

SANDON CAPITAL

Sandon Capital Investments Limited
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Monthly Report

As at 31 August 2021

Net Tangible Assets (NTA)

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

NTA before tax	\$1.1915	+4.6%
Deferred tax asset	\$0.0098	
Deferred tax liability on unrealised income and gains	(\$0.0858)	
NTA after tax	\$1.1155	+3.8%

Investment Performance

Gross Performance to 31 Aug 2021 ¹	1 Month	1 year	Since inception ²
SNC	6.0%	61.8%	13.4%
All Ordinaries Accumulation Index	2.6%	29.0%	10.0%
Outperformance³	+3.4%	+32.8%	+3.4%

1. The SNC gross returns are after investment management fees and brokerage expenses but before performance fees and corporate expenses. Index returns are before all fees and expenses and before any taxes. 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 paid 41.5 cents per share of fully franked dividends since listing in December 2013. The profits reserve is 36.2 cents per share and there are 9.6 cents per share of franking credits.

SNC's FY21 final dividend of 2.75cps will be paid on 5 November 2021. The special dividend of 1.00cps will be paid on 20 December 2021. The Board anticipates paying an interim dividend for FY22 of 2.75cps, provided the Company has sufficient profit reserves, franking credits and it is within prudent business practice.

Ex-date	Dividend Amount	Franking	Corporate Tax Rate	Type
30 November 2021	1.00 cps	100%	25.0%	Special
19 October 2021	2.75 cps	100%	25.0%	Final
17 May 2021	2.50 cps	100%	26.0%	Interim
21 October 2020	2.50 cps	100%	26.0%	Final
5 May 2020	3.50 cps	100%	27.5%	Interim
21 October 2019	3.50 cps	100%	27.5%	Final
16 May 2019	3.50 cps	100%	27.5%	Interim
23 October 2018	3.50 cps	100%	27.5%	Final
8 May 2018	3.50 cps	100%	27.5%	Interim
23 October 2017	3.50 cps	100%	27.5%	Final
18 May 2017	3.50 cps	100%	30.0%	Interim
21 October 2016	3.00 cps	100%	30.0%	Final

Sandon Capital Investments Limited

ASX Code	SNC
Listed	23 Dec 2013
Gross assets*	\$169.5m
Market capitalisation	\$113.1m
NTA before tax	\$1.1915
Share price	\$1.0200
Shares on issue	110,888,889
Options on issue	nil
Fully franked dividends	\$0.055
Dividend yield (annualised)	5.4%
Profits reserve (per share)	36.2 cps
Franking (per share)	9.6 cps
Loan-to-assets (incl. MVTHA)	15%

*includes the face value of Mercantile 4.8% 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 14.1% 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.

Corporate Update

The Company has announced a 1-for-4 Non-Renounceable Entitlement Offer. The Offer opens on 15 September 2021 and the Entitlement Offer Booklet, which includes a personalised Entitlement and Acceptance Form will be despatched on that date. The Entitlement Offer provides Eligible Shareholders with the opportunity to acquire 1 New SNC Share at a price of \$1.01 for every 4 shares they owned on the Record Date. This represents a 15.2% discount to the 31 August 2021 pre-tax NTA of \$1.1915. New Shares issued under the Entitlement Offer, including the Top-up and Shortfall Facilities, will receive the 2.5 cents per share fully franked final and the 1.0 cent per share special fully franked dividends, provided the shares are held at the relevant record dates.

Portfolio commentary

The Portfolio was up 6.0% for the month, on a gross basis, after investment management fees and brokerage but before performance fees and corporate expenses, compared to an increase of 2.6% for the All Ordinaries Accumulation Index.

Key contributors to the month's returns included IDT Australia Ltd (**IDT**), City Chic Collective Ltd (**CCX**) and COG Financial Services Ltd (**COG**). The largest detractor was BCI Minerals Ltd (**BCI**), which was impacted by a falling iron ore price, despite BCI's Iron Valley iron ore royalty comprising a small part of the investment thesis and value of the company.

Overall, the August reporting season was a very positive one for our portfolio of companies. A significant proportion of our largest holdings reported record earnings and dividends, and many provided strong outlook commentaries. Importantly, many of our holdings are now showing the benefits of significant turnarounds and/or growth initiatives implemented in recent years that are now bearing fruit.

CCX is a case in point. When we first invested in CCX's predecessor, Specialty Fashion Group, it was perceived as a company with a tenuous balance sheet and stable of underperforming, low growth brands. Following the sale of the legacy brands and the acquisition of plus-sized businesses – Avenue, Evans and Navabi – City Chic is now rightly perceived as a high growth business that generates outstanding profitability, cash flow and returns. There are very few listed companies globally that are experiencing the top line growth rates of CCX whilst at the same time delivering strong profits and free cash flow. Importantly, given the company's small share of a large global market, and with the recent investments in acquisitions, inventory and marketing, we believe growth rates at CCX should continue for the foreseeable future. The company remains a core holding for the portfolio.

IDT was again a strong driver of returns for the portfolio, with the share price rising a further 70% in August, following the 24% increase in July. In addition to reporting its FY21 result, which disclosed the first profit in a decade, the company announced that it had signed a Sterile Readiness Agreement with the Federal Government Department of Health. As part of this agreement, IDT will provide its facility on an exclusive basis to the Department of Health, for a period of up to 4 months, should the government decide to nominate a COVID-19 vaccine to be manufactured at the site. IDT would also need to enter into a commercial arrangement with a vaccine company before the commencement of production of a vaccine. Whilst the market's focus for IDT is on the short-term prospects of winning a vaccine manufacturing contract, we do not believe this is a make or break event for the company. Longer term, we believe there are significant opportunities for IDT to restore itself to its former glory, either via the development of new vaccines through its partnership with Monash University and the Victorian Government and/or the re-onshoring of critical elements of the pharmaceutical supply chain.

In previous newsletters, we have alluded to new positions that we have been accumulating in the portfolio. During the month, our shareholding in A2B Ltd (**A2B**) across all the Sandon Capital portfolios increased above 5%, triggering a substantial shareholding disclosure to the ASX. We expect to provide more insights into our A2B investment post the company's strategy day in late September and leading into the AGM in November. In addition to A2B and other recent investments, we continue to uncover opportunities in the market into which to deploy our capital at attractive rates of return.

Investment Portfolio

	August 2021
Listed Australian Equities	83%
Listed International Equities	10%
Unlisted investments	6%
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.

Further information:

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