

## Sandon Capital Activist Fund

October 2011 Monthly Report

Entry/Exit Prices: \$1.1276/\$1.1186

### 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%
Investment Manager	Sandon Capital Pty Ltd	Performance Fees	15.375% of returns above cash
Website	www.sandoncapital.com.au	Buy/Sell Spread	±0.40%
Inception	4 Sep 2009	Applications/Withdrawals	Monthly/Quarterly

### Fund Performance (calculated net of all fees, assuming reinvestment of distributions and using unit mid-price. YTD figure is compounded)

	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%			2.9%

### Fund Commentary

The Fund returned 2.1% in October. The Small Ordinaries and the S&P/ASX200 Accumulation Indices were up 7.9% and 7.3% respectively, as market volatility continued unabated.

Signature Capital Investments Limited (SGI), up 10.5%, contributed ~1.2% to this month's result. During the month, engagement activity increased, particularly with shareholder lobbying. The requisitioners, who are advised by Sandon Capital, lobbied other SGI shareholders with their intention to propose a buy-back at 98% of NTA for all shareholders. Subsequent to month end, the Company announced it too would revise its proposal to 98% of NTA, following which the resolutions proposed by our client, were defeated – *the battle was lost, but the war was won* (by obtaining a substantial increase in both the scale and price of the buy-back). Although not reflected in the share price, as shares now trade ex-entitlement to participate in the buy-back, we expect to obtain an exit well above the current share price, providing the NTA remains stable. Our final result will be determined by the applicable NTA, and the extent of any scale-back (and share price of any shares not successfully tendered).

We remain cautious about the global macro outlook. As noted in prior reports, further government or central bank responses in the US and Europe might yet drive an equity market rebound, but will not likely, in our view, address core issues. The consequences of these and other significant macro factors at play globally, are difficult to predict or quantify.

Despite our continuing and longstanding caution about the macro picture, we found opportunities, at what we considered attractive prices, to deploy some of our cash. We established small positions in three new companies, which we believe offer sound prospects for the Fund. We will discuss them in due course. We also added to the Coal & Allied position, as this is currently offering prospective returns to completion in mid-December 2011 well above those from cash, with what we consider limited risks.

We are focused on opportunities that have high levels of tangible assets, marketable securities or cash, as we believe these offer the best risk-adjusted returns in the current environment.

### Portfolio Exposures

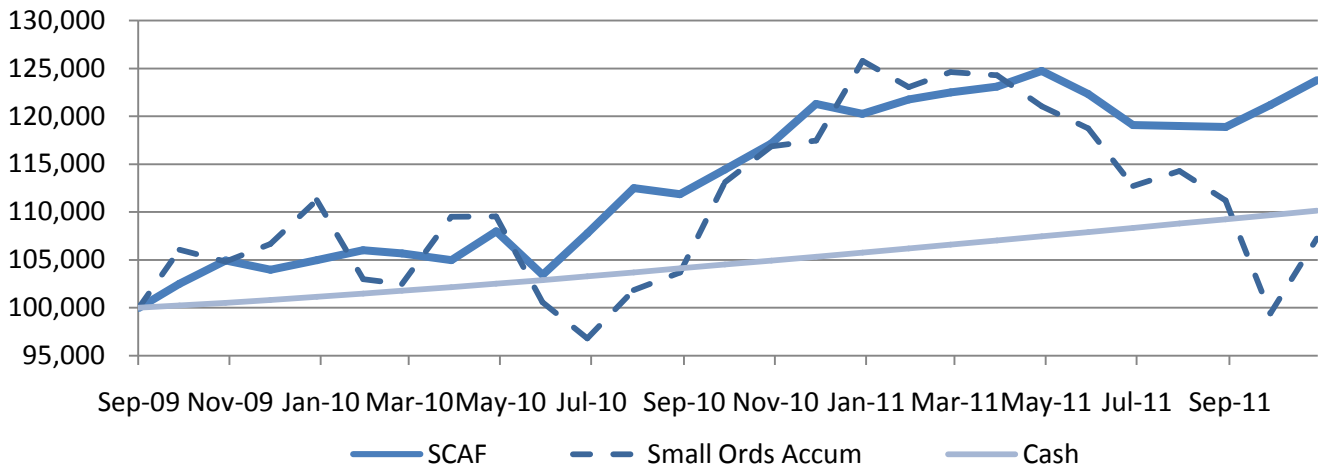
Long Exposure	66%	Long Positions	11
Cash	33%		

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 18 December 2009. In particular, it is important that you understand the risks associated with an investment in the Fund set out on page 9 of the IM.

