

SANDON CAPITAL

Sandon Capital Activist Fund

November 2020 Monthly Report

Entry/Exit Prices: \$1.8748/\$1.8598

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 years (p.a.)	5 years (p.a.)	10 years (p.a.)	Annualised since Fund inception	Annualised volatility since Fund inception	Total Return since Fund inception
SCAF	6.6%	7.3%	9.2%	8.8%	10.7%	11.3%	13.1%	234.4%
S&P/ASX 200 Accum.	10.2%	-2.0%	6.9%	9.1%	8.1%	8.0%	13.7%	137.1%
Small Ordinaries Accum.	10.3%	6.0%	6.7%	10.7%	4.2%	5.2%	16.9%	77.2%
Cash	0.0%	0.4%	1.3%	1.5%	2.4%	2.6%	4.6%	33.8%

Portfolio Exposures

Net Exposure	99%	Long Positions	30
Net Cash	1%	Short Positions	1

Fund Commentary

The Fund return for November 2020 was +6.6%, bringing total returns (net of all fees and expenses) since inception to the equivalent of 11.3% per annum. Cash levels ended the month at approximately 1%.

Key contributors to the month's returns included Fleetwood Ltd (FWD) (+2.2%), COG Financial Services Ltd (COG) (+1.2%), Deterra Royalties Ltd (DRR) (+0.6%) and City Chic Collective Ltd (CCX) (+0.6%). Buoyed by a strong market, a number of other positions were also positive contributors to the month's strong return. The major negative contributor was Alliance Resources Ltd (AGS) (-1.1%).

There was significant change announced at Board and management level at FWD during the month. Initially, the Managing Director announced his resignation. This was followed by the Chairman announcing at the Annual General Meeting (AGM) that he would be bringing forward his retirement to early 2021. Following the AGM, John Klepec, who is Executive Chairman at Wellard Ltd (WLD), was appointed to the FWD Board. We are also substantial shareholders in WLD and believe John has done an exceptional job at that company turning around a business that was previously bleeding cash, had a heavily levered balance sheet and a flawed business model. We look forward to John bringing his skills to bear at FWD. We believe the company has an enormous opportunity in the manufactured accommodation market over the next 5-10 years and we look forward to a refreshed Board and management team taking advantage of the numerous organic and inorganic opportunities available.

Following the demerger from Iluka Ltd (ILU), the DRR share price has performed strongly with the company now having a market capitalisation in excess of \$2.5bn. When we first went public with our campaign arguing for ILU to demerge its Mining Area C (MAC) royalty in November 2016, we valued the asset at \$1.6-1.8bn. This was predicated on expanded MAC production of 110Mtpa and an iron ore price of US\$60/t. Whilst our valuation was more than double the consensus broker valuations for the MAC royalty at the time, it is now apparent we were too conservative. With an expanded MAC now expected to produce ~140Mtpa at full capacity and using a long-term iron ore price of \$70/t (vs spot at >US\$140/t), we believe the MAC royalty could be worth north of \$3bn (equating to a DRR share price >\$6). Suffice it to say, the decision by the ILU Board to demerge the MAC royalty has been well and truly vindicated. DRR remains a core holding for the portfolio.

AGS announced a disappointing update regarding its gold resources, with further feasibility work seeing the resource base downgraded by 16% from the initial estimate produced in 2018. Whilst disappointing, we do not believe this is terminal for the development of the mine and expect to hear more about a definitive feasibility study in 2021. On the positive side, the company announced its maiden iron ore resource. Given the current strong pricing environment for iron ore and the relatively short time frame with which the product can be brought to market, we believe the economic prospects for gold and iron ore production at AGS' Weednanna deposit are both very good.

Whilst the market has rebounded strongly post the COVID-19 induced lows reached in March, we continue to find unloved and undervalued stocks, predominantly at the smaller end of the market. We hope to discuss one idea in the near future and others in 2021 once we finish accumulating positions. Whilst 2020 has been a volatile year for the portfolio, the YTD performance of 8.9% is well ahead of large and small cap indices in Australia. Many of our companies currently have post-pandemic tailwinds and yet remain moderately priced, with solid prospects for continued share price appreciation in 2021.

