

# SANDON CAPITAL

## Sandon Capital Activist Fund

July 2017 Monthly Report

Entry/Exit Prices: \$1.5741/\$1.5616

### 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	1.3%	7.4%	7.8%	13.6%	12.4%	7.8%	152.0%
S&P/ASX 200 Accum.	0.0%	7.3%	5.1%	10.9%	7.9%	12.2%	82.1%
Small Ordinaries Accum.	0.3%	-1.1%	5.6%	5.8%	3.1%	15.1%	27.2%

### 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%	-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%						0.7%

### Portfolio Exposures

Net Exposure	92%	Long Positions	30
Net Cash	8%	Short Positions	1

### Fund Commentary

The Fund delivered a 1.3% return for July, bringing total returns (net of all fees and expenses) since inception to the equivalent of 12.4% per annum. Cash levels ended the month at approximately 8%.

Fleetwood Corporation Ltd (FWD) was once again the month's largest positive contributor (~1.3%). Shareholders voted in favour of all the proposed changes to the constitution at the EGM requisitioned by Sandon Capital. We thank the Board for their support as well as other shareholders. Announcements made by other companies, including those by Rio Tinto Limited and others in the resources space, provide some positive indications of the tailwinds that might assist FWD's exposure to the WA economy. There appears to be increased broker and investor interest in the FWD story, which we consider a positive. We now look forward to FWD's result announcement later in the month.

Consolidated Operations Group Ltd (COG) was the main detractor for the month (-2.2%). The share price continued to oscillate between 11.5 and 12.5 cents per share, finishing the month on its lows. During the month, COG announced it had terminated an acquisition. The financial impact of this is not expected to be material. We consider the action taken by COG indicates a disciplined approach to acquisitions, which is important in a company whose growth depends significantly on acquisitions. Effective communication remains our primary concern with COG. We eagerly await the full year result, both in terms of substance and how effectively these are communicated.

During the month, funds managed by Sandon Capital, including SNC, disclosed a substantial interest in the AIMS Property Securities Fund (APW). APW has been besieged in the past by shareholders seeking changes. The holding was acquired at an average price of \$1.55, while unaudited NTA stands at \$2.10/unit. APW provides exposure to what we consider some attractive real estate. There is an on-market buy-back operating that is increasing NTA with each unit purchased.

APW stands in stark contrast to the portfolio's other property investment, RNY Property Trust, which is lurching from bad to worse. We misjudged the range of possibilities in this investment. As a result it holds the mantle as one of the firm's worst investments. Since month end, RNY announced the sale of a property above book value, which has heartened investors. Given the size and liquidity of the holding, and weighting in our portfolios (0.1%), we have decided to hold through to the end, bitter or otherwise. Another unit holder has requisitioned a meeting to consider changing

management. We are not sure such a late change is in investors' interests.

