

## Sandon Capital Activist Fund

September 2009 Monthly Report

Entry/Exit Prices: \$1.0292/\$1.0209

### 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	NAB Custodian	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	Monthly
		Withdrawals	Quarterly

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

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD
2009			2.5%										2.5%

### Fund Commentary

The Fund is accumulating positions in 9 securities, all of which have varying timeframes for engagement. The prices at which we have been buying these securities represent discounts of between 20% and 50% to our estimates of intrinsic value.

We have initiated "engagement activities" with 3 securities we hold. These include initiating discussions with other shareholders and establishing communication with Directors. Our first is focused on the subject of an inappropriate remuneration package being proposed by one of the companies the Fund has invested in. We intend to post on our website copies of our communications with companies.

So far this year, there have been an extraordinary number of EGM requisitions by investors. We believe this reinforces our long-held view that investors are now open to taking action to improve returns.

We expect that corporate activity (M&A and recapitalisations for the most part) will continue to be the focus of most activity for at least the rest of this calendar year, and most likely well into next. There remains a large number of companies and trusts listed that are not viable in their current forms (for various reasons) and that will need to make significant changes if they are to 1) survive and 2) deliver any investor value. Many of these will face considerable challenges in making those changes, not the least being conflicts of interest between equity, debt and management.

### Portfolio Exposures

Long Exposure	53%	Long Positions	9
Cash	47%		

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 13 October 2009. In particular, it is important that you understand the risks associated with an investment in the Fund set out on pages 9 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.