

# SANDON CAPITAL

## Sandon Capital Activist Fund

April 2021 Monthly Report

Entry/Exit Prices: \$2.3611/\$2.3423

### 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	4.2%	76.0%	16.9%	13.8%	12.9%	13.1%	13.1%	321.2%
S&P/ASX 200 Accum.	3.5%	30.8%	9.5%	10.3%	8.4%	8.5%	13.5%	158.8%
Small Ordinaries Accum.	5.0%	39.8%	9.1%	11.1%	4.9%	5.9%	16.6%	95.1%
Cash	0.0%	0.1%	1.0%	1.3%	2.2%	2.5%	4.8%	33.8%

### Portfolio Exposures

Net Exposure	98%	Long Positions	30
Net Cash	2%	Short Positions	0

### Fund Commentary

The Fund return for April 2021 was +4.2%, bringing total returns (net of all fees and expenses) since inception to the equivalent of 13.1% per annum. Cash levels ended the month at approximately 2%.

Key contributors to the month's returns included Coventry Group Ltd (CYG) (+1.8%), City Chic Collective Ltd (CCX) (+1.7%), COG Financial Services Ltd (COG) (+1.1%) and Boral Ltd (BLD) (+0.6%). These strong performers were partly offset by IDT Australia Ltd (IDT) (-1.4%) which gave back some of its strong gains from the previous month.

BLD completed the sale of its US plasterboard joint venture, announced a buy-back and a strategic review of its US fly-ash business (read as code for "sale" by many). We believe new management have well-and-truly gained the confidence of shareholders. We believe continued economic growth (out of management's control) and a focus on costs and efficiencies (within management's control) should lead to improved results in the short- and medium-term. A more streamlined portfolio of assets predominantly focused on Australian construction materials and property/royalties should continue to see a re-rating of the stock by the market.

CYG provided a third quarter trading update. YTD sales were up 12.1% on a like for like basis (16.9% including acquisitions). The Fluid Systems business was the stand-out, up 19.9% (24.8% including acquisitions). The Trade Distribution business, whose turnaround has been long coming, is starting to bear fruit. CYG has the opportunity to build itself both by organic growth and acquisition. Both drivers have been key in the company growing earnings since they reached a nadir in FY17. We are very supportive of their acquisition strategy, which seeks to make small bolt-on acquisitions, rather than attempting to make large, heroic ones.

COG announced during April that its third quarter trading results to the end of March 2021 were strong. The CEO stated they are "on track to deliver a record-breaking year in FY21." We are understandably pleased with this performance. We expect COG's target market, the SME sector, to continue to recover to pre-COVID levels of activity and go well beyond. Some sectors, notably tourism, hospitality and entertainment, some retailers and services, continue to suffer the effects of COVID, while others, those we describe as the industrial economy, are thriving. We expect COG's pipeline of business to be strong and long. The challenge remains for the share price to keep up with the growth in the value of the business.

There was no apparent news flow to explain the strong rise in the CCX share price during April. In early May, the company presented at the annual Macquarie Australia Conference and provided an upbeat outlook. Sales growth in 2HFY21 has continued the strong trajectory noted at the 1HFY21 result in late February. Margins have recovered quickly and are now back to levels seen prior to the COVID-induced price discounting experienced in early-mid 2020. Importantly, the recent acquisitions of Avenue and Evans are performing extremely well. Sales at Avenue are ahead of pre-acquisition levels (we had expected some attrition) and Evans has been fully integrated ahead of schedule and under budget. The management team at CCX continues to demonstrate their outstanding retail skills, with shareholders being a key beneficiary.

Our long-held investments in moderately priced companies with predominant exposures to the industrial economy continue to deliver rewards. We continue to be excited by the prospects for a number of our holdings in 2021. We look forward to reporting to you on their progress in future newsletters.

