

SANDON CAPITAL

Sandon Capital Activist Fund

September 2020 Monthly Report

Entry/Exit Prices: \$1.7255/\$1.7118

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 years (p.a.)	5 years (p.a.)	10 years (p.a.)	Annualised since Fund inception	Annualised volatility since Fund inception	Total Return since Fund inception
SCAF	-2.0%	-0.1%	6.4%	8.0%	10.4%	10.7%	13.0%	207.8%
S&P/ASX 200 Accum.	-3.7%	-10.2%	4.8%	7.3%	6.9%	7.0%	13.5%	111.0%
Small Ordinaries Accum.	-2.8%	-3.3%	6.5%	10.0%	3.5%	4.3%	16.7%	60.0%
Cash	0.0%	0.6%	1.3%	1.5%	2.5%	2.7%	4.5%	33.8%

Portfolio Exposures

Net Exposure	95%	Long Positions	30
Net Cash	5%	Short Positions	1

Fund Commentary

The Fund return for September 2020 was -2.0%, bringing total returns (net of all fees and expenses) since inception to the equivalent of 10.7% per annum. Cash levels ended the month at approximately 5%.

Key detractors to the month's returns included City Chic Collective Ltd (CCX) (-1.2%) and Iluka Resources Ltd (ILU) (-1.0%). Positive contributors included Boral Limited (BLD) (+0.6%).

CCX shares fell following the announcement that it had been outbid in the sale process for the US e-commerce assets of Catherines. While it was disappointing that CCX was not successful, we are glad to see CCX management maintaining a disciplined approach to acquisitions. Far too often, we see companies making overpriced acquisitions that satiate the market in the short term. In the long term however, most such acquisitions prove to be nothing more than folly. CCX was penalised by the market in the short term, but we believe this serves to burnish the company's reputation as prudent allocators of shareholder capital.

ILU shares fell for no particular reason. The demerger meeting is due to take place in October. The shares held by the Fund have been voted in favour of the demerger.

During September, we made public a presentation that outlines our investment thesis for BLD. We argue that while most investor attention is focused on the sale of BLD's underperforming US assets, the Australian businesses contain significant hidden value. We argue that the Australian constructions materials business, which includes aggregates used in making concrete, holds a unique and privileged position in its key markets which affords it the opportunity for pricing power. In the past, we believe the company may have forsaken price for volume when it was unnecessary.

We also highlighted the value of BLD's property assets and its landfill royalty. These assets are of significant value and we believe the company should consider a functional separation of these assets with a view to ultimately demerging them at an appropriate time.

BLD has performed terribly in the past and is under pressure. A new CEO has taken the reins and the Board is changing. At the same time, the results of a portfolio review are due soon. Market consensus expects the review will announce a process to sell most of its US assets. We will be paying close attention to any comments made about pricing strategy and property/royalty assets.

Global markets remain at the mercy of the COVID-19 pandemic, the US presidential election and China tensions, while the Australian market has been buoyed by its government's significant stimulus announcements. A significant proportion of the portfolio is likely to benefit from Federal, State and Local infrastructure spending.

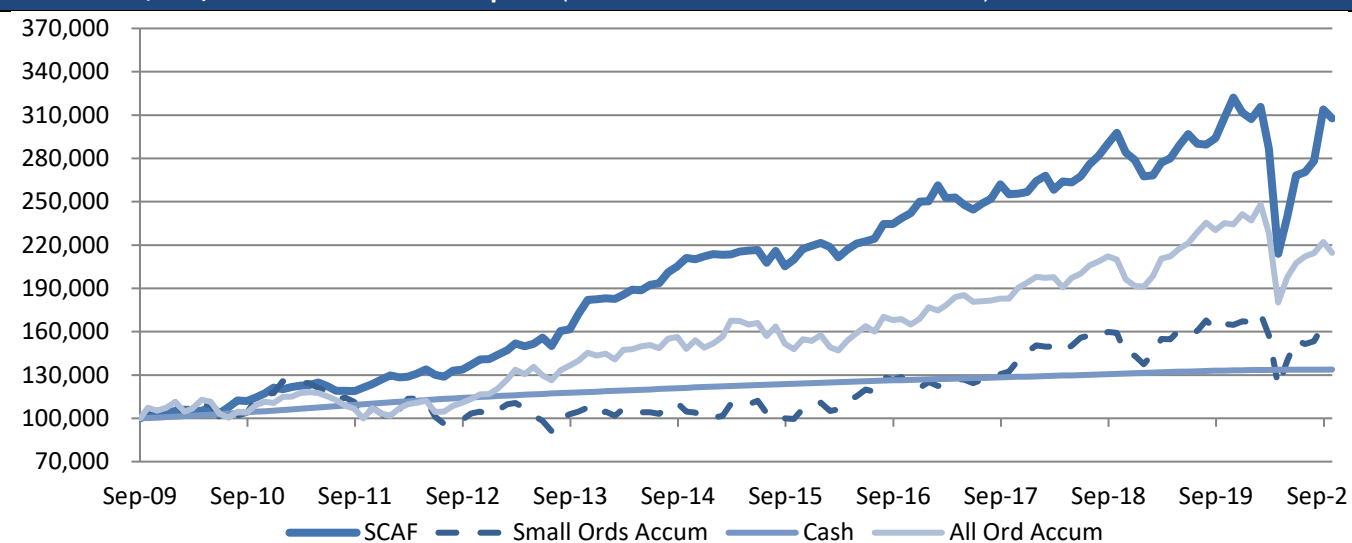
Fund Description

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.

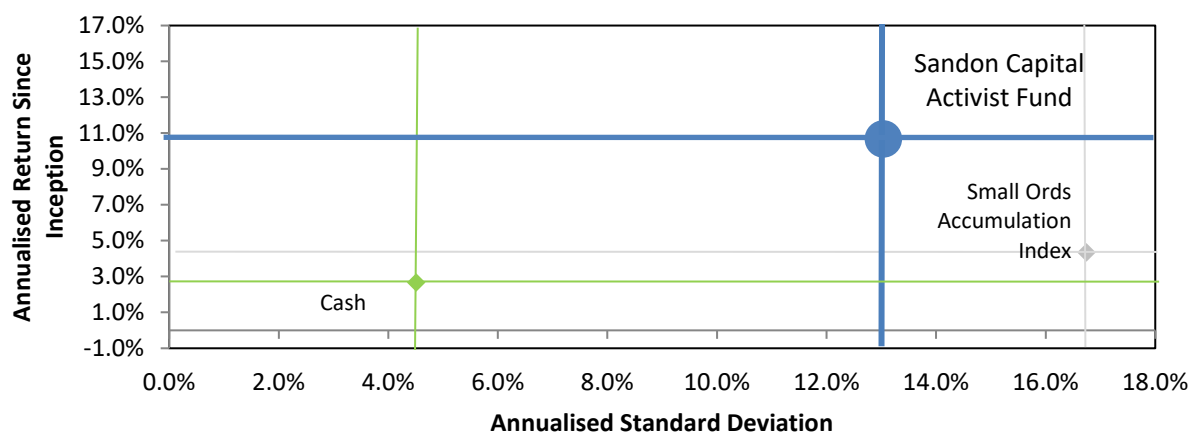
Fund Details

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 July 2019. In particular, it is important that you understand the risks associated with an investment in the Fund set out on page 5 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.