

SANDON CAPITAL

Sandon Capital Activist Fund

May 2019 Monthly Report

Entry/Exit Prices: \$1.8537/\$1.8390

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	2.7%	10.9%	10.1%	9.1%	11.8%	8.0%	196.8%
S&P/ASX 200 Accum.	1.6%	11.0%	10.6%	7.7%	8.5%	11.7%	121.2%
Small Ordinaries Accum.	-1.3%	2.1%	9.8%	8.8%	4.9%	14.6%	59.0%

Net Monthly Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
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%	1.7%	1.3%	3.9%	-2.6%	0.2%	0.4%	2.9%	5.5%
2018	1.4%	-3.6%	2.2%	-0.2%	1.6%	3.1%	2.1%	3.0%	2.6%	-4.6%	-1.8%	-4.0%	1.3%
2019	0.2%	3.3%	1.0%	3.2%	2.7%								10.9%

Portfolio Exposures

Net Exposure	95%	Long Positions	30
Net Cash	5%	Short Positions	2

Fund Commentary

The Fund return for May 2019 was 2.7%, bringing total returns (net of all fees and expenses) since inception to the equivalent of 11.8% per annum. Cash levels ended the month at approximately 5%.

The main contributors to this month's result were Iluka Resources Ltd (ILU) (~1.0%), City Chic Collective Ltd (CCX) and Consolidated Operations Group Ltd (COG) each contributing approximately 0.7%. Detractors were few, and those had minimal impact. There was nothing particularly notable emanating from any of these companies, so we have no further comment.

During the month we voted the Fund's shares in Spicers Ltd in favour of the proposed scheme of arrangement with Kokusai Pulp and Paper. We believe this transaction is the best outcome that could have been achieved. We applaud the Board for having delivered this proposal to shareholders. We hope other shareholders see fit to do the same as we have. If the scheme is approved, cash levels will be boosted by nearly 7%, which we expect to redeploy into new opportunities that are presenting themselves.

We note the Australian Federal election outcome (in which the government retained power) seems to have been largely well received by the investment community and markets more generally. Any optimism though is tempered by global volatility and concerns over trade wars between the US and, it seems, everyone bar Australia! A solid relationship indeed.

These outcomes of these clashes of titans are difficult, nigh on impossible to predict, so we won't even try. Care and caution are operative at Sandon Capital, as always, perhaps more elevated than usual.

Whilst cash levels are currently at historically low levels, we do expect ~8% of the portfolio to be returned as cash by mid-July. We continue to find attractive opportunities to redeploy this cash.

Fund Update: The Information Memorandum Constitution for the Fund is currently being updated. Most changes are minor and administrative in nature. The Trustee is also proposing, at Sandon Capital's request, to allow up to 15% of the portfolio to be invested outside of Australia. This will bring the mandate into harmony with the others managed by Sandon

Capital. The current international investments of Sandon Capital have been in New Zealand. There are no current plans to invest outside of Australia, but the changes will provide the ability to do so in future.

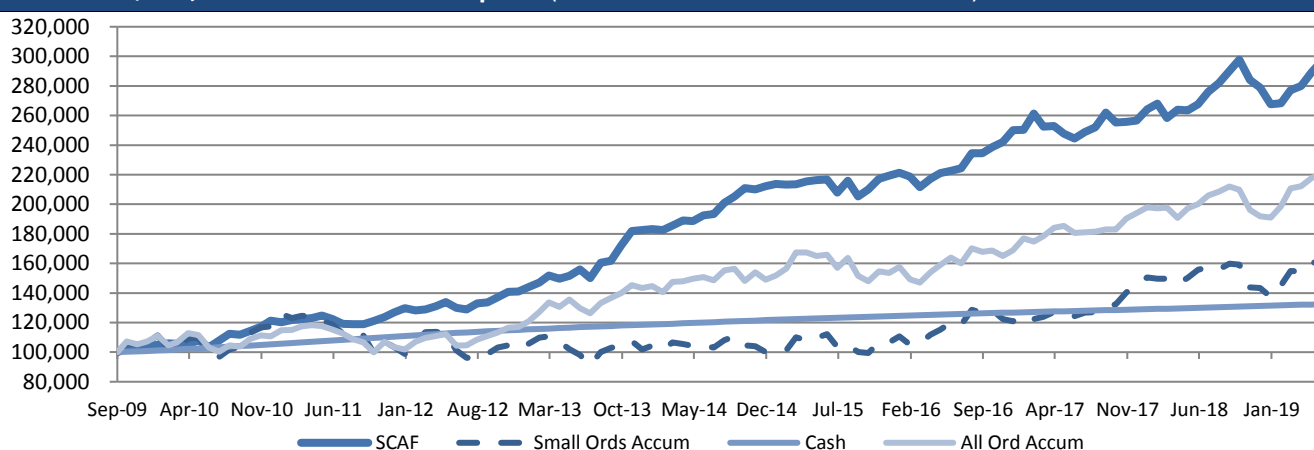
Fund Description

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.

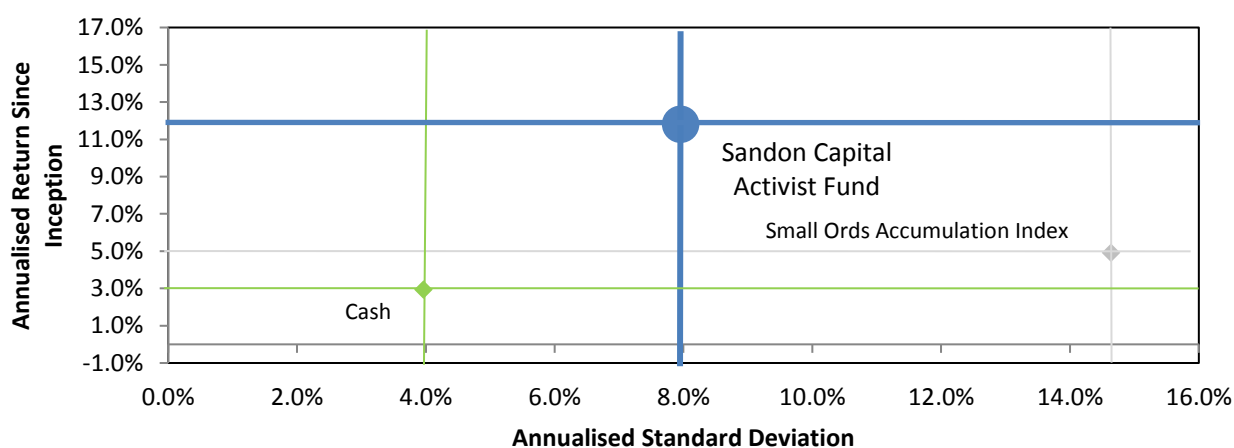
Fund Details

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.