

SANDON CAPITAL

Sandon Capital Activist Fund

October 2021 Monthly Report

Entry/Exit Prices: \$2.7556/\$2.7392

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	2.6%	56.9%	20.1%	15.2%	14.8%	14.0%	13.0%	392.1%
S&P/ASX 200 Accum.	-0.1%	30.5%	11.9%	10.9%	10.0%	8.7%	13.3%	175.2%
Small Ordinaries Accum.	0.9%	31.0%	13.5%	11.5%	7.0%	6.3%	16.4%	110.5%
Cash	0.0%	0.0%	0.7%	1.1%	2.0%	2.4%	5.0%	33.8%

Portfolio Exposures

Net Exposure	99%	Long Positions	31
Net Cash	1%	Short Positions	0

Fund Commentary

The Fund return for October 2021 was 2.6%, bringing total returns (net of all fees and expenses) since inception to the equivalent of 14.0% per annum. Cash levels ended the month at approximately 1%.

Key contributors to the month's returns included BCI Minerals Ltd (**BCI**) (+2.0%), Coventry Group Ltd (**CYG**) (+0.9%) and Fleetwood Ltd (**FWD**) (+0.7%). The largest detractor was IDT Australia Ltd (**IDT**) (-1.2%).

BCI shares finally detached from the negative sentiment around the iron ore market and had a strong month (up 29.5%) following some important announcements from the company related to the Mardi Salt & Potash project (Mardi). In the middle of the month, BCI announced that it had received approvals, subject to customary conditions, for \$740m of project finance debt for Mardi. A week later, the company announced that the Board had made a final investment decision regarding the development of Mardi. Both of these announcements are very important milestones on the road to the development, and ultimately first production of salt and potash, from the Mardi project. There are now only two remaining hurdles to jump before the development of Mardi begins in earnest; Part IV environmental approvals and the grant of associated mining leases, and the equity component of the funding package. Based on the commentary in BCI's recent releases, we expect to hear further news on both before the end of November.

CYG was the first portfolio company to hold its Annual General Meeting (AGM) for this season. Like many companies, CYG did not provide any formal FY22 guidance, however its outlook commentary was encouraging. Furthermore, it provided a good summary of the strong turnaround that has occurred over the past four years. CYG has grown its revenues, delivered the first profit from its fasteners business in a decade, grown its fluids systems business, completed four successful acquisitions and resumed paying dividends. We believe CYG is well-placed to benefit from the continued post-pandemic recovery, albeit the trajectory is unlikely to be a straight line. Supply-chain issues, wage inflation and staffing may pose short-term challenges, though we are confident in management's skills to navigate any choppy waters ahead.

We attribute the decline in the IDT share price (down 13.8%) to the absence of any announcement from the federal government on domestic manufacturing of a COVID-19 vaccine. The government had been expected to make an announcement in late October or early November, however, nothing has been announced to date. To paraphrase science, the market abhors a vacuum of information. We expect IDT's share price will continue to be volatile, including around a positive or negative decision regarding the domestic manufacturing of a COVID-19 vaccine. Even if IDT does not win any government work, we believe its long-term opportunities remain significant. It has signed agreements with Australia's pre-eminent mRNA research institutions, including Monash Institute of Pharmaceutical Sciences (MIPS), and we understand IDT is currently manufacturing small batch doses of the MIPS mRNA vaccine for its pharmaceutical trials. The need for strategic manufacturing capability for active pharmaceutical ingredients (APIs) also underpins our views of the strategic importance of IDT. Unfortunately, as an election looms in 2022, many decisions and announcements will be influenced by the election news cycle, so we have no insights as to when or if a decision around the domestic manufacturing of an mRNA vaccine might be announced.

The AGM season moves into full swing in November. We look forward to hearing the updates from the remainder of our portfolio over the course of the month.

