

# SANDON CAPITAL

## Sandon Capital Activist Fund

May 2017 Monthly Report

Entry/Exit Prices: \$1.6405/\$1.6275

### 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	-1.3%	9.8%	8.3%	13.5%	12.2%	7.8%	144.5%
S&P/ASX 200 Accum.	-2.8%	11.1%	6.0%	11.9%	8.0%	12.3%	81.8%
Small Ordinaries Accum.	-2.1%	3.5%	6.0%	4.2%	2.8%	15.2%	24.3%

### 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%	-2.0%	-1.3%								-2.3%

### Portfolio Exposures

Net Exposure	86%	Long Positions	33
Net Cash	14%	Short Positions	1

### Fund Commentary

The Fund delivered a -1.3% return for May, bringing total returns (net of all fees and expenses) since inception to the equivalent of 12.2% per annum. Cash levels ended the month at approximately 14%.

Consolidated Operations Group Ltd (COG), formerly known as Armidale Investment Corporation Ltd, was the main detractor (~-1.8%) for the month. In our opinion, the 1-for-4 non-renounceable rights issue at 12 cents per share continued to weigh upon the COG share price throughout the month. An announcement made by the company during the month provided much needed colour on the emerging earnings profile. The new acquisitions being funded by the rights issue proceeds are anticipated to generate more than 48% growth in earnings before interest, taxes, depreciation and amortisation ("EBITDA"). This does not include any like-for-like growth in existing businesses. If the full year results are able to demonstrate growth, which we think they will, there will be more credence provided to the COG growth story by the market.

Iluka Resources Ltd (ILU) was the largest positive contributor (~0.8%). ILU reported a \$130 per tonne zircon price increase for the third quarter of 2017, which represents a 13% increase. Mineral Deposits Ltd (MDL), another mineral sands producer, which has a 50% interest in the TiZir joint venture with French company ERAMET, also made a positive contribution (~0.5%). TiZir owns a mineral sands operation in Senegal and slag furnace in Norway.

Fleetwood Corporation Ltd (FWD) contributed approximately 0.7% to the month's return. Subsequent to month end, funds managed by Sandon Capital and its associates submitted a requisition under s 249D of Corporations Act. A resolution will be put to shareholders seeking amendments to the constitution that will have the effect, if passed by special resolution, of facilitating the declaration of dividends by the FWD directors. Further, the company announced the retirement of Mr Greg Tate, a former managing director and non-executive director, as well as the long awaited appointment of a Chief Financial Officer, Mr Andrew Wackett, formerly of Macquarie Bank. We welcome both these changes.

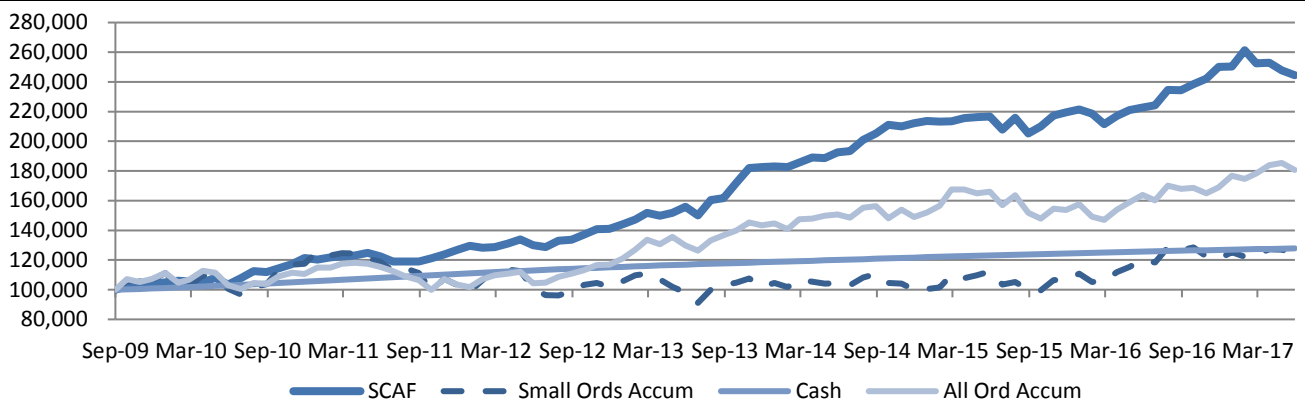
## Fund Description

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.

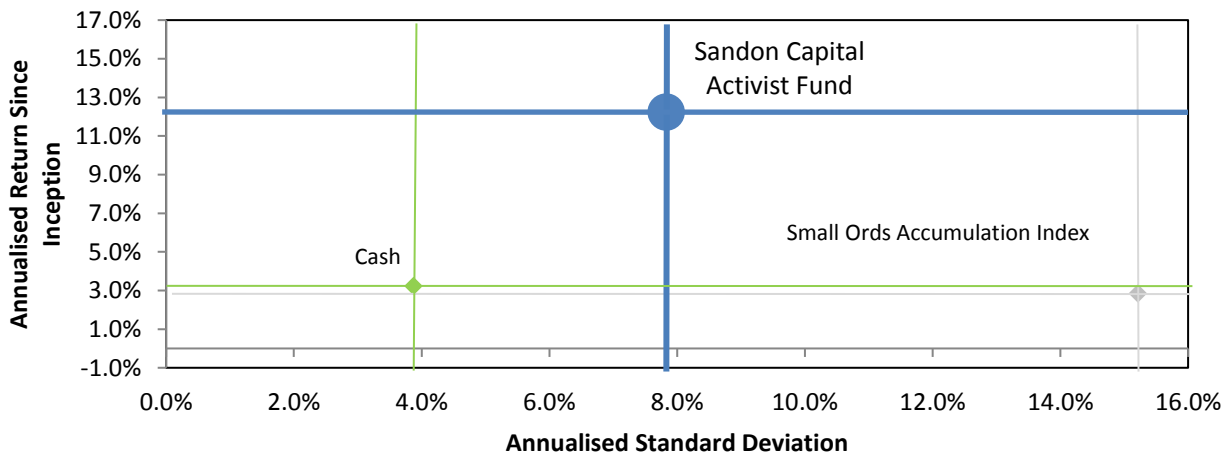
## Fund Details

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

## 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.

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.

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.