

## Sandon Capital Activist Fund

May 2013 Monthly Report

Entry/Exit Prices: \$1.3593/\$1.3485

### 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/Withdrawals | Monthly/Quarterly                     |

### Fund Performance (calculated net of all fees, assuming reinvestment of distributions and using unit mid-price. YTD figure is compounded)

|             | Jan   | Feb   | Mar   | Apr  | May   | Jun   | Jul   | Aug   | Sep  | Oct  | Nov   | Dec   | YTD   |
|-------------|-------|-------|-------|------|-------|-------|-------|-------|------|------|-------|-------|-------|
| <b>2009</b> |       |       |       |      |       |       |       |       | 2.5% | 2.4% | -0.9% | 1.0%  | 5.0%  |
| <b>2010</b> | 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% |
| <b>2011</b> | 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%  |
| <b>2012</b> | -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% |
| <b>2013</b> | 2.1%  | 3.2%  | -1.4% | 1.3% | 2.8%  |       |       |       |      |      |       |       | 8.2%  |

### Fund Commentary

The Fund delivered a return of 2.8% in May. Once again, Calliden Group Ltd (CIX) was the top contributor (~1.8%), with its shares rising 24% during the month. There also were solid returns from a number of other holdings. Coventry Group Ltd (CYG) was the laggard of the month, falling almost 13% (-0.7% contribution).

Emerging Leaders Investment Ltd (ELI) completed a rights issue at a 19% discount to the prior month's net tangible asset backing per share. At those metrics, the Fund exercised all its rights, and subscribed, and was allotted, further shares in the rights shortfall facility. By month's end, ELI announced it had received a notice from an ELI shareholder advising it intends to call and hold a general meeting (in contrast to the more common approach of a shareholder requesting directors call and hold the meeting) to remove the incumbent directors and replace them with new directors. This meeting has not yet been called. Previous announcements by ELI relating to this investor suggest the investor is seeking to wind-up ELI, something we expect many shareholders would be happy to consider, given the right price.

We remain cautious about the global macro outlook, as market conditions remain fertile for sentiment to overshoot value (both up and down). The consequences of the significant macro factors at play globally are difficult to predict or quantify.

We remain focused on opportunities that have high levels of tangible assets, marketable securities or cash and whose prospects are somewhat independent of market and economic conditions, as we believe these offer the best risk-adjusted returns in the current environment.

### Portfolio Exposures

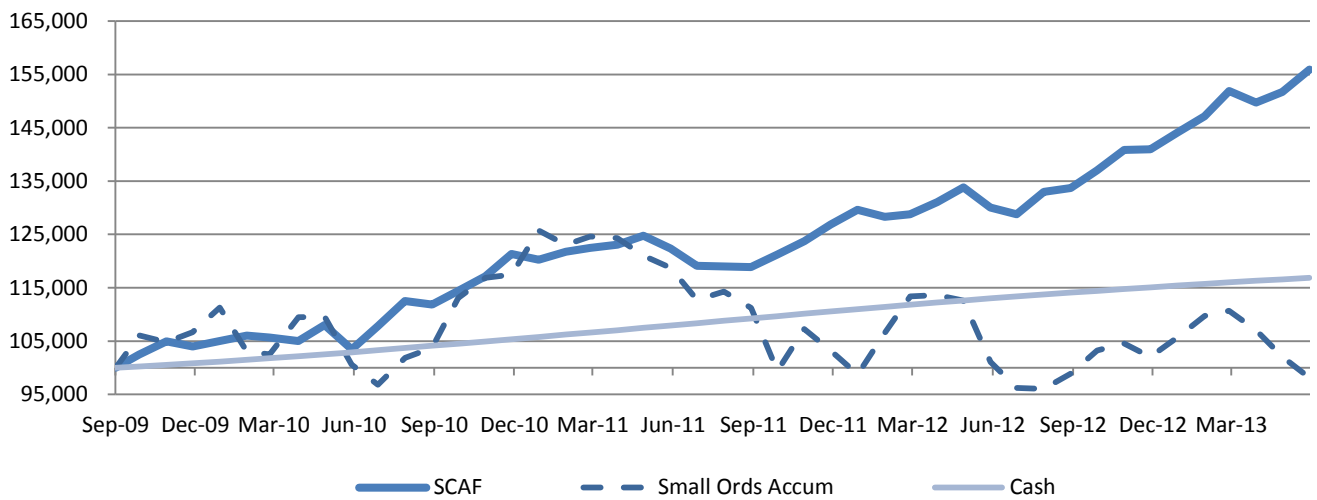
|               |     |                |    |
|---------------|-----|----------------|----|
| Long Exposure | 91% | Long Positions | 21 |
| Cash          | 9%  |                |    |

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.

