

Sandon Capital Activist Fund

March 2010 Monthly Report

Entry/Exit Prices: \$1.0540/\$1.0456

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	NAB Custodian	Management Fees	1.33%
Investment Manager	Sandon Capital Pty Ltd	Performance Fees	15.375% of returns above cash
Website	www.sandoncapital.com.au	Buy/Sell Spread	±0.40%
Inception	4 Sep 2009	Applications	Monthly
		Withdrawals	Quarterly

Fund Performance (calculated net of all fees, assuming reinvestment of distributions and using unit mid-price)

	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%										0.0%

Fund Commentary

The Fund reported a small loss this month (-0.7%). During the month, a company which the portfolio holds, Wallace Absolute Return Ltd, was the subject of a shareholder requisition seeking the appointment of two directors and the removal of two incumbent directors. The share price was up ~22% during the month, making it the largest contributor to portfolio performance (~0.98%). The requisitioner has nominated the portfolio manager of this Fund as a proposed director. The Wallace Board is, not surprisingly, recommending shareholders vote against the proposed directors.

By way of brief background, Wallace holds some cash and listed shares (~\$4m), unlisted shares and debts to a leasing company (which are written down from ~\$40m to nil at present) and has some \$85 million of accumulated losses. It trades at (or just below) its cash and listed shares asset backing. We will provide some more detail about our investment thesis for Wallace in later Monthly Reports.

The significant detractor to the portfolio was a new position in Gunns Ltd (-0.8%). We began purchasing following a significant (~35%) fall in its share price following lower than expected earnings. Shares in Gunns have risen and fallen since we first bought. We consider Gunns being in need of governance reform and having significant unrealised value potential.

We continue to maintain a partial hedge at 4600 on the S&P/ASX200 Index. This position was a negative contributor to the performance this month (~0.6%).

The portfolio holds 15 positions (including the index puts).

We remain focused on opportunities that have high levels of tangible assets, marketable securities or cash, as we believe these offer the best risk-adjusted returns in the current environment.

Portfolio Exposures

Long Exposure	79%	Long Positions	14
Cash	21%		

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 18 December 2009. In particular, it is important that you understand the risks associated with an investment in the Fund set out on page 9 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.