

SANDON CAPITAL

Sandon Capital Activist Fund

June 2019 Monthly Report

Entry/Exit Prices: \$1.8120/\$1.7975

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	-2.3%	5.1%	9.0%	8.4%	11.4%	8.0%	190.1%
S&P/ASX 200 Accum.	3.7%	11.5%	12.9%	8.9%	8.8%	11.7%	129.6%
Small Ordinaries Accum.	0.9%	1.9%	10.7%	9.3%	4.9%	14.6%	60.5%

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%	3.0%	2.6%	-4.6%	-1.8%	-4.0%	1.3%
2019	0.2%	3.3%	1.0%	3.2%	2.7%	-2.3%							8.4%

Portfolio Exposures

Net Exposure	94%	Long Positions	28
Net Cash	6%	Short Positions	2

Fund Commentary

The Fund return for June 2019 was -2.3%, bringing total returns (net of all fees and expenses) since inception to the equivalent of 11.4% per annum. Cash levels ended the month at approximately 6%.

The main contributors to this month's result were Fleetwood Corporation Ltd (FWD) (-1.8%), Consolidated Operations Group Ltd (COG) (-0.6%) and OneMarket Ltd (OMN) (-0.4%), partly offset by Iluka Resources Ltd (ILU) (+0.9%). There was no news flow of note from any of these companies, so we have no further comment.

During the month we ran a campaign against Gindalbie Metals Ltd (GBG). Our concern related to what we considered to be a suboptimal outcome for shareholders arising from the Schemes of Arrangement and Demerger proposed and recommended by GBG's Independent Directors. Whilst we saw merit in Angang Group Hong Kong (Holdings) Ltd (Ansteel) acquiring the shares in GBG that it didn't already own, we saw no logic in the demerger of Coda Minerals Ltd (Coda).

In our opinion, a holding in Coda, an unlisted speculative exploration company, was an unattractive proposition. Furthermore, if Coda could not satisfy the requirements for listing on the ASX, shareholders may have never had the opportunity to realise any value for their holding in Coda. We pushed for the cash that was designated for Coda to be retained within Gindalbie to enable Ansteel to make a higher offer. Our public presentation can be viewed at https://www.sandoncapital.com.au/images/pdfs/1906_GBG_AU_presentation.pdf. In late June, Ansteel declared their offer final. However, in early July, GBG announced it would "explore potential liquidity options for the unlisted Coda shares in an equitable and timely manner." We believe this represented a good outcome as it significantly increases the probability that all Coda shareholders will be able to realise some value for their holding should they choose to. Following this announcement, we decided not to vote on GBG's resolutions and the Schemes were subsequently approved by GBG's shareholders.

Cash levels finished the month at 6%, however we expect ~8% of the portfolio to be returned as cash by mid-July.

The new Information Memorandum (IM) issued July 2019 is available [here](#). The amended IM allows the use of derivatives to obtain exposure, short and hedge, and also to allow up to 15% of the portfolio to be invested outside of Australia. This will bring the mandate into harmony with the others managed by Sandon Capital. It is expected that any future international investments will focus on New Zealand, with the UK, US and Canada as the other possible markets.

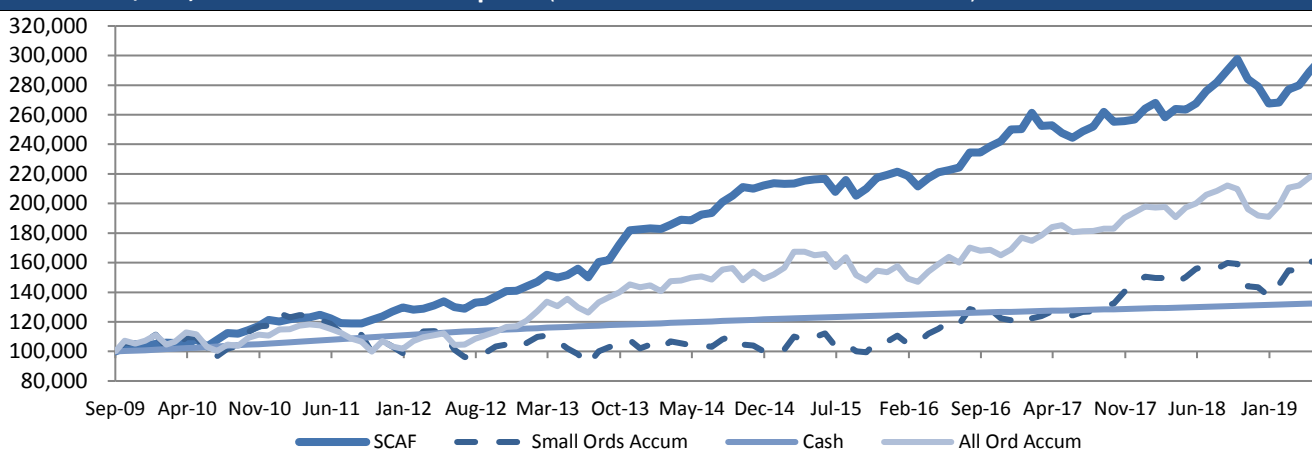
Fund Description

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.

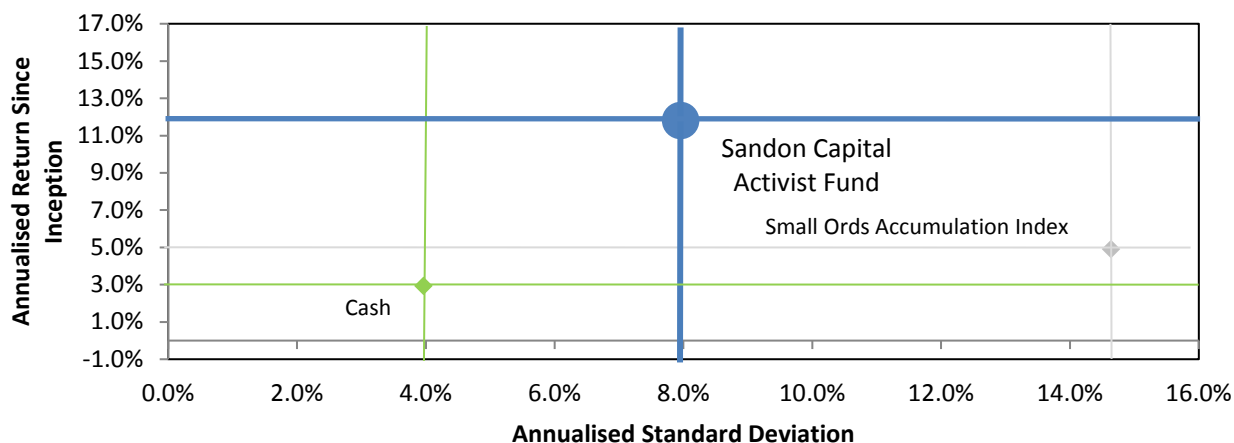
Fund Details

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.