FY2019 of \$70 million, growth of more than 19% on FY2018.

COG also announced that it would move to 100% ownership of its 80% owned subsidiary Consolidated Finance Group (CFG). CFG provides membership based services such as access to lenders and compliance services to 126 finance broking firms. Aside from the business merits of this acquisition, it will also further simplify COG's ownership of key operating subsidiaries, making the financial analysis of COG's business a little easier. We believe COG has been taking positive steps to improve its engagement with prospective investors, including participation in a broker roadshow. We eagerly await its results, both for the numbers, but also to see how these are communicated.

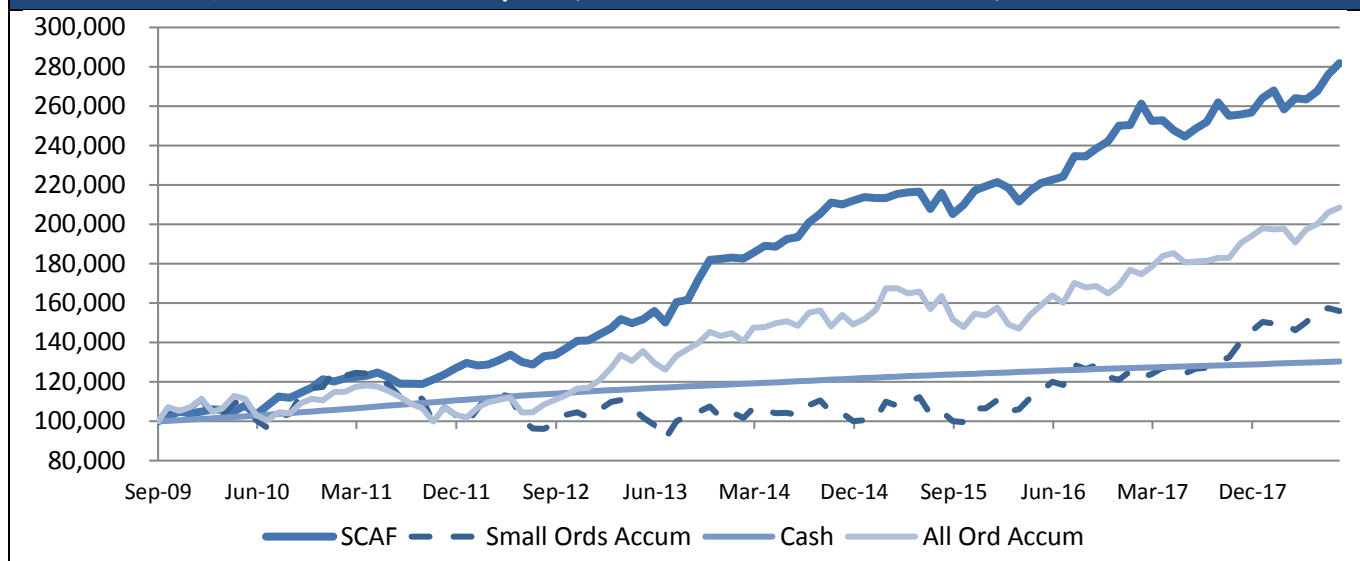
Fund Description

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.

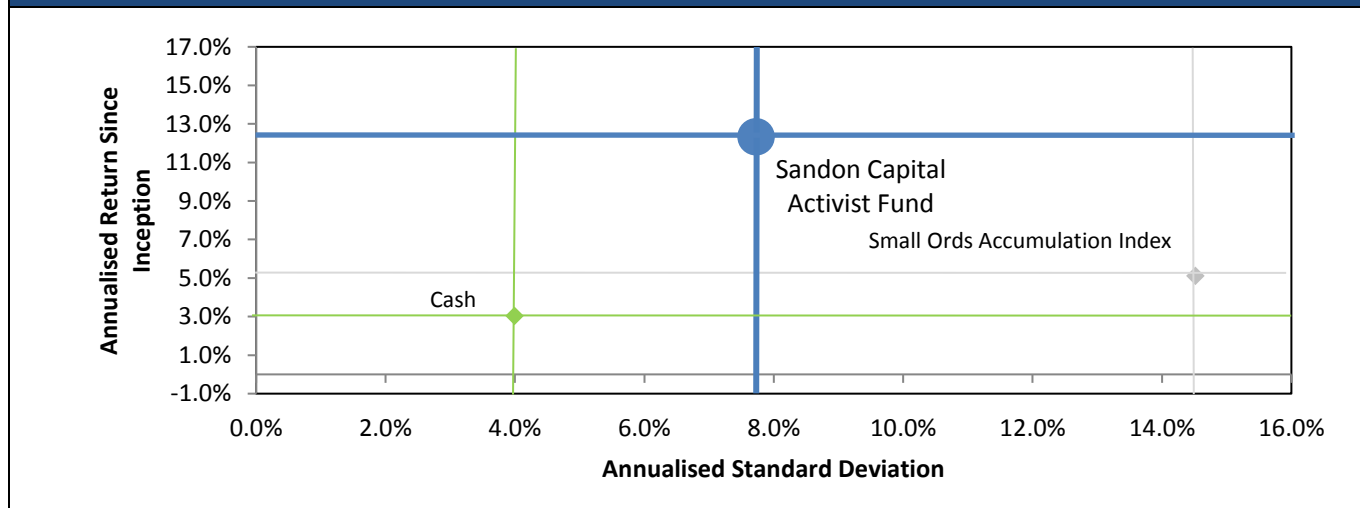
Fund Details

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

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.

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.

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.