

SANDON CAPITAL

Sandon Capital Activist Fund

March 2017 Monthly Report

Entry/Exit Prices: \$1.6964/\$1.6829

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	0.2%	16.5%	10.2%	14.0%	13.0%	7.8%	152.8%
S&P/ASX 200 Accum.	3.3%	20.5%	7.5%	11.1%	8.5%	12.4%	85.0%
Small Ordinaries Accum.	2.7%	13.7%	6.4%	2.3%	3.2%	15.4%	27.2%

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%										1.0%

Portfolio Exposures

Net Exposure	85%	Long Positions	33
Net Cash	15%	Short Positions	1

Fund Commentary

The Fund delivered a 0.2% return for March, bringing total returns (net of all fees and expenses) since inception to the equivalent of 13.0% per annum. Cash levels ended the month at approximately 15%.

Iluka Resources Ltd (ILU) was the major contributor for the month (~0.9%). Further indications emerged regarding pricing improvements in zircon and TiO2 feedstocks. In addition, BHP confirmed that South Flank, which is within the Mining Area C (MAC) royalty envelope, was the preferred replacement for its depleting Yandi mine. South Flank has figured in BHP presentations over the years and also in an Environmental Impact Statement released in mid-2016. The statement by BHP was a clear reminder of the potential for the increase in the income from the MAC royalty. We continue to socialise our MAC royalty spin-off plan with ILU shareholders and other stakeholders.

Tatts Group Ltd (TTS) contributed ~0.7% to the March result. We attribute this to the increase in the Tabcorp Ltd (TAH) share price, given the proposed merger is heavily scrip weighted. This indicates the market ascribes some likelihood to the merger proceeding. The more notable occurrences during the month were TAH's decision to circumvent the Australian Consumer and Competition Commission (ACCC) review of the merger proposal by submitting an application directly to the Australian Competition Tribunal (ACT) for an "authorisation to proceed". The ACT is able to weigh the benefits of the merger against any reduction in competition, whereas the ACCC has a narrower remit of considering whether a proposed transaction will lessen competition. By going directly to the ACT, we believe TAH is conceding that there will be a lessening of competition, but hopes it can make the case for an overall net benefit argument. Separately,

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.

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but still on the tangent of competition, more speculation emerged that a number of states are closely examining a “point of consumption” tax for wagering. If this is instituted, we believe this will significantly alter the playing field by removing the tax advantages enjoyed by corporate bookmakers operating from the Northern Territory (NT). The NT licences are effectively flat fee licenses which give the corporate bookmakers a significant cost advantage over TAH and TTS, who pay significant taxes and product fees in NSW, QLD, SA and VIC. We remain of the view that TTS’s lotteries business is the main prize. There is still quite some time before any final outcome for TTS becomes clear. As a result we believe the current proposal should not be considered as the final proposal.

There were a number of small declines across the rest of the portfolio, none of which we considered particularly noteworthy.

