

SANDON CAPITAL

Sandon Capital Investments Limited
ACN 107 772 467

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Monthly Report

As at 31 August 2020

Net Tangible Assets (NTA)

The net tangible assets per share for Sandon Capital Investments Limited (SNC) as at 31 August 2020 were:

| | | |
|---|-----------------|---------------|
| NTA before tax | \$0.8371 | +10.4% |
| Deferred tax asset | \$0.0017 | |
| Deferred tax liability on unrealised income and gains | \$0.0000 | |
| NTA after tax | \$0.8388 | +8.3% |

Investment Performance

| Gross Performance to 31 July 2020 ¹ | 1 Month | Financial YTD | Since inception ² |
|--|-------------|---------------|------------------------------|
| SNC | 10.2% | 13.0% | 7.6% |
| All Ordinaries Accumulation Index | 3.7% | 4.7% | 7.4% |
| Outperformance³ | 6.5% | 8.3% | 0.1% |

1. The SNC and index returns are before all fees and expenses and before any taxes, except that SNC returns are after incurred brokerage expenses. Dividends paid during the period are included when calculating SNC's gross investment performance.

2. Annualised.

3. Note figures may not tally due to rounding.

Dividends

SNC has declared and paid 36.5 cents per share of fully franked dividends since listing in December 2013. The Directors have announced their intention to pay a final fully franked dividend of 2.5 cents per share on 12 November 2020.

The Board anticipates paying an interim dividend for the first half of FY21 of a similar amount, provided the Company has sufficient profit reserves, franking credits and it is within prudent business practice.

SNC has profits reserves equivalent to 9.1 cents per share and franking of approximately 10.6 cents per share.

The table below shows SNC's recent dividend history.

| Ex-date | Dividend Amount | Franking | Corporate Tax Rate | Type |
|-----------------|-----------------|----------|--------------------|---------|
| 21 October 2020 | 2.5 cps | 100% | 27.5% | Final |
| 5 May 2020 | 3.5 cps | 100% | 27.5% | Interim |
| 21 October 2019 | 3.5 cps | 100% | 27.5% | Final |
| 16 May 2019 | 3.5 cps | 100% | 27.5% | Interim |
| 23 October 2018 | 3.5 cps | 100% | 27.5% | Final |
| 8 May 2018 | 3.5 cps | 100% | 27.5% | Interim |
| 23 October 2017 | 3.5 cps | 100% | 27.5% | Final |
| 18 May 2017 | 3.5 cps | 100% | 30.0% | Interim |
| 21 October 2016 | 3.0 cps | 100% | 30.0% | Final |
| 18 April 2016 | 2.0 cps | 100% | 30.0% | Interim |

Sandon Capital Investments Limited

| | |
|-----------------------------|-------------|
| ASX Code | SNC |
| Listed | 23 Dec 2013 |
| Gross assets* | \$108.5m |
| Market capitalisation | \$68.4m |
| NTA before tax | \$0.8371 |
| Share price | \$0.6300 |
| Shares on issue | 108,624,261 |
| Options on issue | nil |
| Fully franked dividends | \$0.025 |
| Dividend yield (annualised) | 7.9% |
| Profits reserve (per share) | 9.1 cps |
| Franking (per share) | ~10.6 cps |

*includes face value of Mercantile 8% unsecured notes.

Company overview

Sandon Capital Investments Limited is a specialist 'Activist' listed investment company, managed by Sandon Capital. Sandon Capital devises and implements activist shareholder strategies that seek to unlock value inherent in securities held in our investment portfolios.

SNC provides investors with exposure to a portfolio of Australian companies that are typically not available to traditional investors. Through active engagement with the target company, Sandon Capital seeks to release the embedded value for shareholders. Target companies are likely to be in the small to mid cap market segment.

Sandon Capital has successfully employed its Activist investment strategy since September 2009. The wholesale Sandon Capital Activist Fund's investment performance since inception is 11.0% p.a. (after all fees and expenses).

Investment Objectives

- To provide absolute positive investment performance over the medium to long term, ensuring capital preservation, while providing capital growth.
- To provide an investment strategy that few investors have the capacity to implement themselves.
- To provide shareholders with a growing stream of fully franked dividends.

Portfolio commentary

The Portfolio was up 10.2% for the month, on a gross basis, before all fees and expenses, compared to an increase of 3.7% for the All Ordinaries Accumulation Index.

Key contributors to the month's returns were Fleetwood Corporation Ltd (FWD), Coventry Group Ltd (CYG), Yellow Brick Road Ltd (YBR), Alliance Resources Ltd (AGS) and Consolidated Operations Group Ltd (COG). Detractors were few and had a minimal impact on the Fund's performance for the month.

Last month we wrote that FWD shares fell on no meaningful news. This month FWD announced its result, which was expectedly poor with another statutory loss, the fifth reported loss in the past six years. The Building Solutions business reported an 18% increase in revenues with a sharp fall in profitability. RV Solutions, which services the caravan and campervan markets saw falls in both revenues and profitability. The company proffered excuses for the poor performance, as it does each time it delivers poor results.

There was a silver lining in the Accommodation Services business, where the occupancy rates at the Searipple accommodation village in Karratha rose in the second half of the year due to changes in staffing rosters as a result of the COVID-19 pandemic. There were also benefits from increased maintenance and shutdown activity on projects in the surrounding areas.

Fleetwood resumed paying dividends, announcing a final ordinary dividend of 5 cents per share as well as a 7 cents per share special dividend, both fully franked. We suspect part of FWD's share price performance was due to investors buying for the dividend. FWD's operating performance remains concerning. In the past 5 years, FWD has incurred impairments of more than \$124 million. Readers should note that the company's market capitalisation is presently \$170 million. We consider the impairment figure a staggering amount, both in absolute dollar terms and even more so when considered relative to the size of the company. Where is the accountability?

COG reported its full year results, which had been largely pre-empted by their earlier trading update. An inaugural fully franked dividend of 0.152 cents per share was declared. After month end, COG announced it had increased its stake in Westlawn Finance Ltd to 51%, giving it control. COG advised that Westlawn's "*funding activities would be expanded to include the establishment of a managed investment scheme which will increase funds under management...*" We believe this seemingly innocuous statement belies the significant potential this move may bring if it can be successfully executed. In this low interest rate environment, there is significant investor demand for quality yield investments. This initiative should provide COG with an additional funding source to expand its own product offerings to SME borrowers through its broker network. It will also provide a more "capital light" source of funding compared to the current debenture programme.

We continue to accumulate shares in several new companies which we look forward to discussing in the future.

Investment Portfolio

| | August 2020 |
|-------------------------------|-------------|
| Listed Australian Equities | 73% |
| Listed International Equities | 10% |
| Unlisted investments | 11% |
| Cash or Cash Equivalents | 6% |

Contact

If you have any questions regarding the Company or its investments, please call Gabriel Radzyski on 02 8014 1188. If you have questions regarding your shareholding, please contact Link, whose details appear below.

Further information:

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Share registry:

Link Market Services

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