

SANDON CAPITAL

Sandon Capital Activist Fund

July 2020 Monthly Report

Entry/Exit Prices: \$1.5593/\$1.5469

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 years (p.a.)	5 years (p.a.)	10 years (p.a.)	Annualised since Fund inception	Annualised volatility since Fund inception	Total Return since Fund inception
SCAF	2.8%	-3.9%	3.3%	5.2%	9.5%	9.8%	12.6%	178.1%
S&P/ASX 200 Accum.	0.5%	-9.9%	5.4%	5.2%	7.4%	7.2%	13.5%	113.0%
Small Ordinaries Accum.	1.4%	-8.5%	6.5%	7.7%	4.2%	4.0%	16.7%	53.5%
Cash	0.0%	0.7%	1.4%	1.6%	2.6%	2.7%	4.3%	33.8%

Portfolio Exposures

Net Exposure	92%	Long Positions	33
Net Cash	8%	Short Positions	1

Fund Commentary

The Fund return for July 2020 was +2.8%, bringing total returns (net of all fees and expenses) since inception to the equivalent of 9.8% per annum. Cash levels ended the month at approximately 8%.

Key contributors to the month's returns were City Chic Collective Ltd (CCX) (+1.9%), CML Group Ltd (CGR) (+0.8%) and Iluka Resources Ltd (ILU) (+0.6%). The main detractor was Fleetwood Corporation Ltd (FWD) (-0.7%).

CCX provided further evidence of the growth opportunities available to it in the US market with the announcement that it had been appointed as the "stalking horse bidder" for certain assets of a US retail chain that has filed for chapter 11 bankruptcy. If successful, CCX will acquire the e-commerce assets of the "Catherines" plus-size retail brand. The company undertook a capital raising by way of a placement and share purchase plan to fund the potential acquisition and its necessary working capital. We applaud the CCX board and management for the manner in which it conducted the raising. They favoured existing institutional shareholders and allowed existing retail shareholders to buy up to \$30,000 of CCX shares at the placement price of \$3.05. The fund took its pro rata share of the placement.

The stalking horse bid places CCX in the box seat to acquire the Catherines e-commerce assets provided no other party makes a higher bid. CCX used a similar process to make its previous US acquisition, the e-commerce assets of Avenue. We believe their experience of the process places them odds-on favourites to secure the business. As more bricks and mortar retailers experience difficulties, we anticipate there may be more such acquisition opportunities for CCX to consider. If so, these may provide attractive, low cost opportunities for growth.

CCX also provided a trading update that confirmed challenges in the retail store network due to COVID-19 as well as highlighting the growth in online sales. If CCX is successful in the acquisition of Catherines, we expect >80% of sales will come from its online channel.

Consolidated Operations Group Ltd (COG) provided a trading update that we read as positive. COG advised that unaudited net profit after tax and before amortisation (excluding one-off items) for FY20 was \$8.4m up 6% on the FY19 result. COG also confirmed a write-down, largely goodwill, of the commercial equipment leasing segment. Whilst disappointing, we understand the need for this given the changes caused by the COVID-19 pandemic on the economy and the SME market in particular. We believe COG's finance broker and aggregation is well placed to thrive as brokers assist their SME clients navigate through government stimulus and the eventual economic recovery.

FWD's share price continued to fall in spite of there being no meaningful news. Perhaps management's comment that they are keeping "a keen eye for potential corporate transactions" has spooked the market. We believe the company should focus on better managing their existing assets before they consider acquiring new ones.

We continue to accumulate shares in a number of new companies which we look forward to discussing at some point in the future.