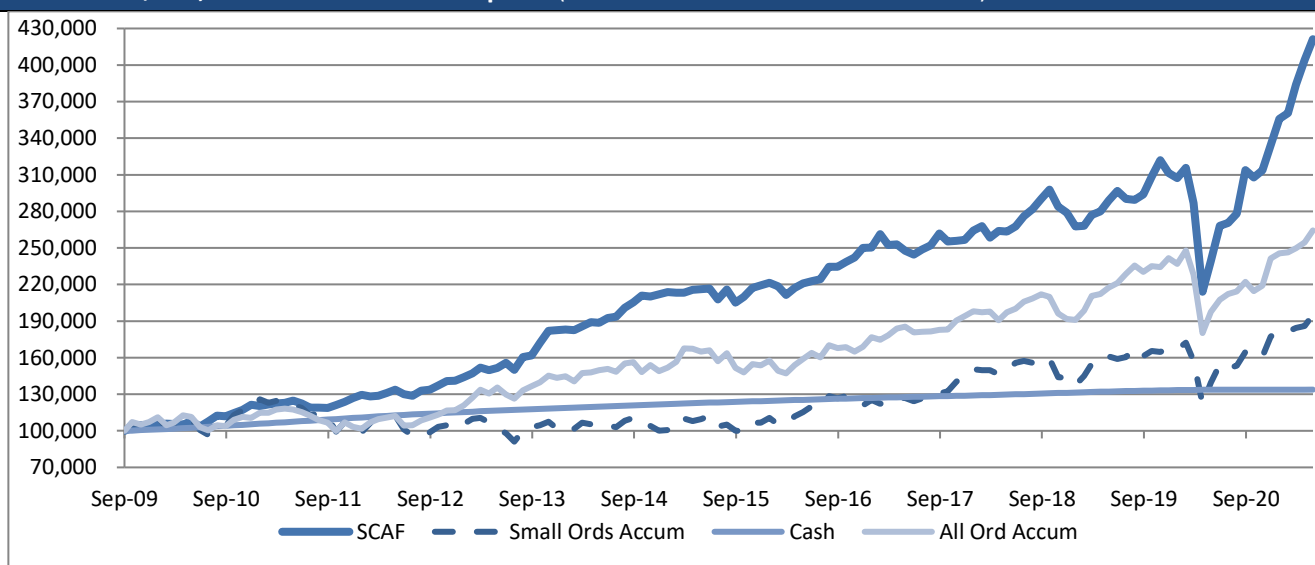
## Fund Description

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.

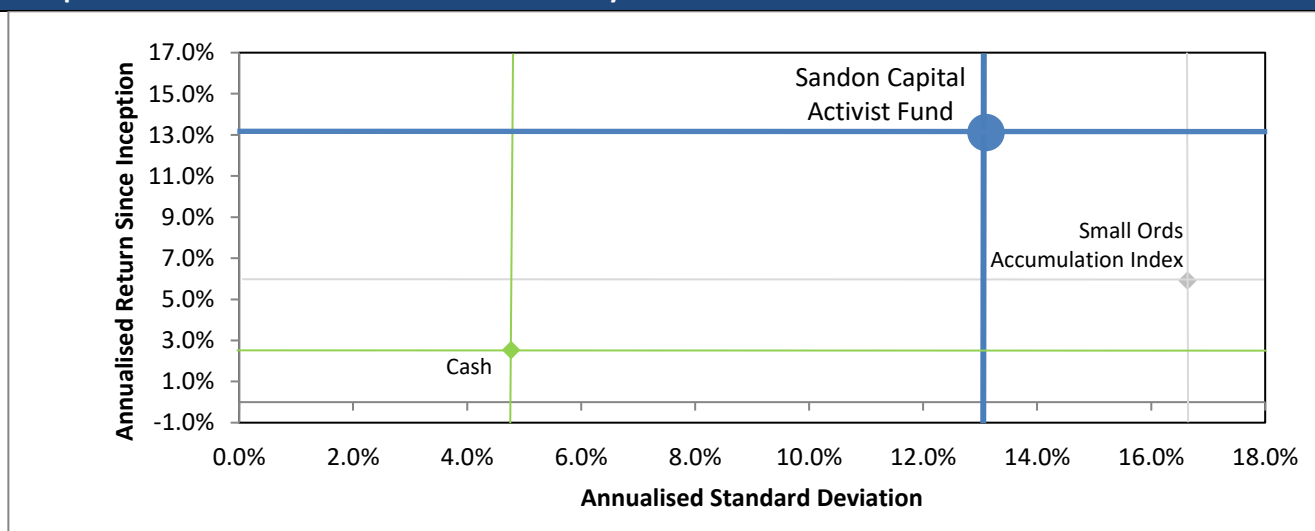
## Fund Details

Structure	Wholesale unit trust	Minimum Investment	\$250,000 (or as agreed with trustee)
Trustee	Fundhost Ltd	Trustee Fees	0.21%
Custodian	National Australia Bank	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



Source for all charts: Sandon Capital, Bloomberg

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

Fundhost Limited (ABN 69 092 517 087) (AFSL 233045) ("Fundhost") as trustee of, and issuer of units in, the Sandon Capital Activist Fund ("Fund"). Sandon Capital Pty Limited (ABN 98 130 853 691) (AFSL 331 663) ("Sandon Capital") is the Investment Manager of the Fund.

Fund performance is after fees and assumes distributions are reinvested. Past performance is not a reliable guide to future performance. This information has been prepared without taking into account your investment objectives, financial situation, or needs. Before making an investment decision you should consider the appropriateness of the information having regard to these matters. Before you invest it is important that you read and understand the terms set out in the Sandon Capital Activist Fund Information Memorandum ("IM") dated July 2019. In particular, it is important that you understand the risks associated with an investment in the Fund set out on page 5 of the IM.

Information provided by the Investment Manager are views of the Investment Manager only and can be subject to change. While information in this report is given in good faith and is believed to be accurate, Fundhost and Sandon Capital give no warranty as to the reliability or accuracy of the information, nor accept any responsibility for any errors or omissions of third parties. To the extent permitted by law, neither Fundhost nor Sandon Capital, including their employees, consultants, advisors, officers or authorised representatives are liable for any loss or damage arising as a result of reliance placed on the contents of this report.