

SANDON CAPITAL

Sandon Capital Activist Fund

June 2017 Monthly Report

Entry/Exit Prices: \$1.6685/\$1.6553

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	1.7%	10.9%	8.7%	14.1%	12.3%	7.8%	148.7%
S&P/ASX 200 Accum.	0.2%	14.1%	6.6%	11.8%	8.0%	12.3%	82.1%
Small Ordinaries Accum.	2.0%	7.0%	7.1%	5.7%	3.1%	15.1%	26.7%

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%							-0.7%

Portfolio Exposures

Net Exposure	88%	Long Positions	31
Net Cash	12%	Short Positions	1

Fund Commentary

The Fund delivered a 1.7% return for June, 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 12%.

Fleetwood Corporation Ltd (FWD) was the largest positive contributor for the month (~0.8%). FWD has set July 25 as the date for the EGM to vote on changes to the company's constitution, including Sandon's resolution that the constitution be changed to facilitate the payment of dividends. During the month, FWD announced a new broader agreement with Gateway Lifestyle for the supply and installation of modular homes to Gateway's residential communities. In positive news for the manufactured accommodation industry in Western Australia, BHP announced the approval of US\$184m in initial funding for the South Flank project, primarily for the expansion of accommodation facilities. Whilst Fleetwood is not yet an approved supplier to this project, we expect significant demand for manufactured accommodation in Western Australia will arise over the next 2-3 years from BHP's South Flank project, Rio Tinto's Koodaideri project and the replacement project for Fortescue's depleting Firetail deposit.

Iluka Resources Ltd (ILU) was the main detractor for the month (~-0.5%), although there was no apparent news to drive the weakness. The abovementioned news on BHP's initial funding for its South Flank project bodes well for a more than doubling of ILU's iron ore royalty over the medium term. BHP provided further detail on its plans for South Flank – the project is expected to be submitted for Board approval in mid-FY18 with first ore targeted in 2021 and ramp-up timed to coincide with the ramp-down of the depleting Yandi deposit. We continue to press the company to spin out its royalty into a separately listed vehicle which we think will be valued significantly higher by the market, as is the case for other pure play listed royalty companies. In a reflection of strong global demand for zircon, Iluka announced the re-start of its zircon rich Jacinth-Ambrosia mine in December 2017.

During the month, we sold our remaining holding in BlueScope Steel Ltd (BSL) in what has proven to be a very profitable investment. When we first invested in the company it was perceived as a loss-making commodity steel producer. Since then, the company has significantly reduced costs in its steel making operations in Australia and New Zealand and completed the acquisition of the remaining 50% of the North Star mill in North America. We congratulate the Board and management on their commendable efforts over the past 2+ years.

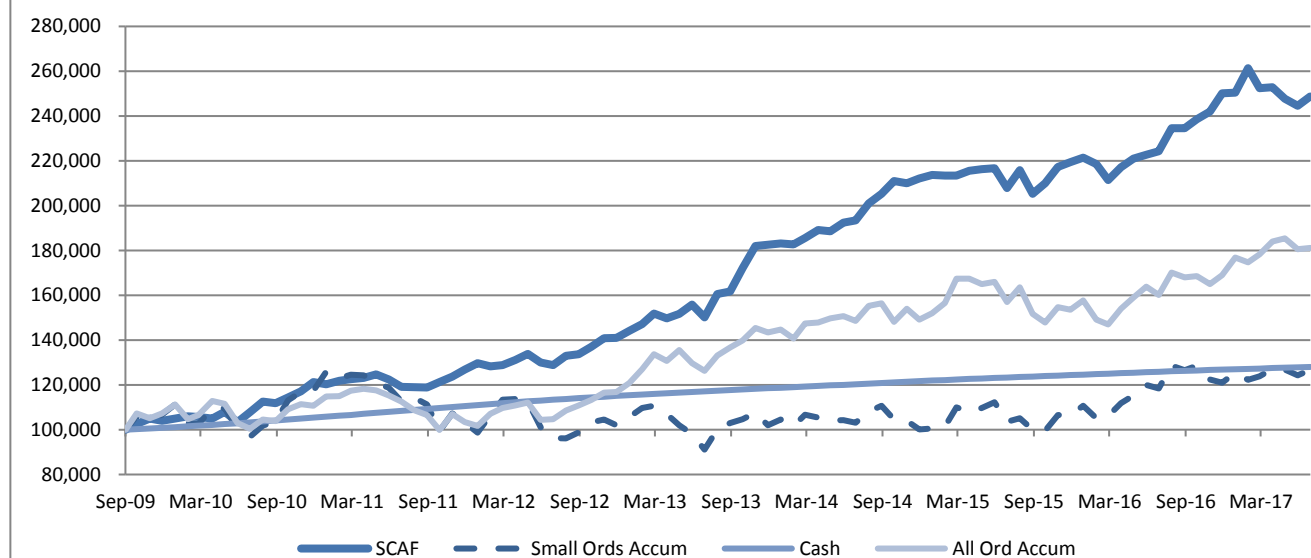
Fund Description

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.

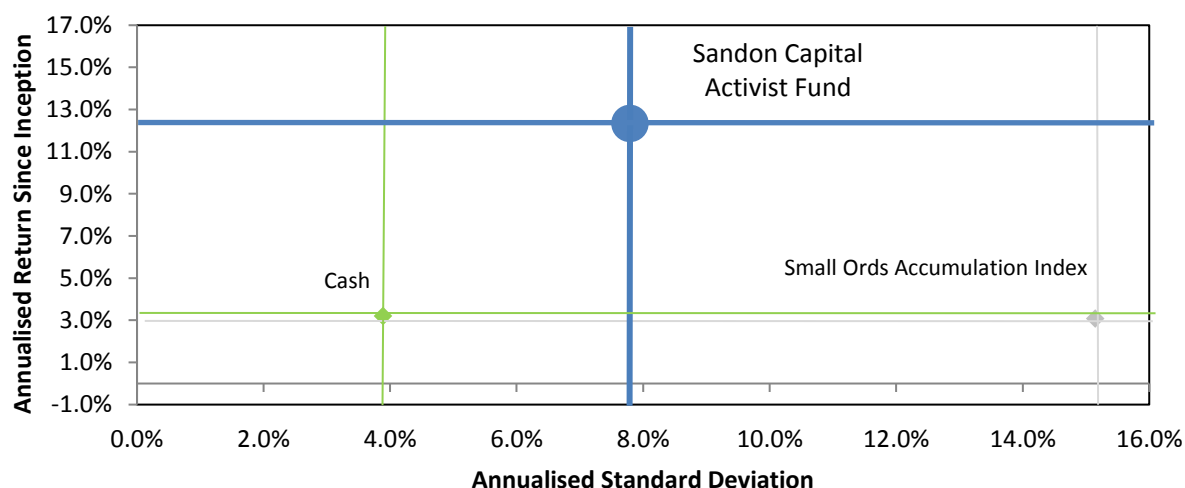
Fund Details

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.