

SANDON CAPITAL

Sandon Capital Activist Fund

September 2015 Monthly Report

Entry/Exit Prices: \$1.4704/\$1.4587

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 inception	Annualised volatility since inception	Total Return since inception
SCAF	2.3%	-0.5%	15.3%	12.9%	13.0%	7.9%	109.9%
S&P/ASX 200 Accum.	-3.0%	-0.7%	9.4%	6.5%	6.7%	12.7%	48.3%
Small Ordinaries Accum.	-0.5%	-4.9%	-1.2%	-2.5%	-0.1%	15.8%	-0.5%

Net Monthly Returns

	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%	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%				-1.8%

Portfolio Exposures

Net Exposure	76%	Long Positions	30
Net Cash	24%	Short Positions	1

Fund Commentary

The Fund delivered a return of 2.3% in September, bringing total returns (net of all fees and expenses) since inception to the equivalent of 13.0% per annum. September marks the sixth anniversary of the commencement of the Sandon Capital Activist Fund. We would like to thank our investors for their support these past six years and look forward to continuing to grow their capital.

The broader share market continues to swing wildly as global and local factors continue to drive sentiment. We remain comfortable with the portfolio and its ~24% cash weighting. Any market turmoil will likely provide good opportunities for adding to existing positions as well as providing new opportunities.

The main contributor to this month's result was Alchemia Ltd (ACL) (~3.6%) whose share price rose 127% over the month following announcement of the sale of ACL's main asset, the Fondaparinux royalty, to Dr Reddy's Laboratories (DRL) for USD 17.5 million. ACL shareholders are being asked to approve the sale at the AGM in early November. The sale price is broadly in line with Sandon Capital's estimates of value for the Fondaparinux asset, so we believe this represents a good outcome for ACL. We expect the Company to announce its plans on how to return all excess capital to shareholders in the near future.

The main detractor for the month was BlueScope Steel Ltd (BSL), whose share price fell 16% during the month (-1% contribution for the month). We consider BSL's share price moves were more related to the broader market than being

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company specific. Throughout the month, there were continued press reports about the progress of labour-force negotiations to achieve the \$200 million of annualised cost savings. Since month end, BSL announced a “Game-changing agreement between BlueScope and Unions” on its workforce structure and a new 3 year enterprise agreement. BSL CEO O’Malley noted this as a “significant and essential step to achieving the Company’s \$200 million cost reduction target. This entire process will come to a conclusion by BSL AGM on 19 November, at which the company is expected to announce whether the cost saving target will be met or whether the blast furnace will be shut.

The remainder of the portfolio reported small rises and declines in price for the month. We do not consider any of these noteworthy.

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

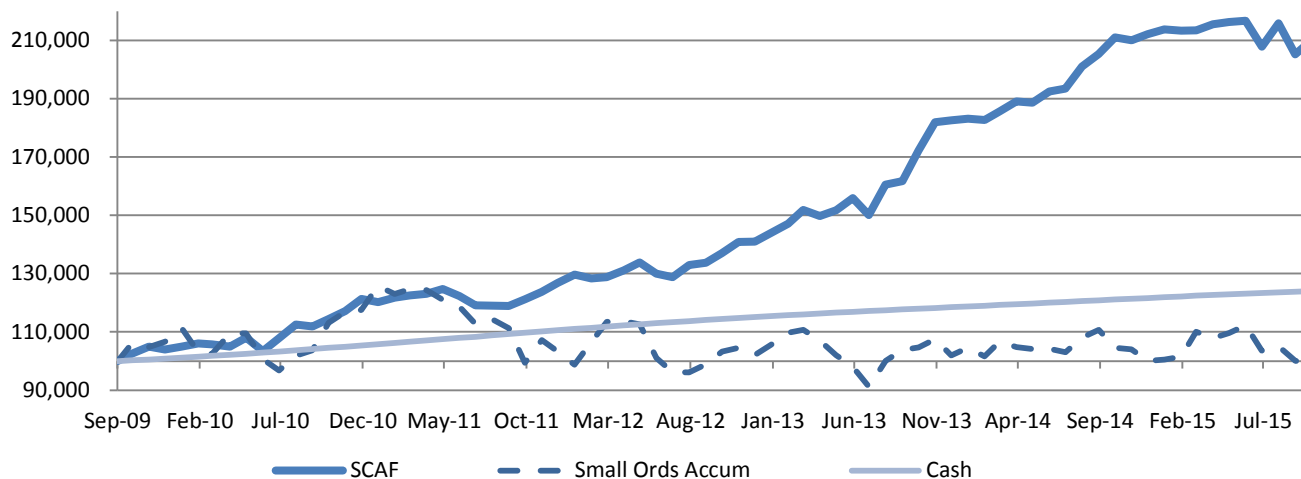
Structure	Wholesale unit trust	Minimum Investment	\$250,000 (or as agreed with trustee)
Trustee	Fundhost Ltd	Trustee Fees	0.21%
Custodian	National Australia Bank	Management Fees	1.33%
Fund Auditor	EY	Performance Fees	15.375% of returns above cash
Investment Manager	Sandon Capital Pty Ltd	Highwater Mark	Yes
Website	www.sandoncapital.com.au	Buy/Sell Spread	±0.40%
Inception	4 Sep 2009	Applications/Withdrawals	Monthly/Quarterly

