

# SANDON CAPITAL

## Sandon Capital Activist Fund

November 2017 Monthly Report

Entry/Exit Prices: \$1.6031/\$1.5903

### 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	0.4%	2.6%	6.6%	12.7%	12.1%	7.8%	156.7%
S&P/ASX 200 Accum.	1.6%	14.6%	8.7%	10.6%	8.4%	12.0%	93.9%
Small Ordinaries Accum.	3.9%	20.5%	13.4%	7.4%	4.7%	15.0%	45.8%

### 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%	1.7%	1.3%	3.9%	-2.6%	0.2%	0.4%		2.5%

### Portfolio Exposures

Net Exposure	80%	Long Positions	28
Net Cash	20%	Short Positions	1

### Fund Commentary

The Fund delivered a 0.4% return for November, bringing total returns (net of all fees and expenses) since inception to the equivalent of 12.1% per annum. Cash levels ended the month at approximately 20%.

FWD was the main contributor this month (~0.6%). The AGM comments on RV Manufacturing (that 2017 earnings were “unsatisfactory”) did not surprise us and do not cause us to change our view of that business. The company announced that an external consultant had been engaged to conduct a “comprehensive review” of the RV business. Subsequent to month end, FWD announced that another business that had been under strategic review – Flexiglass Challenge – was to be divested to Aeroklas Australia for \$7m. This amount was within our estimated range for the value of the business (\$5-10m) and will result in reduced working capital on FWD’s Balance Sheet and the elimination of an estimated \$1-2m of losses. Modular accommodation, our favoured business segment, was lauded (with good reason). The education sector commentary indicated this should become an increasingly important contributor to FWD’s prosperity. Until FWD deals effectively with RV underperformance and reduces working capital, the company will not realise its full potential.

Consolidated Operations Group Ltd (COG) was the main detractor as the share price continued to oscillate between 11 and 12 cents per share. The AGM update was mixed, with good results being reported in the leasing business and tougher conditions reported in finance broking. Our main frustration though remains with the communications strategy. We believe better, more effective market communication would go a long way in enhancing the market’s understanding of COG (and as a result its share price). Funds managed by Sandon Capital voted against the re-election of both the chairman and a non-executive director as a means of expressing our frustration. We considered, and decided against, voting against the remuneration report.

The shareholder vote on the Tatts Group (TTS) / Tabcorp Limited (TAH) Scheme of Arrangement took place on 12 December. Funds managed by Sandon Capital have voted against the Scheme of Arrangement. The Scheme was approved by TTS shareholders. This is a frustratingly lost opportunity for TTS shareholders, though a profitable one for the Fund.

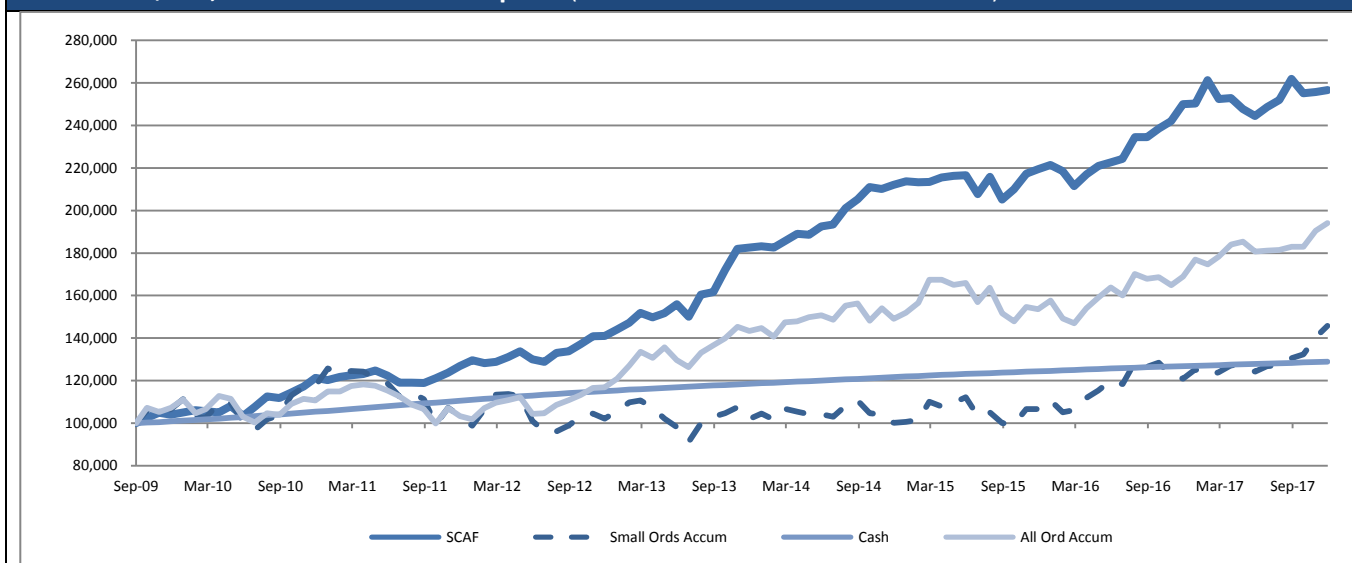
## Fund Description

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.

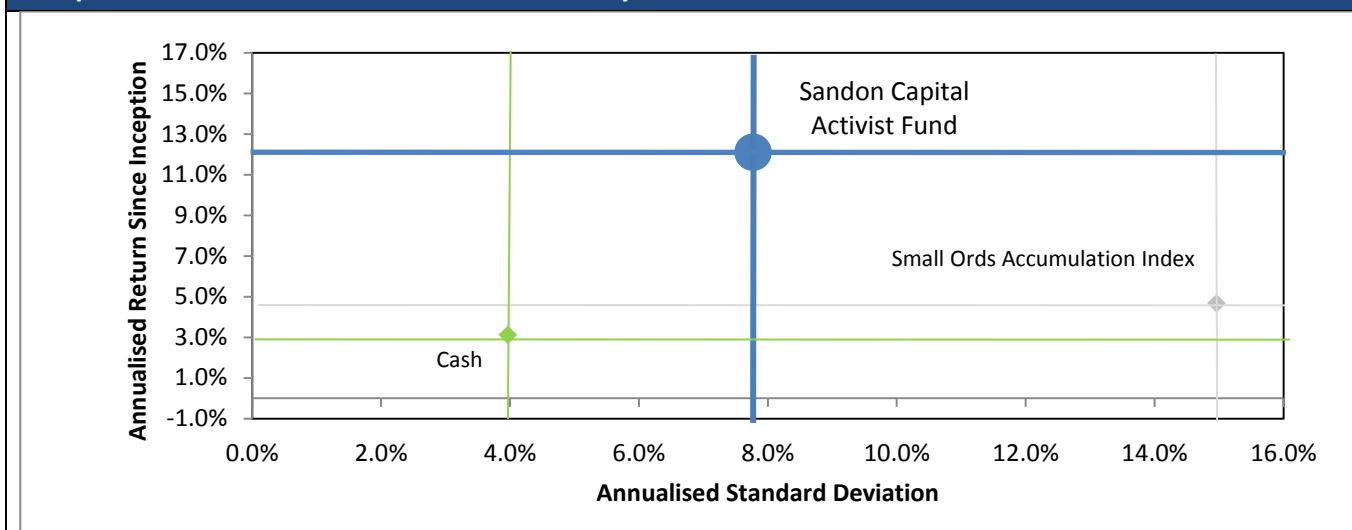
## Fund Details

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.