

SANDON CAPITAL

Sandon Capital Activist Fund

October 2019 Monthly Report

Entry/Exit Prices: \$1.8056/\$1.7913

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	4.5%	13.4%	10.0%	8.9%	12.2%	8.0%	222.1%
S&P/ASX 200 Accum.	-0.4%	19.3%	12.6%	8.5%	8.7%	11.5%	134.2%
Small Ordinaries Accum.	-0.5%	14.4%	10.4%	9.6%	5.0%	14.5%	64.6%

Net Monthly Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
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%	2.9%	5.5%
2018	1.4%	-3.6%	2.2%	-0.2%	1.6%	3.1%	2.1%	3.0%	2.6%	-4.6%	-1.8%	-4.0%	1.3%
2019	0.2%	3.3%	1.0%	3.2%	2.7%	-2.3%	-0.2%	1.5%	4.9%	4.5%			20.3%

Portfolio Exposures

Net Exposure	92%	Long Positions	30
Net Cash	8%	Short Positions	3

Fund Commentary

The Fund return for October 2019 was 4.5%, bringing total returns (net of all fees and expenses) since inception to the equivalent of 12.2% per annum. Cash levels ended the month at approximately 8%.

Fleetwood Corporation Ltd (FWD) was the largest contributor this month, followed by Coventry Group Ltd (CYG) and Iluka Resources Ltd (ILU).

CYG's share price continued to rise, underpinned by improved performance. It has been a long and winding road to recovery with a number of false starts, however we are growing confident that our patience has been warranted. Improvements in the core business are now emerging in financial results, and we believe board and management have well and truly earned the right to make further bolt-on acquisitions. We now expect to reap further rewards from one of our longest held investments.

ILU continued its upward trajectory from the previous month. The company made a flurry of ASX releases ahead of its Perth investor day at the end of the month. Among these was the announcement of a review of the corporate and capital structure of the company in light of the growing materiality of the Mining Area C (MAC) Royalty. Sandon Capital first advocated for the demerger or "spin-off" of the MAC Royalty back in November 2016. We believe the MAC Royalty is the best mining asset in Australia, and arguably the best single royalty anywhere in the world. It has a long-lived, high grade resource with a top tier counterparty.

Although ILU's review does not guarantee a demerger, the door is now well and truly open. We believe a demerger will lay the basis for what could, and should, become a globally significant royalty company. Two of ILU's largest shareholders, Perpetual and L1 have publicly supported the spin-off. In our opinion, support from large ILU shareholders will help ensure the spin-off occurs.

We plan to release an updated presentation outlining our thesis for a spin-off of the MAC Royalty shortly. We also plan to re-engage with other ILU shareholders in coming months, ahead of the AGM in April next year.

Cash levels finished the month at ~8%. We continue to find attractive opportunities to deploy cash.

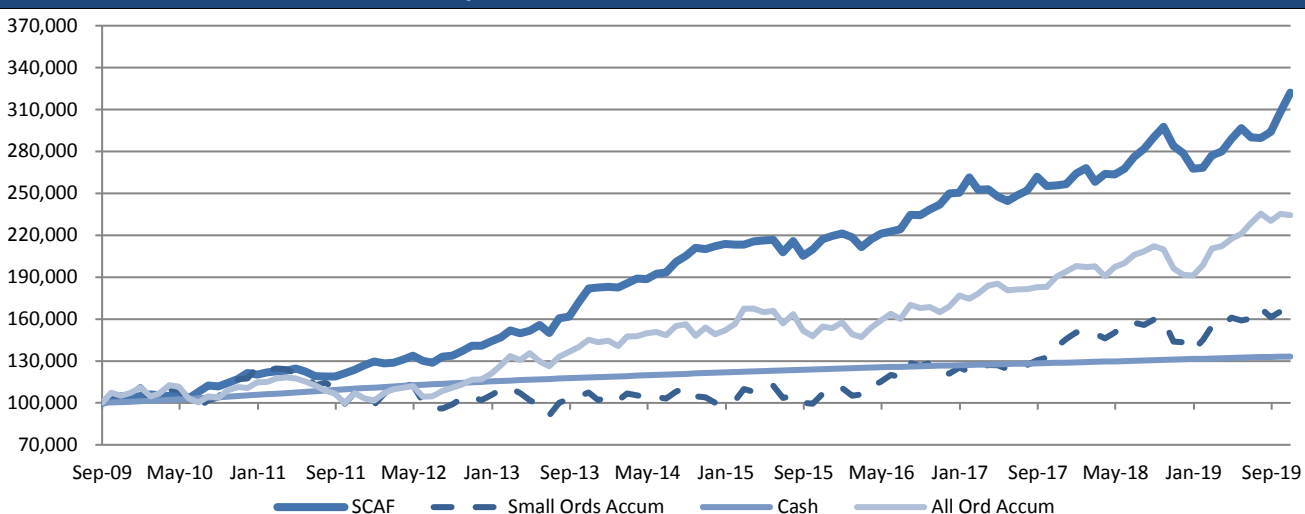
Fund Description

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.

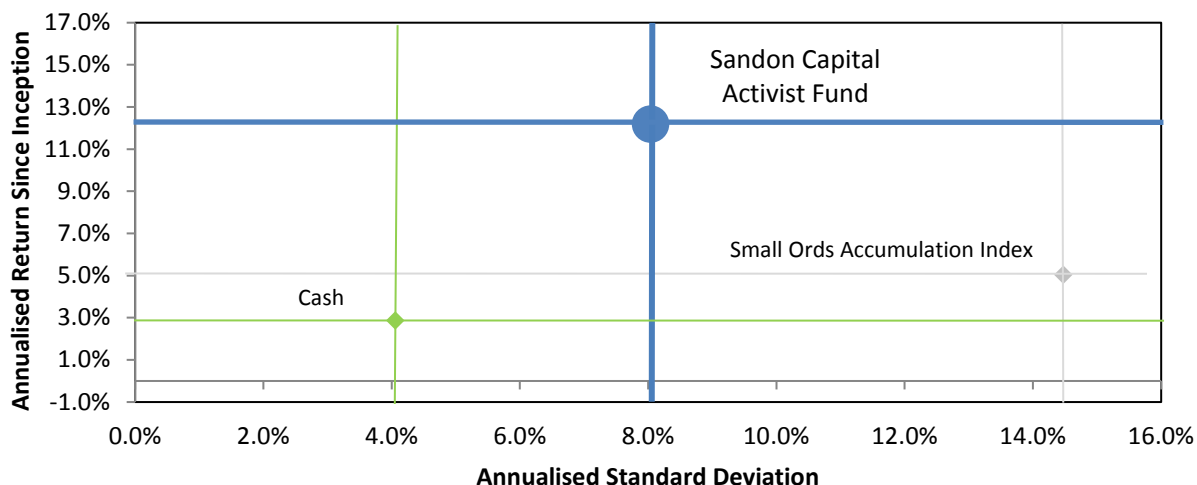
Fund Details

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.