

## Sandon Capital Activist Fund

September 2011 Monthly Report

Entry/Exit Prices: \$1.1043/\$1.0955

### 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%
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/Withdrawals	Monthly/Quarterly

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

	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%				0.8%

### Fund Commentary

The Fund returned 1.9% in September. Global and local indices continued to gyrate wildly. The S&P/ASX200 and ASX Small Cap Indices fell 6.1% and 10.6% respectively.

During the month, Contango Capital Partners Ltd (CCQ) became the subject of a takeover offer. This followed some months of pressure on the company by way of a shareholder (advised by Sandon Capital). CCQ owns an indirect 49% stake in an institutional funds management business, Contango Asset Management Limited (CAML). CAML manages some \$750 million, including a listed investment company, Contango MicroCap Ltd (CTN). Though the 90 cents per share offer price is a premium (~28%) to the pre-bid market price (and our entry price), it is still at a discount to CCQ's NTA. We believe this offer is too low, especially when benchmarked against listed boutique peers such as Hunter Hall, K2 and Platinum. CCQ is trading below the offer price and contributed ~1.2% to this month's result.

Signature Capital Investments Limited (SGI) is a listed company that invests in hedge funds. We believe SGI is pursuing a failed investment strategy, having lost around \$130 million since listing. The Company announced what we, and other shareholders, consider a flawed off-market buy-back strategy. A major shareholder (also advised by Sandon Capital) is seeking to remove the Board and intends to put forward a more equitable buy-back proposal. SGI is fighting back, responding with a dilutive placement to a new investor. We are confident shareholders will inevitably be provided with a more appropriate buy-back, either by the current directors or the proposed ones. SGI contributed 0.6% to this month's result.

We remain cautious about the global macro outlook. As noted in last months' report, further government or central bank responses in the US and Europe might yet drive an equity market rebound, but not likely, in our view, address core issues. The consequences of these and other significant macro factors at play globally, are difficult to predict or quantify. We are 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	49%	Long Positions	8
Cash	51%		

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.