

SANDON CAPITAL

Sandon Capital Investments Limited
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Monthly Report

As at 30 September 2020

Net Tangible Assets (NTA)

The net tangible assets per share for Sandon Capital Investments Limited (SNC) as at 30 September 2020 were:

NTA before tax	\$0.8475	+1.2%
Deferred tax asset	\$0.0198	
Deferred tax liability on unrealised income and gains	(\$0.0156)	
NTA after tax	\$0.8517	+1.5%

Investment Performance

Gross Performance to 30 September 2020 ¹	1 Month	Financial YTD	Since inception ²
SNC	1.5%	14.7%	7.7%
All Ordinaries Accumulation Index	-3.4%	1.1%	6.8%
Outperformance³	4.9%	13.6%	0.9%

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 39.0 cents per share of fully franked dividends since listing in December 2013. The FY20 fully franked final dividend of 2.5 cents per share will be paid on 12 November 2020. The profits reserve is currently 10.4 cents per share and there are 10.8 cents per share of franking credits.

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.

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*	\$114.6m
Market capitalisation	\$78.8m
NTA before tax	\$0.8475
Share price	\$0.7250
Shares on issue	108,624,261
Options on issue	nil
Fully franked dividends	\$0.025
Dividend yield (annualised)	6.9%
Profits reserve (per share)	10.4 cps
Franking (per share)	10.8 cps

*includes the 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 10.7% 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 1.5% for the month, on a gross basis, before all fees and expenses, compared to a decrease of 3.4% for the All Ordinaries Accumulation Index.

Key contributors to the month's returns were Spectra Systems Corporation (SPSY LN), Australian Silica Quartz Group Ltd (ASQ) and Boral Ltd (BLD), partly offset by Iluka Ltd (ILU) and City Chic Collective Ltd (CCX).

Spectra Systems Corp. shares rose more than 30% during September after the company advised its 2020 results were on track to *"significantly exceed market expectations, in spite of the COVID-19 pandemic."* Spectra's product authentication and security technology continues to gain traction as well as its cleaning technology. Its banknote cleaning technology has been shown to clean notes of viruses, including SARS-COV-19, the virus behind the COVID-19 pandemic. This has led to interest not only from central banks around the world but also casinos. We remain confident of the future prospects for Spectra.

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 Company 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.

Investment Portfolio

	September 2020
Listed Australian Equities	69%
Listed International Equities	16%
Unlisted investments	14%
Cash or Cash Equivalents	1%

Contact

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

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