

SANDON CAPITAL

Sandon Capital Activist Fund

October 2020 Monthly Report

Entry/Exit Prices: \$1.7584/\$1.7444

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	1.9%	-2.6%	7.1%	7.6%	10.4%	10.8%	13.0%	213.6%
S&P/ASX 200 Accum.	1.9%	-8.2%	4.1%	6.8%	6.9%	7.1%	13.5%	115.1%
Small Ordinaries Accum.	0.5%	-2.4%	4.6%	8.6%	3.2%	4.3%	16.7%	60.7%
Cash	0.0%	0.5%	1.3%	1.5%	2.5%	2.6%	4.5%	33.8%

Portfolio Exposures

Net Exposure	99%	Long Positions	32
Net Cash	1%	Short Positions	1

Fund Commentary

The Fund return for October 2020 was +1.9%, bringing total returns (net of all fees and expenses) since inception to the equivalent of 10.8% per annum. Cash levels ended the month at approximately 1%.

Key contributors to the month's returns included Coventry Group Ltd (CYG) (+1.5%), Consolidated Operations Group (COG) (+0.4%) and Fleetwood Corporation Ltd (FWD) (+0.4%), partly offset by City Chic Collective Ltd (CCX) (-1.0%).

A number of companies provided updates on trading in the first quarter of FY2021 (Q1FY21).

CYG provided an update at their AGM held during the month, noting generally that "trading performance continued to improve..." Sales in the Trade Distribution and Fluid Systems businesses were up 4.8% and 12.7% respectively on the prior comparable period. The AGM presentation noted the operational leverage within the business as sales grow. Translated, this means sales growth should flow through to profits as fixed costs remain relatively stable. The company also cited potential for significant growth opportunities. All in all, we are pleased with progress at CYG, which is beginning to be reflected in an improving share price.

COG also provided a solid trading update, building on the positive full year results released a few months ago. Q1FY21 saw a 129% increase in net profit before amortisation. Although the amount financed was down by approximately 15% on the prior period, the result from the Finance Broking & Aggregation (FB&A) division was up strongly due to cost reductions instituted as the pandemic took hold earlier in the year. We understand many of these costs savings are permanent and should lead to increased margins as loan volumes recover along with economic activity. SME business activity is reportedly strong in many sectors, especially those directly or indirectly exposed to government stimulus programs, viz infrastructure. We are pleased with this result and look forward to further updates as the financial year evolves.

The situation at FWD has been topsy turvy to say the least in recent weeks. In a letter accompanying the AGM Notice of Meeting, the company had written warning shareholders of "any activism by minority interests". By the end of the month, FWD had announced the resignation of the CEO. More announcements followed month's end, including one announcing the intention to appoint Mr John Klepec to the Board after the AGM. We believe Mr Klepec is an outstanding addition to the Board and support his appointment. The AGM will be held on 18 November 2020 and we expect the company to provide an update including on recent events.

CCX's share price fell as investors expressed continued disappointment in the failed attempt to acquire the e-commerce assets of US-based Catherine's. We see this as evidence of board and management price discipline. While we too would have like to see the acquisition made (at the right price), we are glad to see a disciplined approach to acquisitive growth. The company currently holds cash equivalent to approximately 20% of its market capitalisation and has no debt. We believe the strategy remains sound and growth prospects are exciting.

Global markets remain at the mercy of the COVID-19 pandemic, the US political situation and continued China tensions, while the Australian market has been buoyed by its government's significant stimulus announcements. A significant proportion of the portfolio is likely to benefit from Federal, State and Local infrastructure spending.

