

SANDON CAPITAL

Sandon Capital Activist Fund

November 2016 Monthly Report

Entry/Exit Prices: \$1.6778/\$1.6644

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	3.3%	14.0%	11.1%	14.5%	13.5%	7.7%	150.1%
S&P/ASX 200 Accum.	3.0%	10.0%	5.4%	10.6%	7.5%	12.5%	69.1%
Small Ordinaries Accum.	-1.2%	13.5%	5.9%	3.2%	2.7%	15.6%	21.0%

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%		13.0%

Portfolio Exposures

Net Exposure	79%	Long Positions	33
Net Cash	21%	Short Positions	1

Fund Commentary

The Fund delivered a 3.3% return for November, bringing total returns (net of all fees and expenses) since inception to the equivalent of 13.5% per annum. Cash levels ended the month at approximately 21%.

Armidale Investment Corporation Ltd (AIK) made the largest contribution to this month's return (~3.9%) as its share price rose strongly throughout the month. AIK announced during the month that it was moving away from being a listed investment company and would henceforth report results on a consolidated basis. We believe this is an important move to improve the visibility of AIK's earning potential. We look forward to the half year results in early 2017.

The main detractor for the month was RNY, which announced a material reduction in NTA following the receipt of bids for some portfolio properties. This was disappointing to say the least, and the share price reacted commensurately. We have considered various courses of action in respect of RNY, but to date have not yet found one that might improve our likely outcome.

During the month we continued to build the Fund's position in its latest activist target, Iluka Resources Ltd (ILU). In early December, Sandon Capital released a presentation outlining its thesis that ILU was undervalued and should spin-off its valuable iron ore royalty. The thesis was made public after correspondence with the company led us to conclude the status quo would prevail absent public engagement. This analysis is available on our website at www.sandoncapital.com.au in the "Campaigns" section.

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.

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The Tatts Group Ltd (TTS) / Tabcorp Ltd (TAH) merger proposal took a new twist during the month when TAH conducted a raid on TTS buying a 9.9% stake. Despite TAH statements portraying the acquisition as innocuous (viz “to help facilitate the proposed combination of” TAH and TTS), we believe the move was a rear-guard action to provide TAH with some protection against interlopers that might seek to get in on the action. Time will tell. We remain convinced the proposed transaction significantly undervalues TTS, especially its lotteries business.

Fleetwood Corporation Ltd (FWD) held its AGM during the month. New Chairman, Phillip Campbell, gave a comprehensive mea culpa, admitting a “number of fundamental mistakes” were made. We agree, and believe that such admissions are the first step to effecting a genuine turnaround. We remain convinced that further board changes are required and look forward to the company’s half year results announcement in early 2017.

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

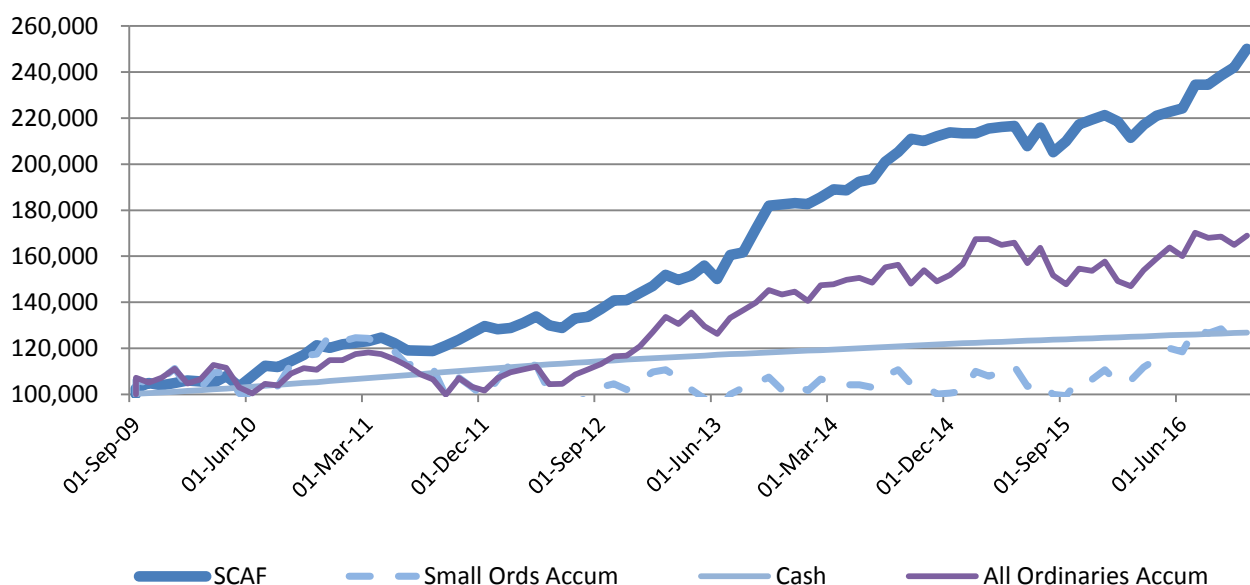
Structure	Wholesale unit trust	Minimum Investment	\$250,000 (or as agreed with trustee)
Trustee	Fundhost Ltd	Trustee Fees	0.21%
Custodian	National Australia Bank	Management Fees	1.33%
Fund Auditor	EY	Performance Fees	15.375% of returns above cash
Investment Manager	Sandon Capital Pty Ltd	Highwater Mark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

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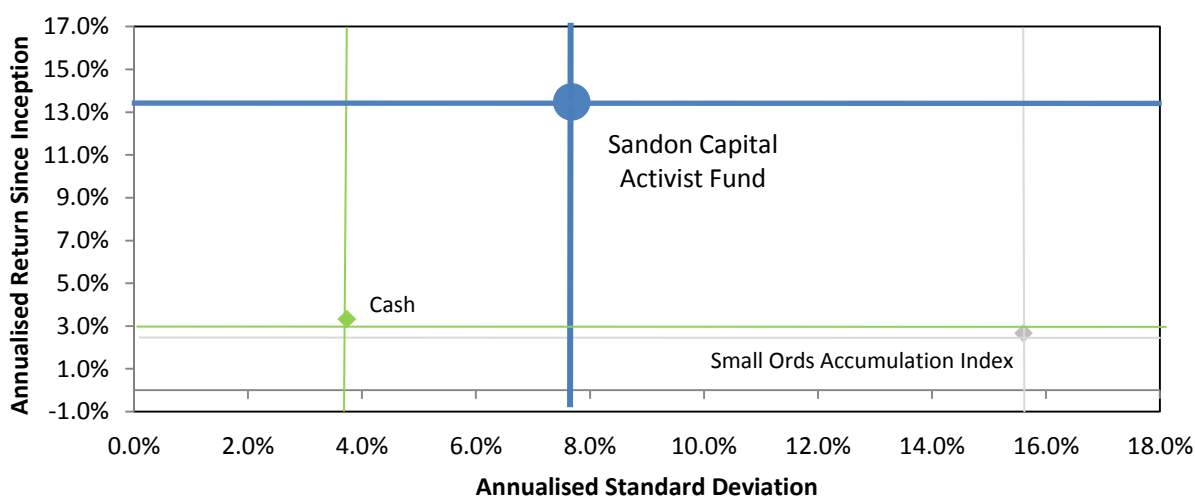
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Growth of \$100,000 invested since inception (assumes reinvestment of distributions)



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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