

SANDON CAPITAL

Sandon Capital Activist Fund

June 2015 Monthly Report

Entry/Exit Prices: \$1.5422/\$1.5299

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	-4.1%	7.4%	17.3%	14.0%	13.4%	7.5%	107.8%
S&P/ASX 200	-5.3%	5.7%	15.1%	9.7%	8.3%	12.3%	58.7%
Small Ordinaries	-7.8%	0.4%	2.5%	1.3%	0.6%	16.0%	3.5%

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%							-2.8%

Portfolio Exposures

Net Exposure	80%	Long Positions	29
Net Cash	20%	Short Positions	nil

Fund Commentary

The Fund delivered a return of -4.1% in June, bringing total returns (net of all fees and expenses) since inception to the equivalent of 13.4% per annum.

Although price declines were widespread throughout the portfolio, we provide specific comments on three positions: AMP China Growth Fund (AGF) (down ~17%), Alchemia Ltd (ACL) (down ~20%) and BlueScope Steel Ltd (BSL) (down~15%).

AGF tracked the significant, and widely reported, declines in the Chinese share market. This position has been a highly profitable one for the Fund. In May, after a significant run-up in the Chinese share market, we took the opportunity to sell down some of the holding, at prices far above current ones. Despite trading at a discount to NTA, we sold down part of the position as we were not hedged against falls in the Chinese market. Our views of the Chinese share market have always been ambivalent, and they continue to be so, even after the recent falls.

ACL declined as investors continued to lose faith in the prospects for the Company, following the announcement of lower than expect profit-share figures from its generic drug. On 18 June, Sandon Capital requisitioned a meeting to remove a number of ACL directors and appoint new directors. On 26 June, one of the new directors proposed by Sandon Capital was appointed to the Board. We and the ACL Board are in continued discussions. On 1 July 2015, ACL announced the conditional sale of its oncology division to a U.S. based company. Subsequent to month end, ACL also

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announced the effectively sale of the VAST drug development platform for \$100,000 plus royalties on any future revenues. Although in its early days, these transactions appear as small positive steps, and allow ACL to further reduce operating and shutdown expenses and retain some option value for its oncology division and the VAST platform. Also subsequent to month end, Mr Ken Poutakidis, the new director proposed by Sandon Capital, was appointed interim Chairman, following the retirement of the former Chairman.

BSL declined as concerns of falling global steel margins continued to dominate investor near-term perceptions of the company. On 15 June 2015, Sandon Capital released a 46-page presentation outlining five questions for BSL to consider, one of which was the possible closure of the Port Kembla blast furnace. Sandon Capital has been engaging with other shareholders and potential shareholders as well as meeting with the company. By months' end, most of the major brokers covering BSL had issued research reports discussing potential shareholder and financial implications of the closure of the blast furnace. We continue to regard BSL as the cheapest steel company in the world today, and continue to add to the position. As at 30 June, BSL represented approximately 4.2% of the portfolio.

The addition of two new holdings, such as ACL and BSL, means more of the portfolio is in early phases of engagement, hence too soon to yield any meaningful positive contributions. We remain comfortable with the portfolio and its 20% cash weighting. Any further market turmoil will likely provide good opportunities for topping up on existing positions as well as perhaps opening up 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

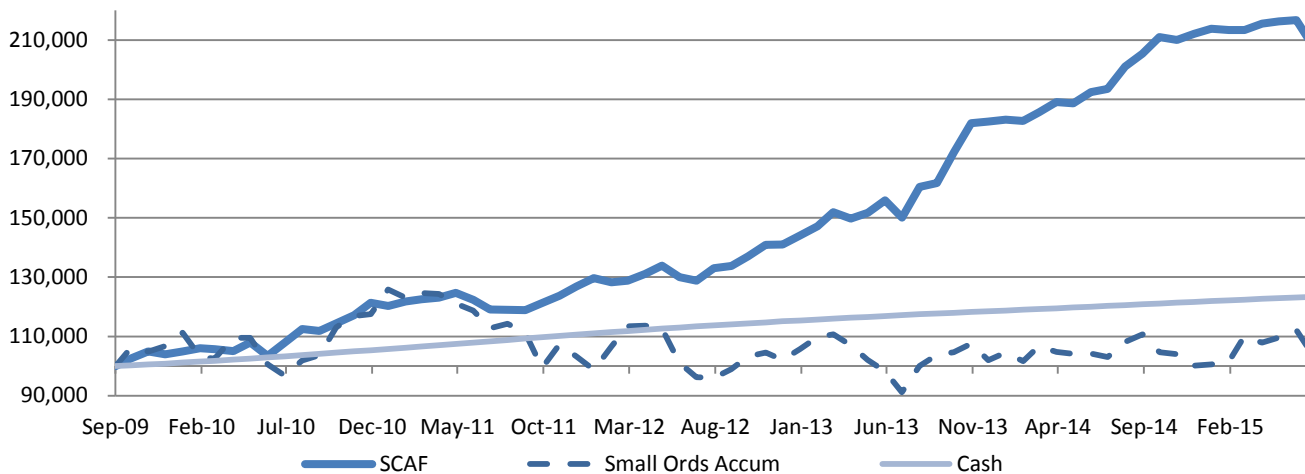
Structure	Wholesale unit trust	Minimum Investment	\$250,000 (or as agreed with trustee)
Trustee	Fundhost Ltd	Trustee Fees	0.21%
Custodian	National Australia Bank	Management Fees	1.33%
Fund Auditor	EY	Performance Fees	15.375% of returns above cash
Investment Manager	Sandon Capital Pty Ltd	Highwater Mark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

