

SANDON CAPITAL

Sandon Capital Activist Fund

May 2015 Monthly Report

Entry/Exit Prices: \$1.6082/\$1.5954

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 inception	Annualised volatility since inception	Total Return since inception
SCAF	0.2%	12.6%	18.6%	15.9%	14.4%	7.2%	116.7%
S&P/ASX 200	0.4%	9.9%	17.4%	10.3%	9.4%	12.3%	67.6%
Small Ordinaries	2.3%	7.7%	3.6%	2.2%	2.0%	15.8%	12.2%

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%	0.3%	1.0%	0.3%	0.2%								1.4%

Portfolio Exposures

Net Exposure	74%	Long Positions	29
Net Cash	26%	Short Positions	nil

Fund Commentary

The Fund delivered a return of 0.2% in April, bringing total returns (net of all fees and expenses) since inception to the equivalent of 14.4% per annum.

The main contributor to this month's result was AMP China Growth Fund Ltd (AGF), whose share price continued to rise along with increases in the Chinese share market (though the discount to NTA remains persistently high at approximately 25%). Another contributor to the month's result was Warrnambool Cheese & Butter Factory Company Ltd (WCB), whose share price continued to rise. The only recent news in respect of WCB was the completion of its acquisition of the Lion "Every Day Cheese" business, which included the iconic "Coon" brand. We continue to hold the view that WCB remaining a listed entity, with Saputo Inc. as the 87.9% majority shareholder, is not a sustainable long term proposition.

This month also saw the disclosure of two new portfolio positions, Alchemia Ltd (ACL) and BlueScope Steel Ltd (BSL), as foreshadowed in last month's report.

ACL last year reported the failure of Phase III trials for a new drug delivery platform. The value of the company was severely reduced as a result. ACL first came to our attention earlier this year when the share price was much higher than now. After having secured a 10% holding in ACL over two days in late May, Sandon Capital entities now own 13% of ACL. We believe the ACL Board has not moved quickly enough to reduce cash burn, especially since the Phase III trials failed in

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October 2014. Cash is a major asset to the company, and its preservation should have been a long-standing priority.

The other main asset is a profit-share agreement with drug company Dr Reddy's Laboratories for the manufacture and sale of a drug known as fondaparinux. ACL recently announced that the March quarter profit share was \$1.25 million, lower than had been anticipated. It also announced there was a dispute regarding the calculation of the profit share.

We wrote to the former Chairman on 29 May 2015, outlining our initial concerns. This letter will be made available on our website. The latest announcements from ACL released on 10 June 2015, in which two directors resigned and some cost cutting was outlined, have not allayed our concerns. ACL was the main detractor to the month's result.

During May, we also established a position in BSL. At current market prices we believe BSL may well be the cheapest steel company in the world. Our shareholder update contains a brief outline of our investment thesis, and a more comprehensive presentation will be released shortly. The presentation will be published in our website www.sandoncapital.com.au

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

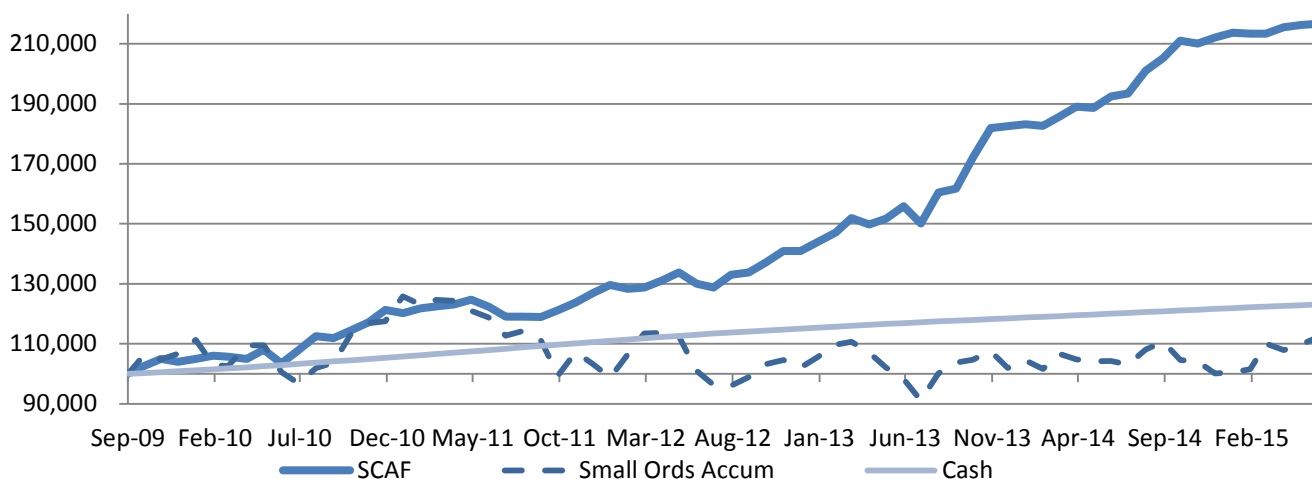
Structure	Wholesale unit trust	Minimum Investment	\$250,000 (or as agreed with trustee)
Trustee	Fundhost Ltd	Trustee Fees	0.21%
Custodian	National Australia Bank	Management Fees	1.33%
Fund Auditor	EY	Performance Fees	15.375% of returns above cash
Investment Manager	Sandon Capital Pty Ltd	Highwater Mark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