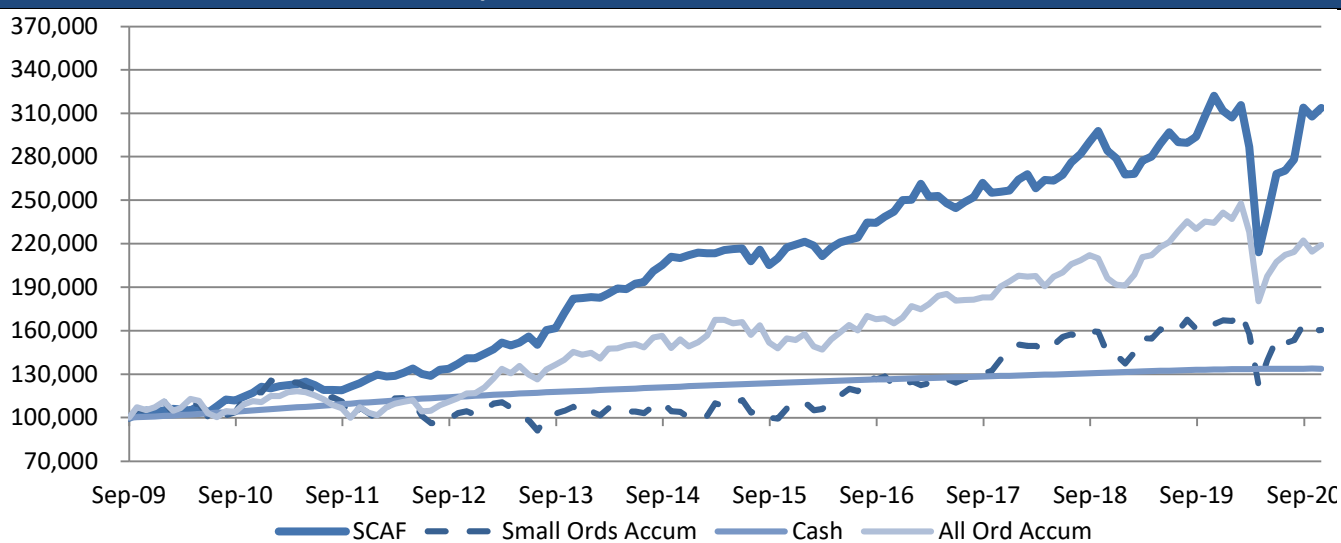
Fund Description

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.

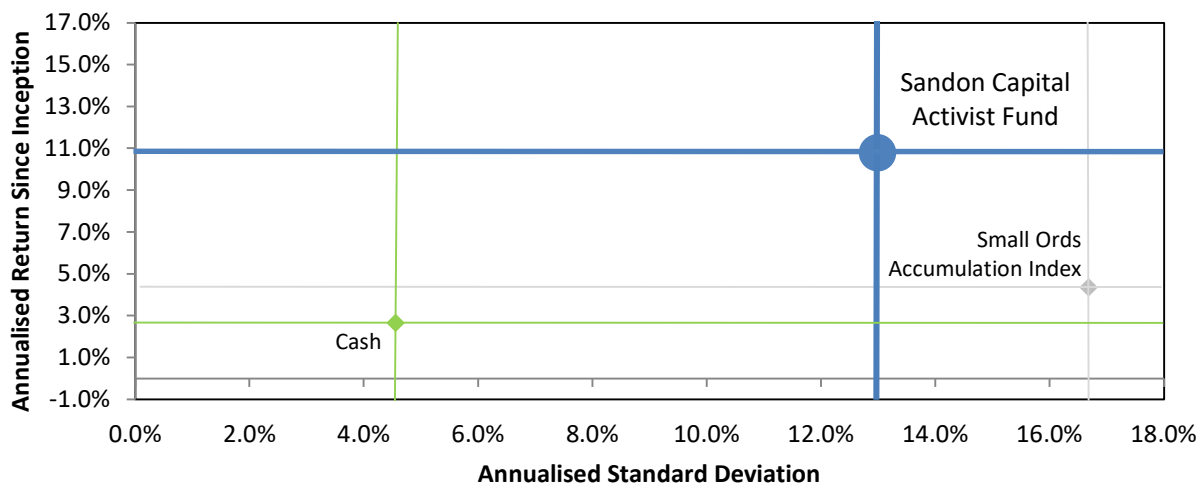
Fund Details

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 July 2019. In particular, it is important that you understand the risks associated with an investment in the Fund set out on page 5 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.