

SANDON CAPITAL

Sandon Capital Activist Fund

September 2018 Monthly Report

Entry/Exit Prices: \$1.8595/\$1.8447

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 Fund inception	Annualised volatility since Fund inception	Total Return since Fund inception
SCAF	2.6%	16.7%	12.4%	11.6%	12.8%	7.7%	197.7%
S&P/ASX 200 Accum.	-1.3%	14.0%	12.1%	8.2%	8.5%	11.7%	109.0%
Small Ordinaries Accum.	-0.4%	20.3%	17.0%	8.7%	5.3%	14.4%	59.2%

Net Monthly Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
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%	3.5%	1.0%	0.9%	3.6%
2016	-1.3%	-3.3%	2.7%	1.8%	0.8%	0.7%	4.6%	0.0%	1.7%	1.5%	3.3%	0.1%	13.1%
2017	4.4%	-3.4%	0.2%	-2.0%	-1.3%	1.7%	1.3%	3.9%	-2.6%	0.2%	0.4%	2.9%	5.5%
2018	1.4%	-3.6%	2.2%	-0.2%	1.6%	3.1%	2.1%	3.0%	2.6%				12.7%

Portfolio Exposures

Net Exposure	88%	Long Positions	33
Net Cash	12%	Short Positions	3

Fund Commentary

The Fund return for September was 2.6%, bringing total returns (net of all fees and expenses) since inception to the equivalent of 12.8% per annum. Cash levels ended the month at approximately 12%.

Spicers Ltd (SRS) (~1.1%), IDT Australia Ltd (IDT) (~0.6%) and Iluka Resources Ltd (ILU) (~0.6%) were the main contributors for the month. In a market that was down, it was pleasing that there were no meaningful detractors for the month.

During the month, SRS announced that it had entered into an agreement to sell its Asian operations to Japan Pulp & Paper Co., Ltd for SGD15m. In addition, SRS retains the cash that is within the business (~SGD7m) as well as the property which will eventually be sold. In total, for the sale of business + cash + sale of property, we expect proceeds of ~A\$30m to be received by Spicers. This is a very good result for a sub-scale business that operates in tough markets. Pleasingly, SRS has also alluded to capital management. We are wholeheartedly in favour of this given the excess cash the company will have. In a short period of time, the new Board and management team at SRS has done an excellent job repairing the balance sheet, removing costs and divesting non-core assets. In our opinion, SRS provides a great case study as to the positive outcomes that can be achieved when a Board is nominated by the owners of the company, the shareholders.

Whilst we were pleased to see SRS divest a non-core business, we were also encouraged to see two of our portfolio companies announce value creative acquisitions. Coventry Group Ltd (CYG) entered into an agreement to acquire South Australian based, diversified engineering services provider Torque Industries, for \$10.5m in cash. Torque looks to be a good addition to CYG's existing Cooper Fluids segment and will diversify the business away from the cyclical mining industry. The acquisition will be funded by an institutional placement and non-renounceable entitlement offer. Sandon Capital maintained its proportionate holding in CYG by taking up our pro-forma share of the placement and entitlement.

Consolidated Operations Group Ltd (COG) has been very active on the acquisition front recently. During the month, the company completed the acquisition of Centrepnt Finance Pty Ltd, an equipment finance broker. COG also announced the acquisition of 32% of Westlawn Finance Ltd (Westlawn), a northern NSW based lender that also operates insurance broking and asset finance broking operations. We have followed Westlawn for many years as a private company and are excited about the opportunities and value that it will bring to COG.