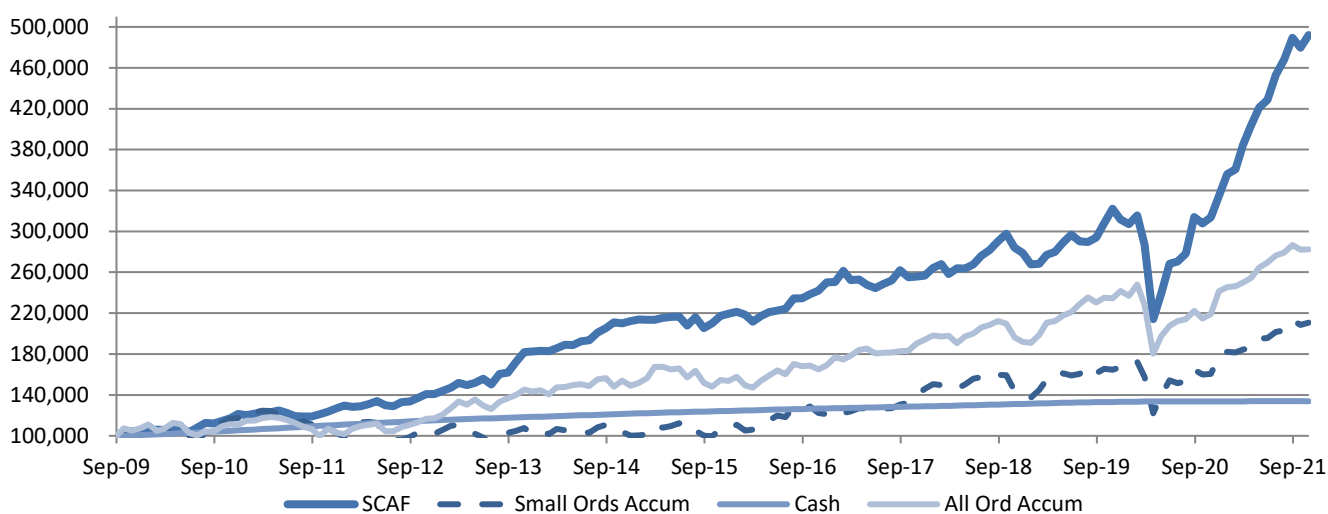
Fund Description

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.

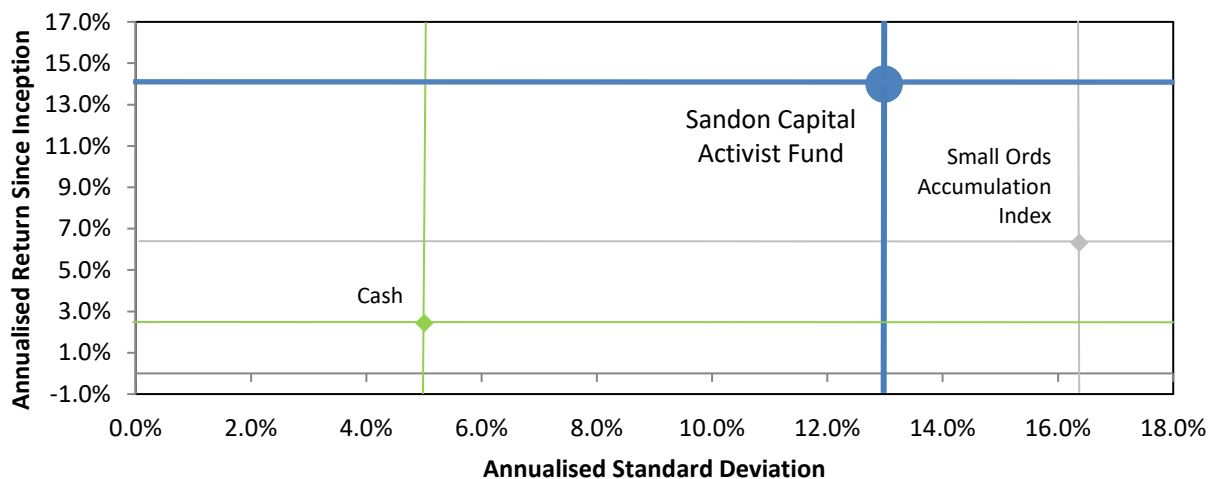
Fund Details

Structure	Wholesale unit trust	Minimum Investment	\$250,000 (or as agreed with trustee)
Trustee	One Fund Services Ltd	Trustee/Admin Fees	0.21%
Custodian	One Investment Group	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



Sources for all charts: Sandon Capital, Bloomberg

Note: SCAF returns are net of all fees and expenses. Fund inception is 4 September 2009.

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