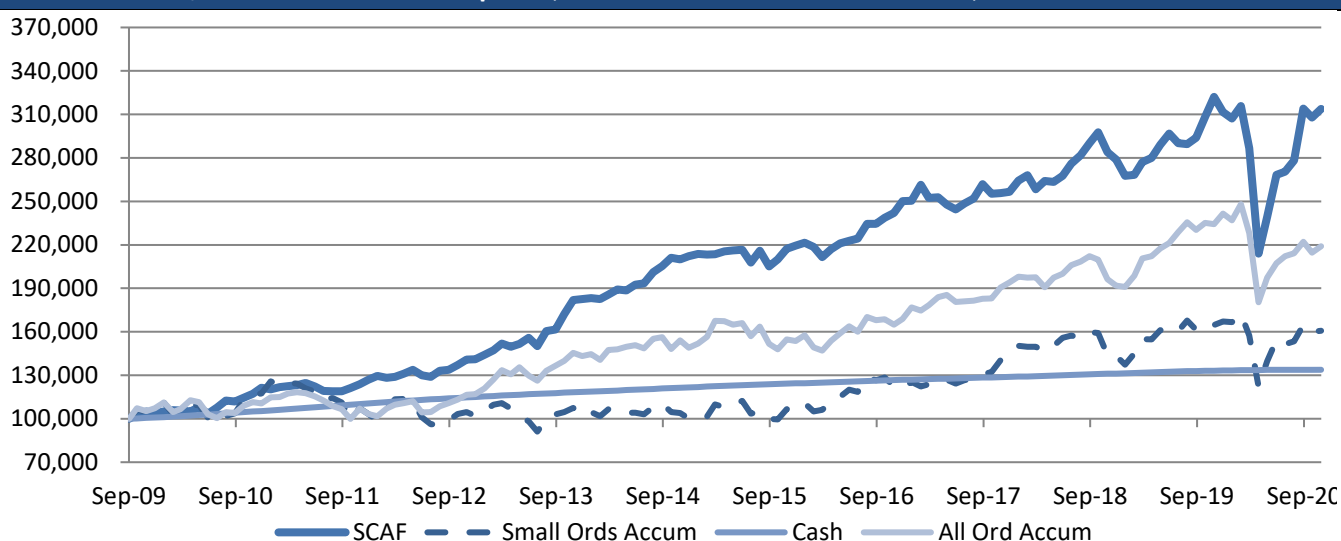
Fund Description

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.

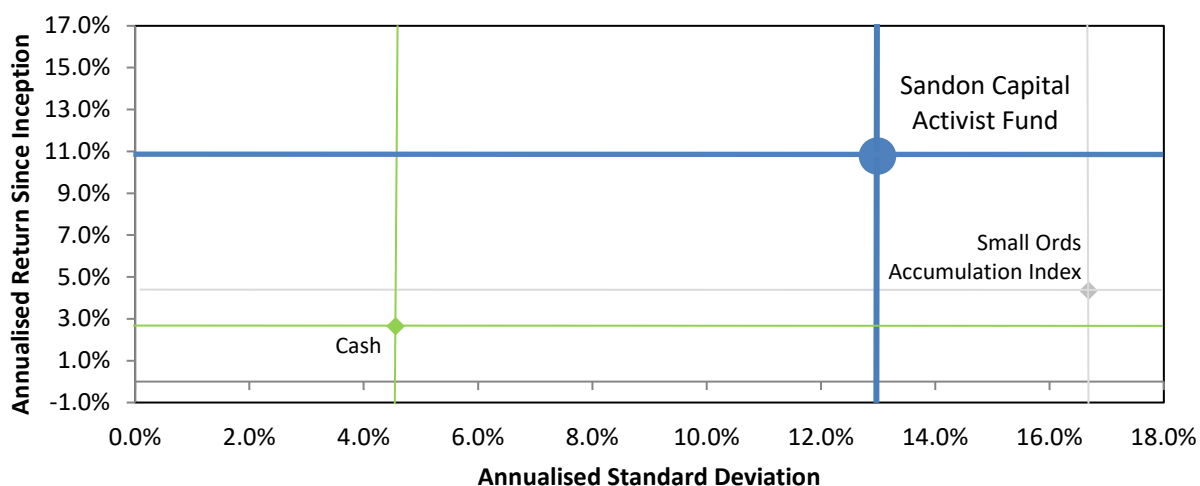
Fund Details

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.