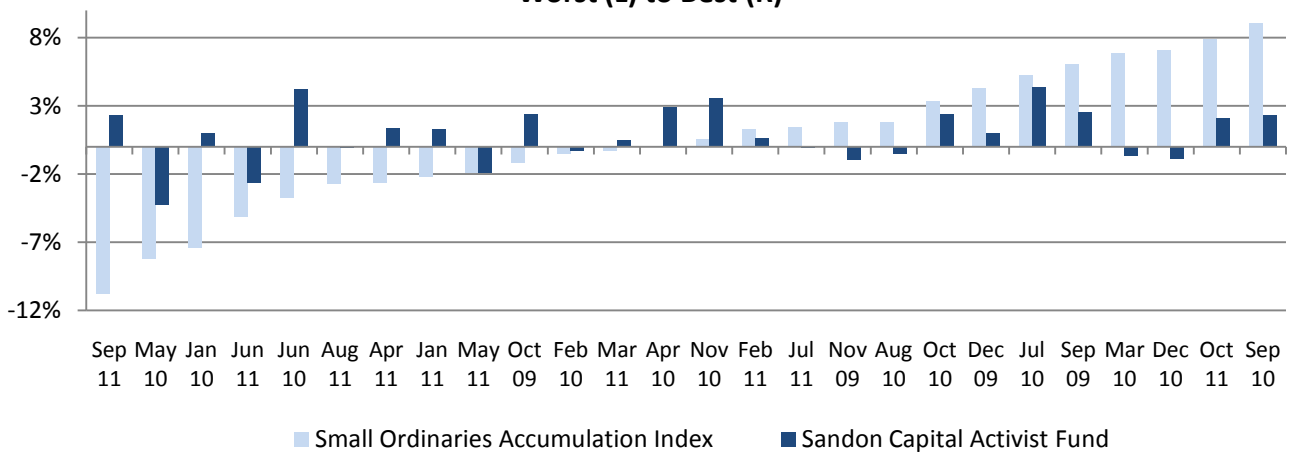
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### Growth of \$100,000 invested since inception (assumes reinvestment of distributions)

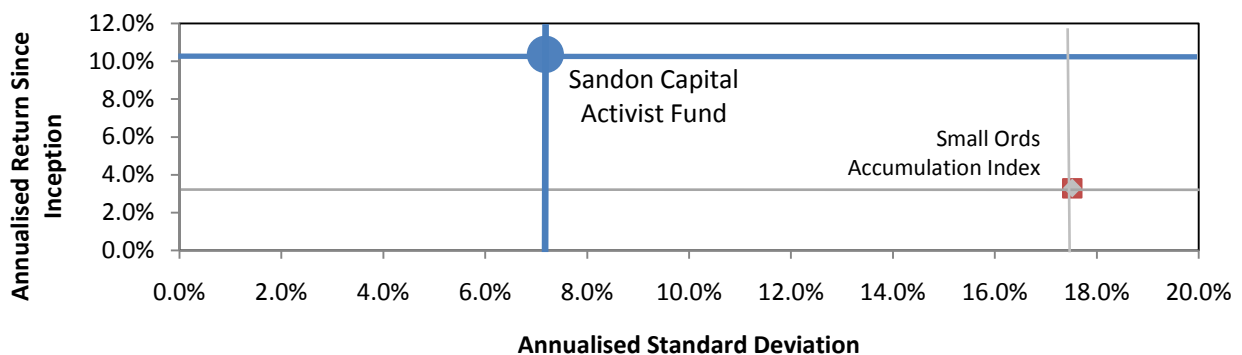


### Comparison of Monthly Index Returns

#### Worst (L) to Best (R)



### 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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