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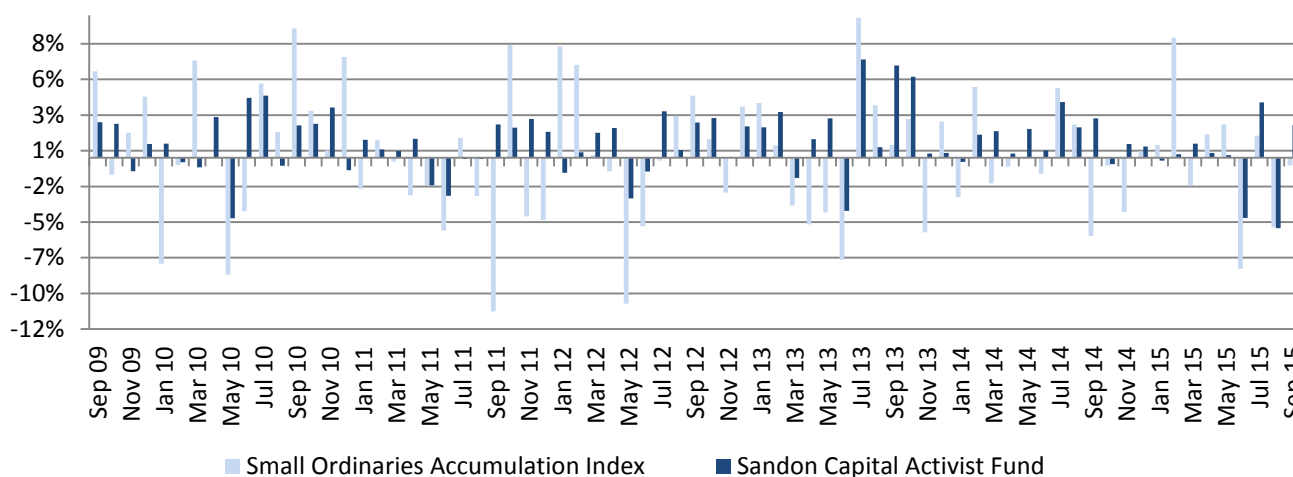
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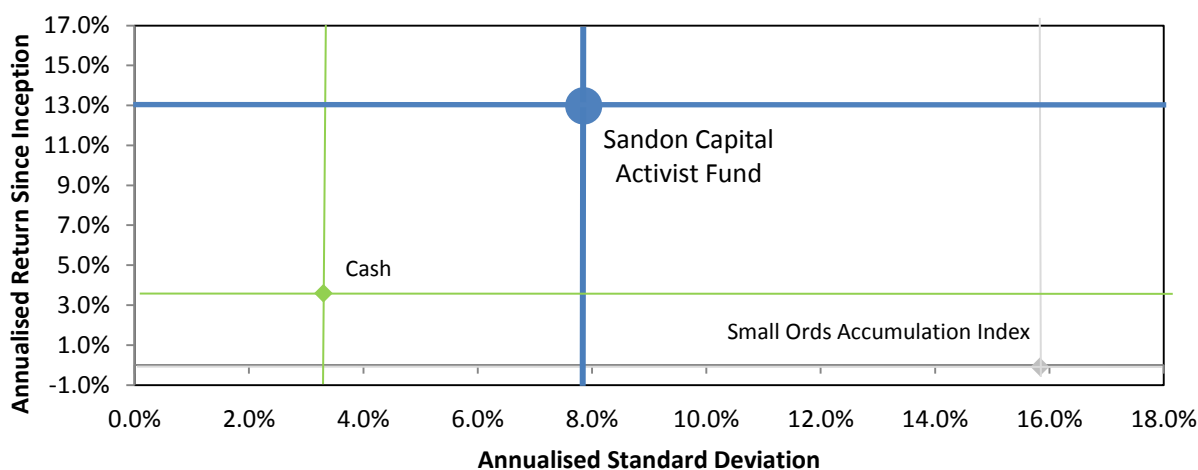
Growth of \$100,000 invested since inception (assumes reinvestment of distributions)



Comparison of Monthly Index Returns



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.

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