

SANDON CAPITAL

Sandon Capital Investments Limited
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Monthly Report

As at 31 October 2021

Net Tangible Assets (NTA)

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

NTA before tax (ex-dividend, ex-entitlement)	\$1.1446	+0.3%
Deferred tax asset	\$0.0125	
Deferred tax liability on unrealised income and gains	(\$0.0724)	
NTA after tax (ex-dividend, ex-entitlement)	\$1.0847	+1.0%

Investment Performance

Gross Performance to 31 Oct 2021 ¹	1 Month	1 year	Since inception ²
SNC	3.7%	57.2%	13.3%
All Ordinaries Accumulation Index	0.1%	29.0%	9.6%
Outperformance³	3.5%	+28.3%	+3.7%

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. Figures may not tally due to rounding.

Dividends

SNC has paid 44.25 cents per share of fully franked dividends since listing in December 2013. The profits reserve is 28.9 cents per share and there are 7.7 cents per share of franking credits.

SNC's FY21 final dividend of 2.75cps was 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*	\$189.8m
Market capitalisation	\$134.4m
NTA before tax	\$1.1446
Share price	\$1.0100
Shares on issue	133,064,735
Options on issue	nil
Fully franked dividends	\$0.055
Dividend yield (annualised)	5.4%
Profits reserve (per share)	28.9cps
Franking (per share)	7.7cps
Loan-to-assets (incl. MVTHA)	9%

*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 14.0% 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 3.7% 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 0.1% for the All Ordinaries Accumulation Index.

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

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.

Investment Portfolio

	October 2021
Listed Australian Equities	78%
Listed International Equities	8%
Unlisted investments	5%
Cash or Cash Equivalents	9%

Contact

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

Further information:

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Link Market Services

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