

SANDON CAPITAL

Sandon Capital Activist Fund

October 2015 Monthly Report

Entry/Exit Prices: \$1.5219/\$1.5098

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	3.5%	3.4%	15.5%	13.1%	13.4%	7.9%	117.3%
S&P/ASX 200 Accum.	4.4%	-0.7%	9.8%	7.1%	7.3%	12.7%	54.8%
Small Ordinaries Accum.	7.1%	2.4%	0.6%	-1.8%	1.0%	16.0%	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%			1.6%

Portfolio Exposures

Net Exposure	76%	Long Positions	28
Net Cash	24%	Short Positions	nil

Fund Commentary

The Fund delivered a return of 3.5% in October, bringing total returns (net of all fees and expenses) since inception to the equivalent of 13.4% per annum.

The broader share market continues to swing wildly as global and local factors continue to drive sentiment. We remain comfortable with the portfolio and its ~24% cash weighting. Last month we noted that any turmoil will likely provide good opportunities for adding to existing positions as well as providing new opportunities. Following recent volatility, we have taken the opportunity to establish new positions in two companies as well as adding to existing holdings.

The main contributor to this month's performance was BlueScope Steel Ltd (BSL), which rose 24% for the month. BSL announced on 26 October that it had achieved its cost reduction target of \$200 million that was to underpin the continued operation of the Port Kembla Blast Furnace (PKBF). Some of these cost saving measures remain subject to final ratification by union members.

In conjunction with the PKBF cost savings release, BSL also announced that it has exercised its "Right of Last Refusal" to purchase Cargill Inc.'s 50% share of the North Star joint venture. This followed an unnamed bidder offering US\$720m for the 50% stake and provides third party validation of the inherent value in this asset. North Star is rated one of the best, if not the best, mini-mills in the US, something we have contended was lost on many in the Australian investment community. Owning 100% of this world-class asset will provide BSL with access to all of North Star's cash flows and will

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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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provide complete flexibility to deal with the asset in future. Furthermore, writing the North Star asset up to fair value following the acquisition will provide significant tax benefits to BlueScope over the next 10+ years. We estimate these benefits to be well in excess of \$100m in cash tax savings.

If BSL continues to meet shareholders' expectations in respect of the cost savings and efficiency improvements, we expect more will come to believe that BlueScope offers exposure to a portfolio of some of the highest quality steel assets in the world. We also believe there are opportunities to further rationalise the BSL portfolio, including for example, the sale of excess land at Westernport in Victoria.

During the month, one of the portfolio's small event driven transactions was brought to a close: the arbitrage of the Skilled Group and Programmed Maintenance Services merger. This transaction yielded an arbitrage profit of 2.4% over the holding period of less than 3 months, providing an annualised rate of return in excess of 12%.

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

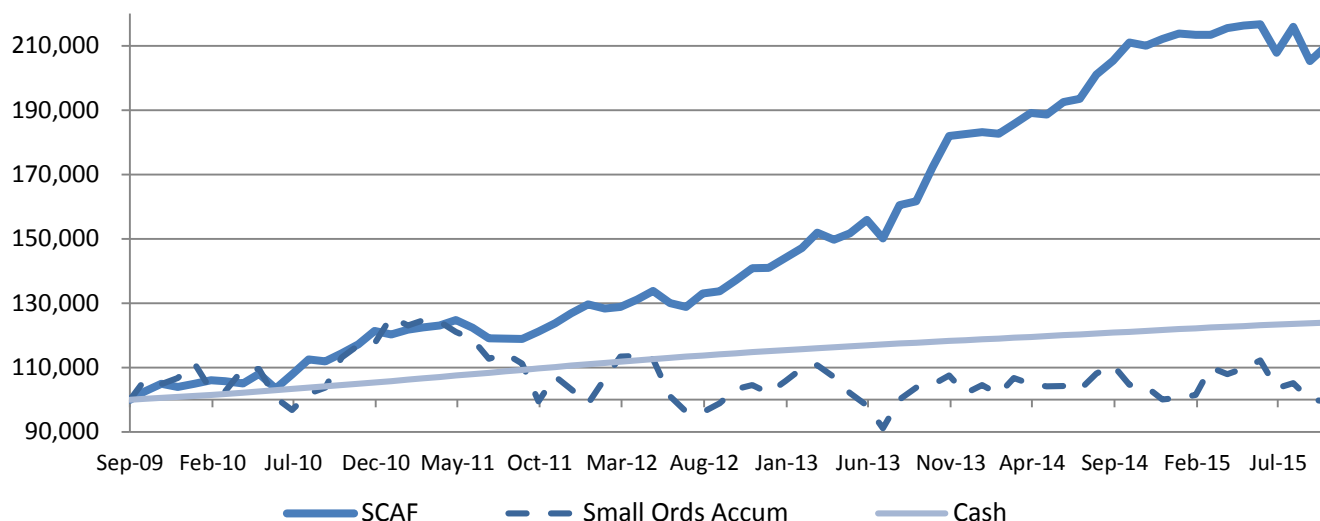
Structure	Wholesale unit trust	Minimum Investment	\$250,000 (or as agreed with trustee)
Trustee	Fundhost Ltd	Trustee Fees	0.21%
Custodian	National Australia Bank	Management Fees	1.33%
Fund Auditor	EY	Performance Fees	15.375% of returns above cash
Investment Manager	Sandon Capital Pty Ltd	Highwater Mark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

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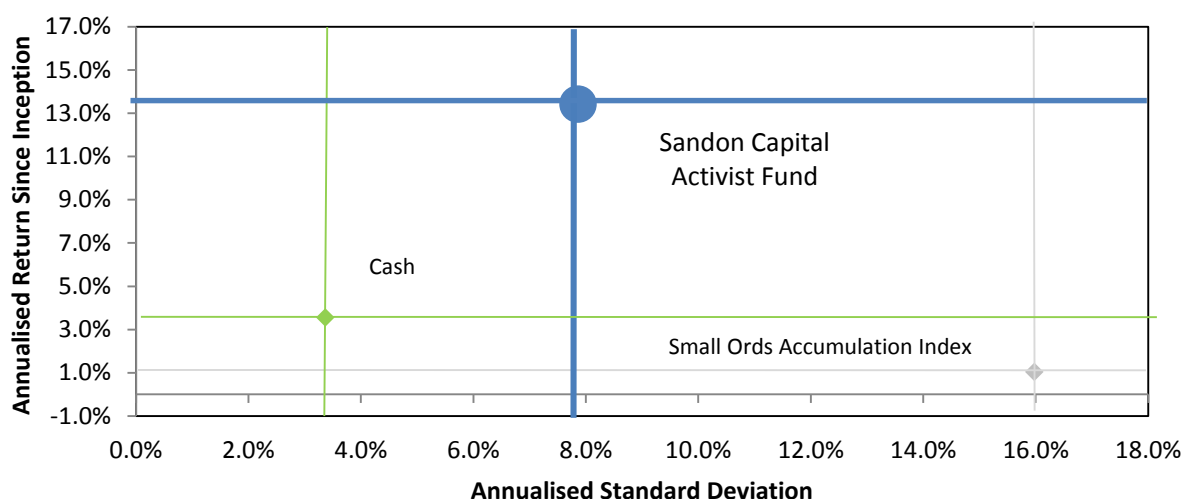
Growth of \$100,000 invested since inception (assumes reinvestment of distributions)



Comparison of Monthly Index Returns

Note that due to the large number of monthly returns, the data on this chart has become increasingly small as the time series had grown, so we will no longer publish it. If you would like a copy

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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