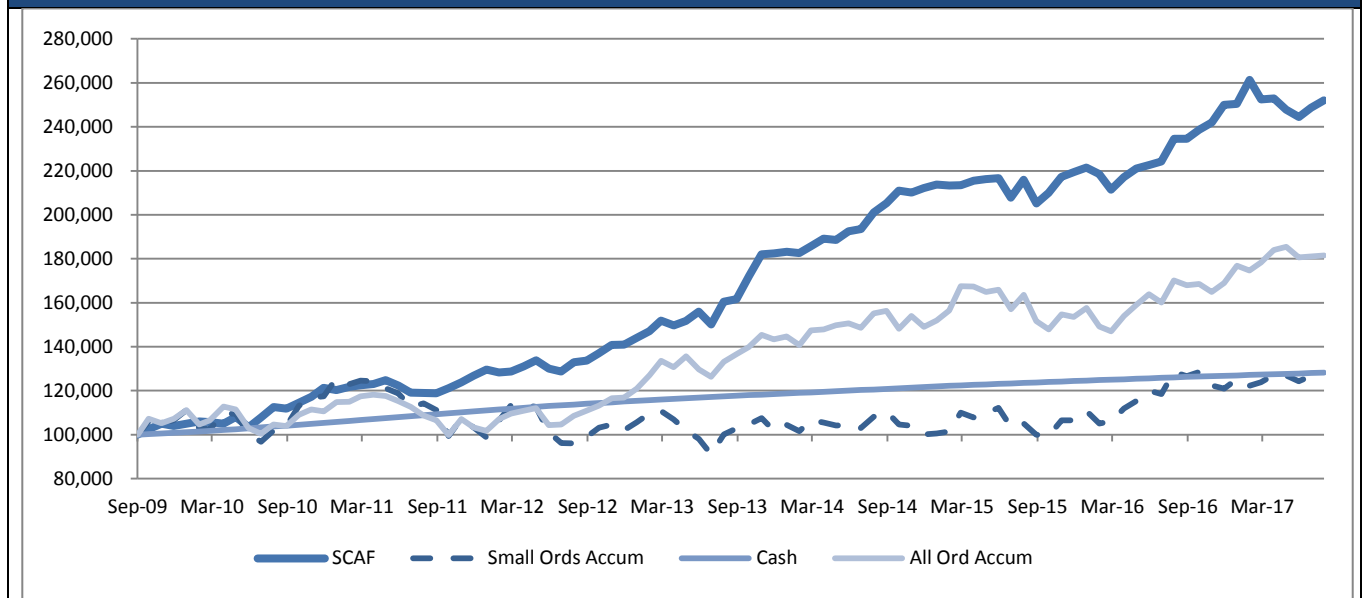
## Fund Description

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.

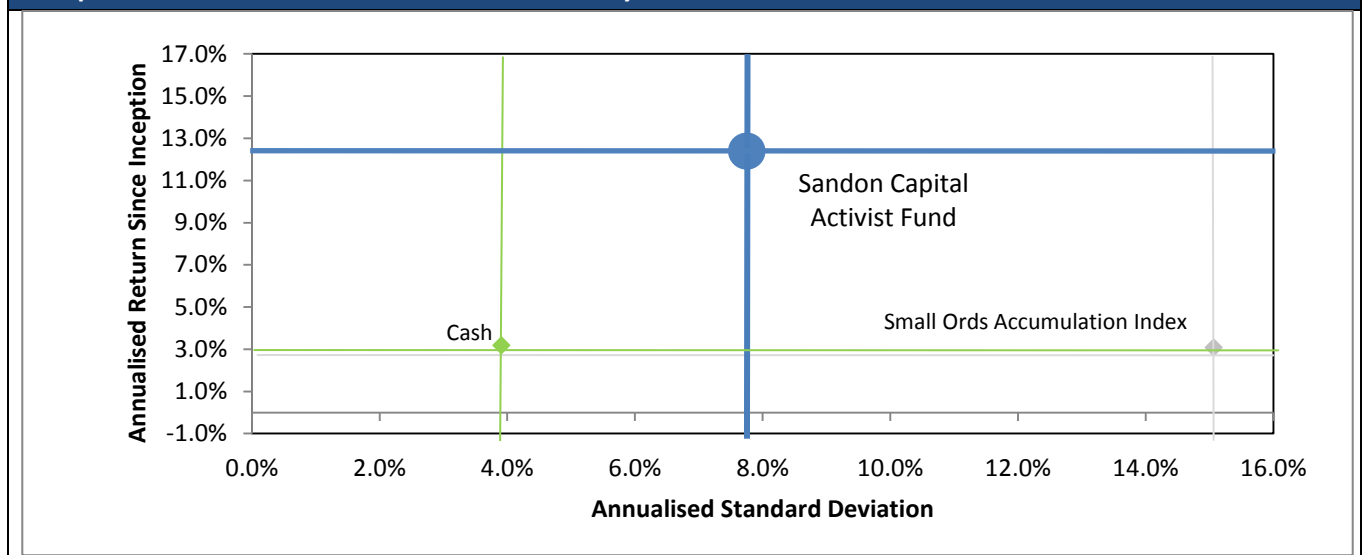
## Fund Details

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



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.

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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