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

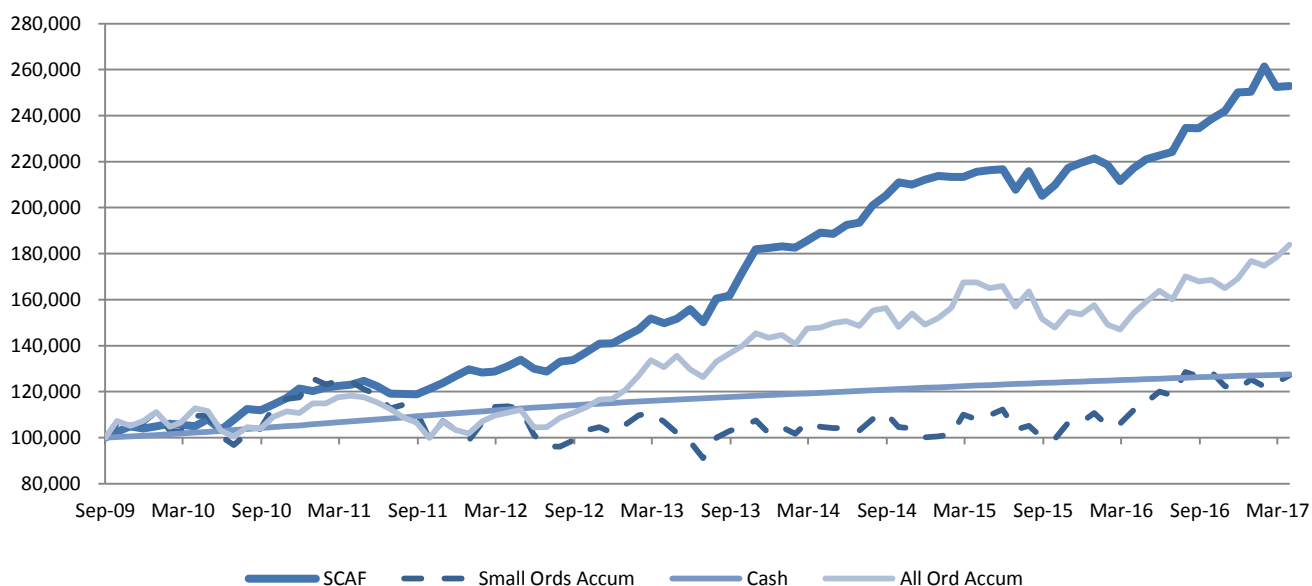
Structure	Wholesale unit trust	Minimum Investment	\$250,000 (or as agreed with trustee)
Trustee	Fundhost Ltd	Trustee Fees	0.21%
Custodian	National Australia Bank	Management Fees	1.33%
Fund Auditor	EY	Performance Fees	15.375% of returns above cash
Investment Manager	Sandon Capital Pty Ltd	Highwater Mark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

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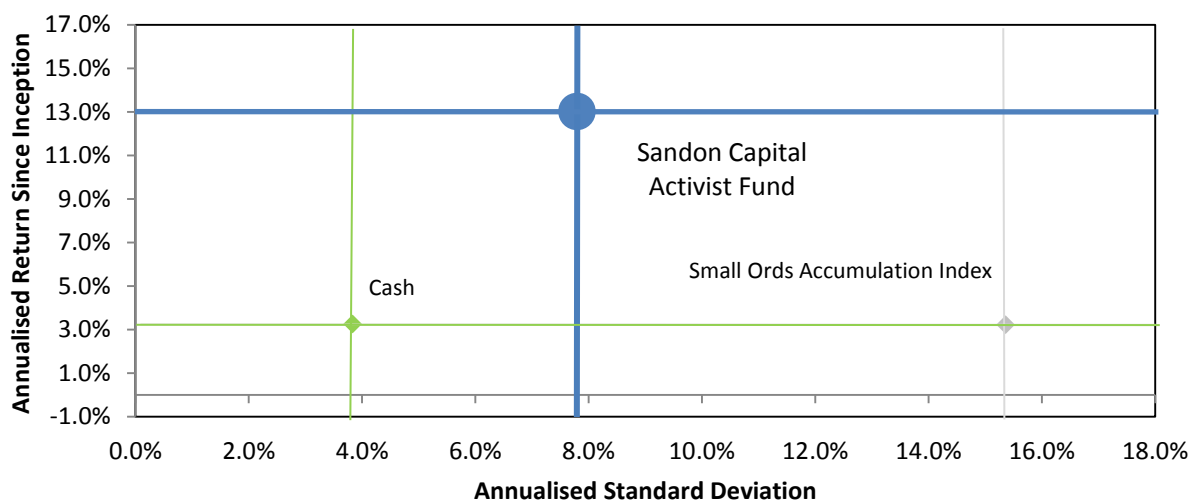
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Growth of \$100,000 invested since inception (assumes reinvestment of distributions)



Comparison of 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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