

SANDON CAPITAL

Sandon Capital Activist Fund

November 2015 Monthly Report

Entry/Exit Prices: \$1.5368/\$1.5246

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 | 1.0% | 3.5% | 15.9% | 12.6% | 13.4% | 7.8% | 119.4% |
| S&P/ASX 200 Accum. | -0.7% | 1.9% | 9.4% | 7.2% | 7.1% | 12.7% | 53.7% |
| Small Ordinaries Accum. | 0.0% | 6.5% | 1.5% | -1.9% | 1.0% | 15.9% | 6.6% |

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% | | 2.6% |

Portfolio Exposures

| | | | |
|--------------|-----|-----------------|-----|
| Net Exposure | 83% | Long Positions | 33 |
| Net Cash | 17% | Short Positions | nil |

Fund Commentary

The Fund delivered a return of 1.0% in November, bringing total returns (net of all fees and expenses) since inception to the equivalent of 13.4% per annum.

In previous months we have noted that any turmoil will likely provide good opportunities for adding to existing positions as well as providing new opportunities. November continued to provide such opportunities.

The main contributor to this month's performance was Armidale Investment Corporation Ltd (AIK) (~1.3% contribution), which announced a non-renounceable rights issue following its AGM on 26 November. We were particularly pleased with the AGM commentary as the company reaffirmed its \$31m lease origination target for FY2016, which represents a 38% increase on the prior year. Further information was also provided on Platform Finance Group, in which AIK plans to take a 60% equity stake. We found AIK's presentation to be far more informative and user-friendly than in past years, something we believe will facilitate new investors' understanding of the company. We plan to take up all the rights to which SCAF is entitled.

During the month, we made some press comments regarding one of our portfolio positions, Tatts Group Ltd (TTS), which announced it had ceased discussions with Tabcorp Ltd (TAH) regarding a nil premium merger of the two businesses. We believe such a merger would not be in the best interests of TTS shareholders and a transaction would, to paraphrase Peter Lynch, be an exercise in "diworsification". The publicly canvassed rationale for such a merger is largely down to

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the perceived benefits of combining the wagering operations of the two companies. We believe a spin-off of the wagering business would offer TTS shareholders a better outcome, and still leave open a bid by TAH for the demerged wagering entity. In our view, the jewel in the TTS crown is the lottery business which we view as akin to an infrastructure asset. We plan to release a presentation outlining our thesis in coming weeks.

During December we anticipate further news from Alchemia Ltd, regarding its plans to return capital to shareholders.

The remainder of the portfolio reported small rises and declines in price for the month. We do not consider any of these 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