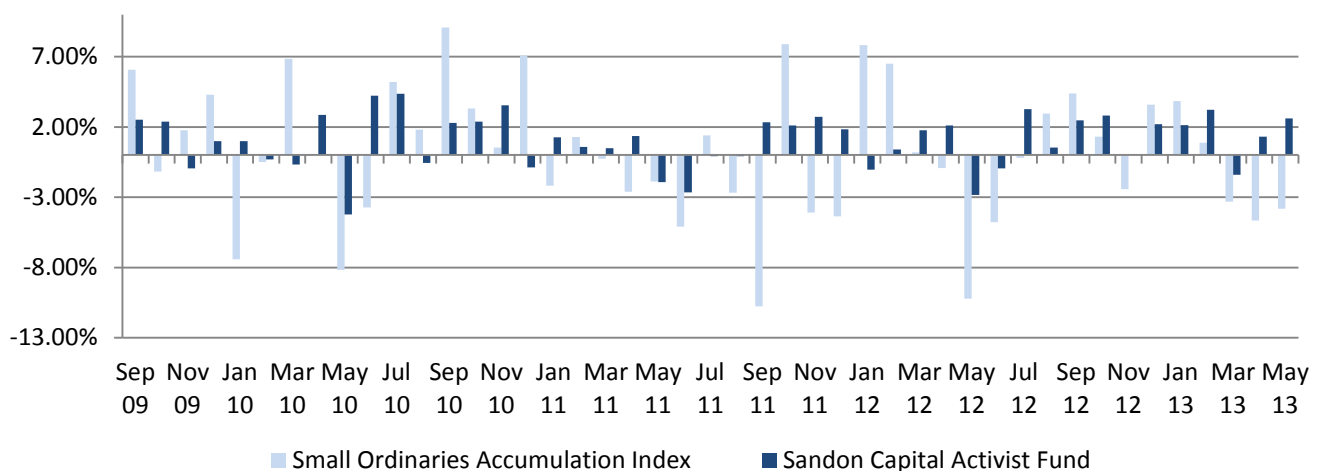
Fund performance is after fees and assumes distributions are reinvested. Past performance is not a reliable guide to future performance. This information has been prepared without taking into account your investment objectives, financial situation, or needs. Before making an investment decision you should 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.

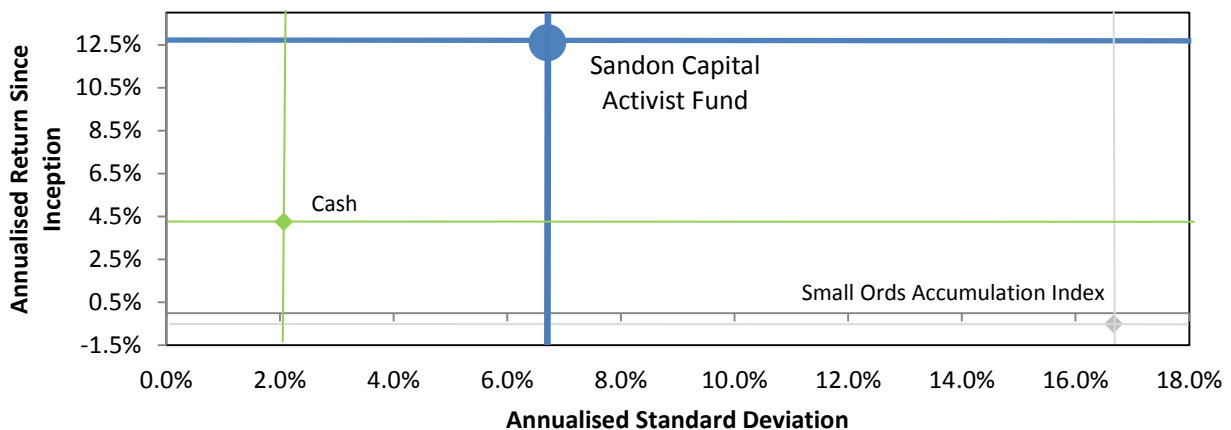
### Growth of \$100,000 invested since inception (assumes reinvestment of distributions)



### Comparison of Monthly Index Returns



### 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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