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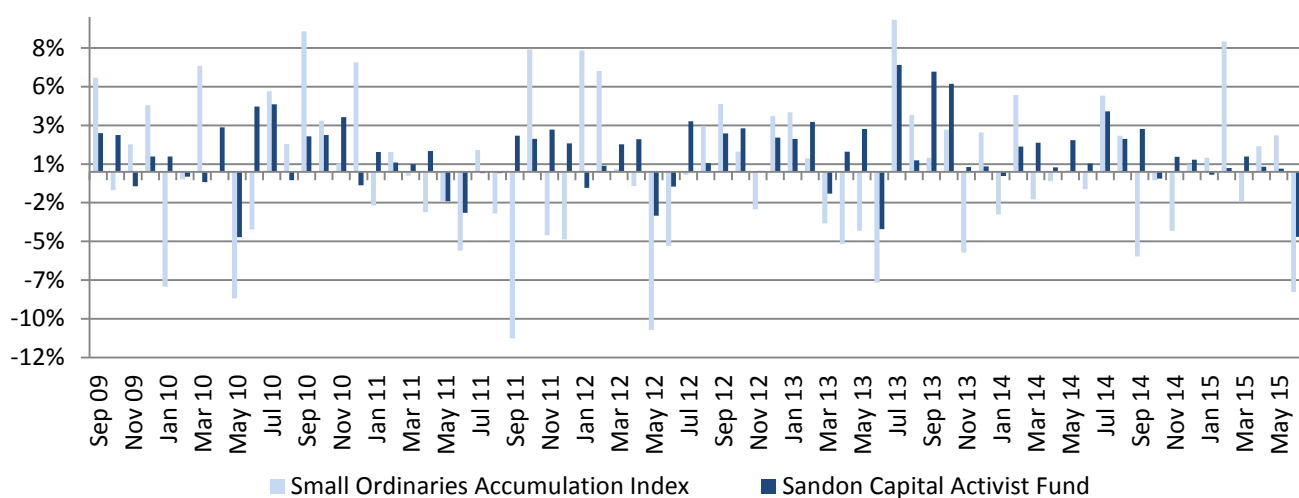
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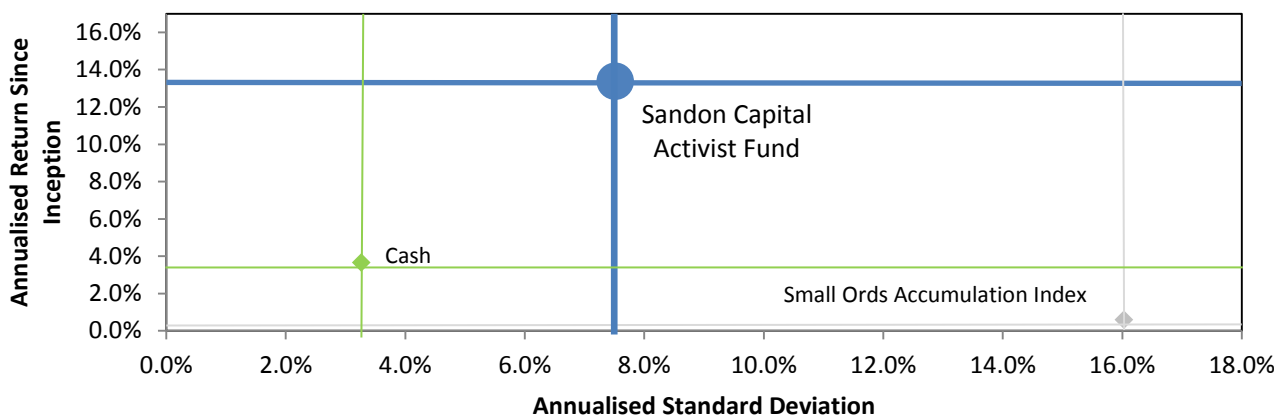
Growth of \$100,000 invested since inception (assumes reinvestment of distributions)



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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