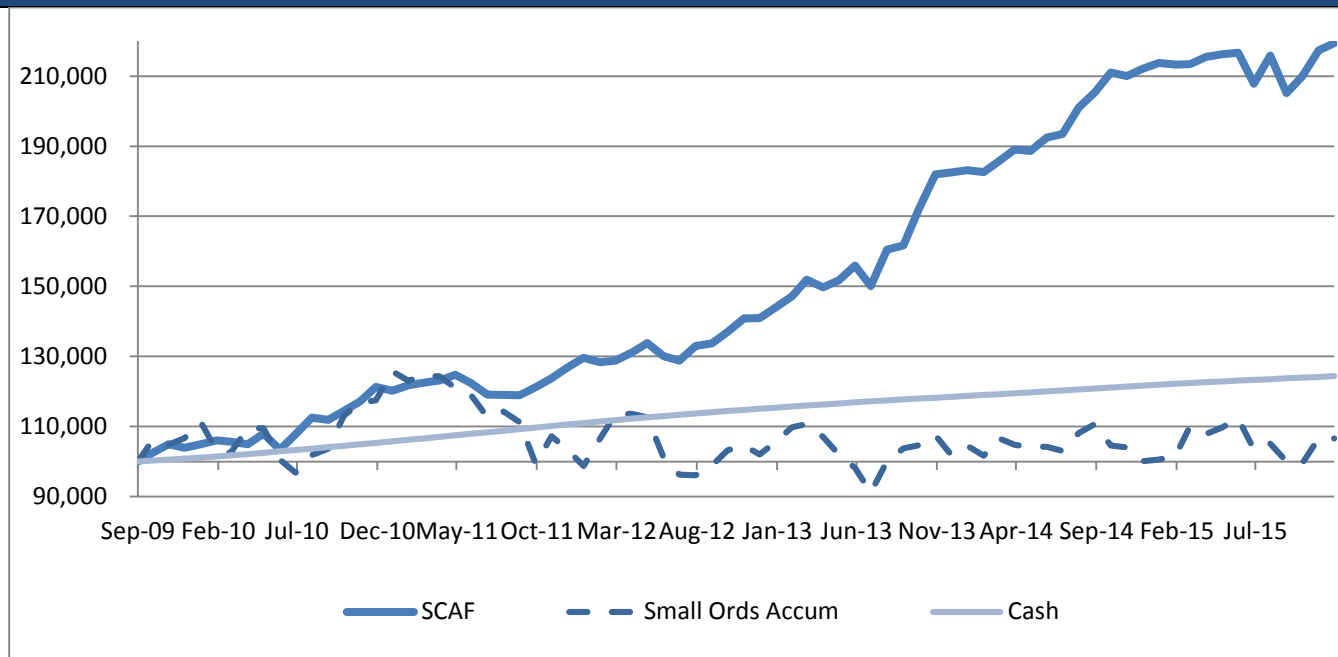
| | | | |
|--------------------|--|--------------------------|---------------------------------------|
| Structure | Wholesale unit trust | Minimum Investment | \$250,000 (or as agreed with trustee) |
| Trustee | Fundhost Ltd | Trustee Fees | 0.21% |
| Custodian | National Australia Bank | Management 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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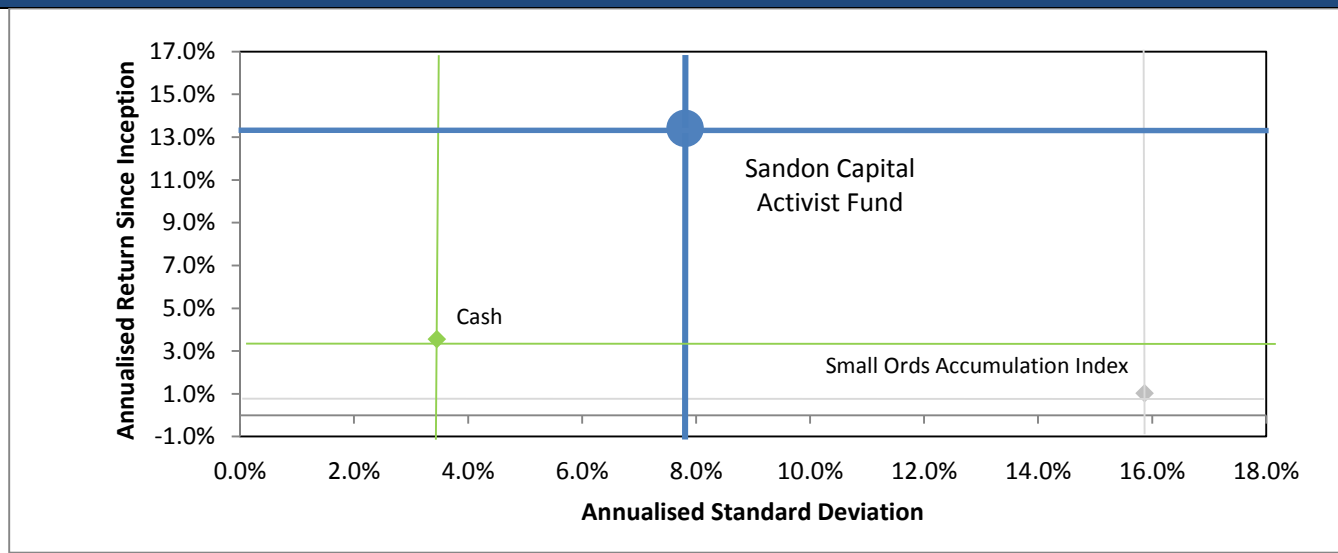
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Growth of \$100,000 invested since inception (assumes reinvestment of distributions)



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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