

Sandon Capital Activist Fund

Mar 2011 Monthly Report

Entry/Exit Prices: \$1.1991/\$1.1896

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% |
| 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. YTD figure is compound)

| | 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% | | | | | | | | | | 2.4% |

Fund Commentary

The Fund delivered small positive return of 0.5% this month. Positive contributions to this month's return included Gunns Ltd (~0.9%), Warrnambool Cheese & Butter Factory Ltd (~0.2%) and a raft of dividends received during the month. Detractors included ING Entertainment Fund (~-0.7%).

Gunns Ltd (GNS) has been on somewhat of a rollercoaster ride during the month,. It fell by almost 25% at one point, only to rally more than 30%, closing up 17% for the month. A key concern for GNS remains finding a partner to begin work on the Bell Bay pulp mill before August 2011, when certain government approvals lapse. We remain of the view there is more value in GNS than reflected in the current share price, and have taken the opportunity of any share price weakness to increase our holdings.

We added a new holding, bought at a significant discount to its asset backing, which we will discuss in future reports.

Following month end, we bought shares in RHG (for the same price we sold for in Nov 10 (\$0.99) after two institutional shareholders began to take steps to seek to remove a majority of the Board. Sandon Capital is advising the institutional investors seeking to make these changes. We will discuss this in next month's report.

The Fund held ~33% of its assets in cash and was unhedged against market movements. We remain cautious about the global macro outlook. There are significant macro factors at play globally, the consequences of which are difficult to predict or quantify.

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 | 67% | Long Positions | 15 |
| Cash | 33% | | |

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