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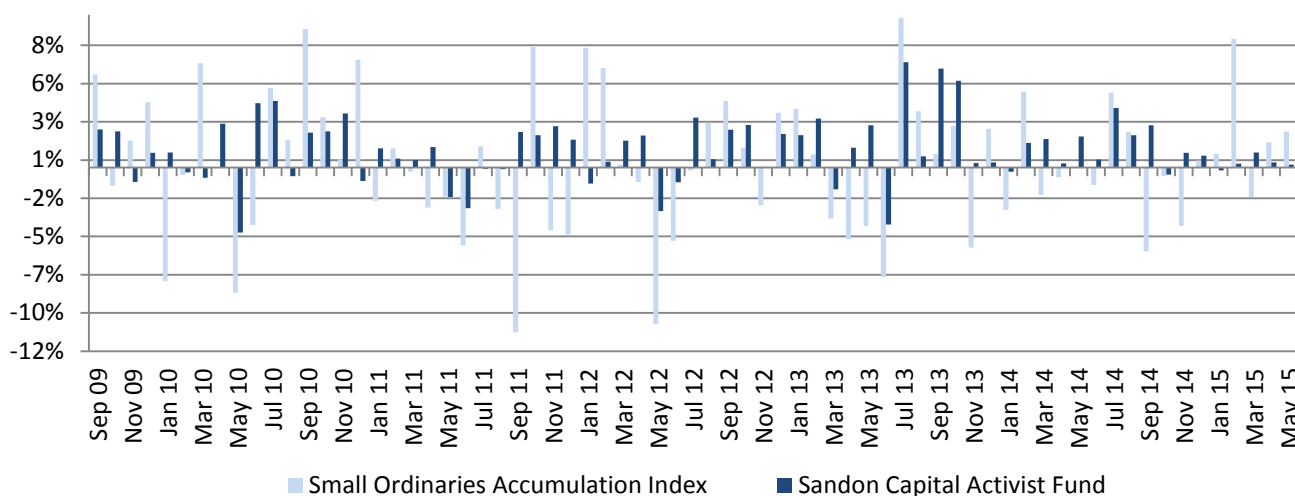
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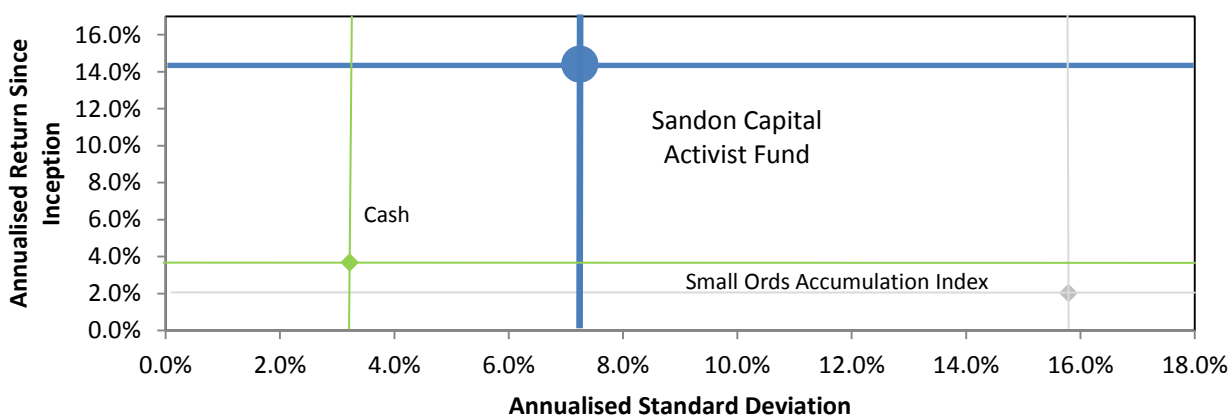
Growth of \$100,000 invested since inception (assumes reinvestment of distributions)



Comparison of 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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