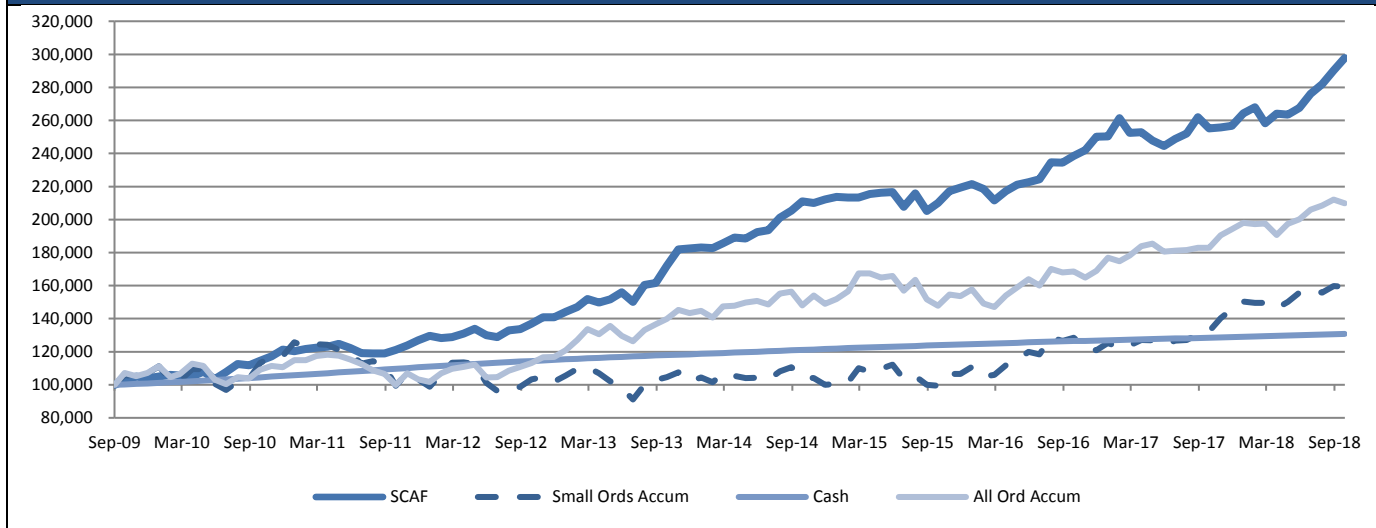
Fund Description

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.

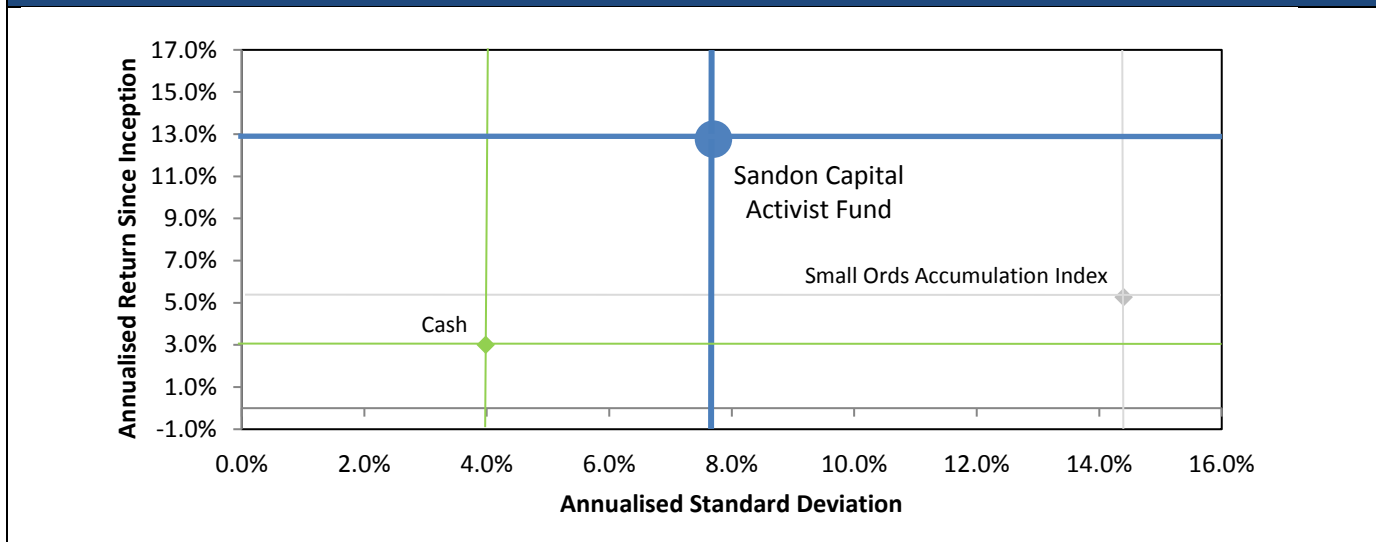
Fund Details

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 25 October 2013. In particular, it is important that you understand the risks associated with an investment in the Fund set out on page 6 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.