

Sandon Capital Activist Fund

Sep 2010 Monthly Report

Entry/Exit Prices: \$1.1148/\$1.1060

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. YTD figure is compound)

	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%				9.0%

Fund Commentary

The Fund increased 2.3% this month. Wallace Absolute Return Limited contributed 0.9% to the monthly result, following an increase in the takeover offer to 7.9 cents per share. Keybridge Capital Ltd (KBC) rose approximately 15% during the month (~0.5% contribution).

Adelaide Yield Trust (AYT) contributed approximately 0.35% to the result. AYT has been a good, low risk, investment for the Fund. Since we started buying in Sep 09, initially at \$1.29, AYT has paid distributions of 14.9 cents per share, repaid \$1.49 per share in capital. It currently trades at ~24cpu. Most investors eschewed AYT as it appeared at a cursory glance to contain exposure to everything the typical post-GFC investor was wary of: margin lending, low-doc loans, agricultural MIS loans. Upon closer inspection, these were mostly rough gems (though these become polished when converted to cash and returned to investor's pockets!).

We initiated a small holding in GPG Plc, a group we consider a renowned activist investor itself, which is facing increasing pressure from its own investors to take action on its price to tangible asset backing issues. Small losses were reported from a number of holdings, including Gunns Ltd (~0.4%) and Contango Capital Partners Ltd (~0.4%).

We reinstated our partial hedge during the month (~-0.2% contribution). The Fund held ~32% of its assets in cash. On balance, we remain cautious about the global macro outlook.

We remain 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	68%	Long Positions	13
Cash	32%		

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.

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.