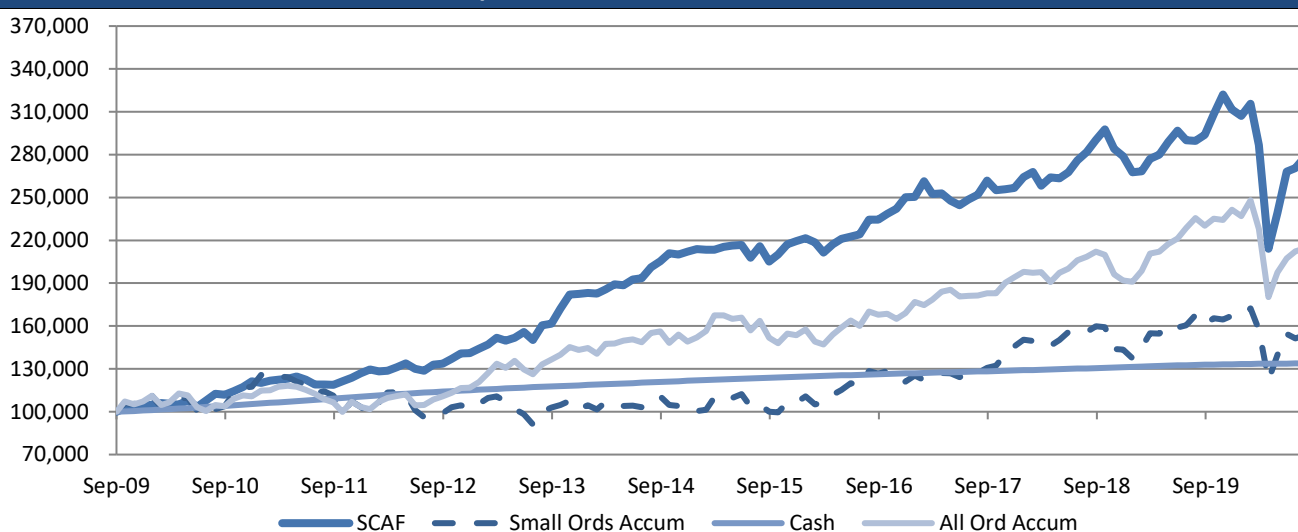
Fund Description

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.

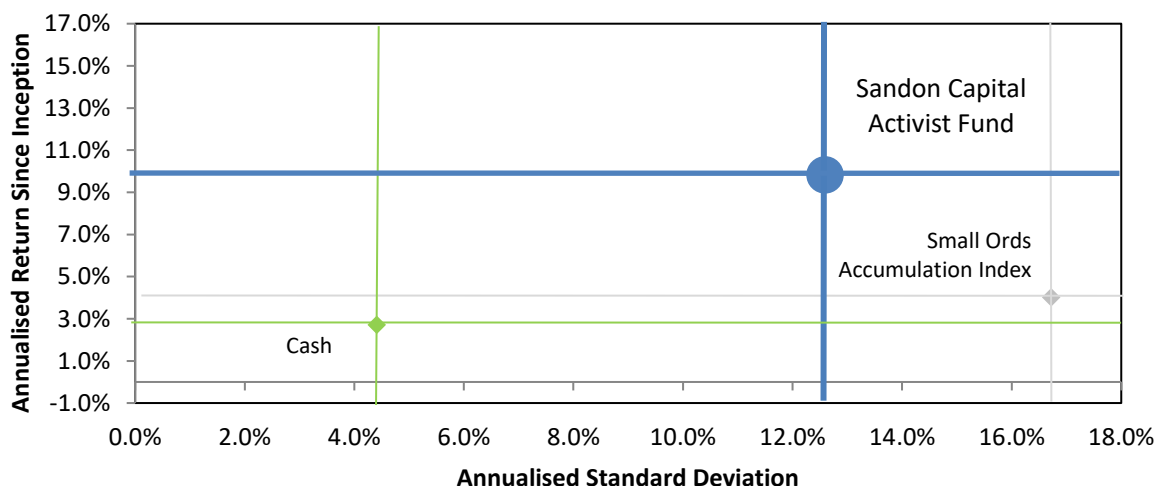
Fund Details

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 July 2019. In particular, it is important that you understand the risks associated with an investment in the Fund set out on page 5 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.