

SANDON CAPITAL

Sandon Capital Investments Limited
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Monthly Report

As at 31 December 2021

Net Tangible Assets (NTA)

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

NTA before tax	\$1.1049	-4.3%
Deferred tax asset	\$0.0003	
Deferred tax liability on unrealised income and gains	(\$0.0170)	
NTA after tax	\$1.0435	-4.5%

Investment Performance

Gross Performance to 31 Dec 2021 ¹	1 Month	1 year	Since inception ²
SNC	-5.8%	35.4%	12.4%
All Ordinaries Accumulation Index	2.7%	17.7%	9.7%
Outperformance ³	-8.4%	+17.7%	+2.7%

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 45.25 cents per share of fully franked dividends since listing in December 2013. The profits reserve is 29.5 cents per share and there are 7.3 cents per share of franking credits.

SNC's FY21 final dividend of 2.75cps was paid on 5 November 2021 and the special dividend of 1.00cps was 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*	\$179.1m
Market capitalisation	\$131.8m
NTA before tax	\$1.1049
Share price	\$0.9800
Shares on issue	134,512,848
Options on issue	nil
Fully franked dividends	\$0.055
Dividend yield (annualised)	5.6%
Profits reserve (per share)	29.5cps
Franking (per share)	7.3cps
Loan-to-assets (incl. MVTHA)	16%

*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 13.2% 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 down 5.8% 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 2.7% for the All Ordinaries Accumulation Index.

The largest detractors to this month's return were IDT Australia Ltd (**IDT**), Australian Silica Quartz Group (**ASQ**), City Chic Collective Ltd (**CCX**) and BCI Minerals Ltd (**BCI**). These were only partly offset by COG Financial Services Ltd (**COG**), Fleetwood Ltd (**FWD**) and Coventry Group Ltd (**CYG**). The remainder of the portfolio was a small net negative contributor.

During the month, the Australian government announced that it will collaborate with Moderna to build a new domestic manufacturing facility to produce mRNA vaccines. Moderna did not participate in the Approach to Market (ATM) process, instead working with the government separately. As a result, ALL companies that made a submission to the ATM, including IDT, were advised that they had been unsuccessful. This resulted in a fall of ~60% in the IDT share price for the month. Whilst it is disappointing that IDT seemingly has no role to play in the domestic manufacturing of mRNA COVID-19 vaccines, we believe the long-term strategic value at IDT remains significant.

The company has signed agreements with Australia's pre-eminent mRNA research institutions, including Monash Institute of Pharmaceutical Sciences (MIPS), and has manufactured small batch doses of the MIPS mRNA vaccine for its pharmaceutical trials. The Australian Government's \$800m Modern Manufacturing Initiative Collaboration Stream Grant opportunity also remains live. Furthermore, the need for strategic manufacturing capability for active pharmaceutical ingredients (APIs) underpins our views of the strategic importance of IDT.

After rising 100% in November, ASQ's share price fell 50% in December to return to where it was at the end of October. There was little tangible news flow during the month to justify the share price fall (similar to November where there was little tangible news to drive the shares up 100%). We expect further updates on the drilling at ASQ's Sovereign prospect in the first quarter of the calendar year and expect the shares to remain volatile in the meantime.

Notwithstanding the disappointing finish to the year, the performance of the portfolio overall for 2021 was satisfactory, delivering a gross return of 35.4%. Major positive contributors to this return were COG Financial Services Ltd (**COG**), Coventry Group Ltd (**CYG**), Fleetwood Ltd (**FWD**), City Chic Collective Ltd (**CCX**) and BCI Minerals Ltd (**BCI**). Pleasingly, there were very few detractors to the year's performance, the largest being Alterra Ltd (**1AG**).

Whilst we do not expect to repeat 2021's return in 2022, we are optimistic about the outlook for the portfolio. Many of our investments have performed well operationally during the COVID-19 induced social and economic upheaval over the past two years and look set to continue their solid operating performance despite the uncertain landscape ahead. Other investments have seen changes at Board and management level and are well placed to take advantage of some of the specific opportunities they have ahead of them. It would also be remiss not to mention some of the companies in the portfolio that require necessary changes at Board and management level to ensure that the value opportunity is maximised. We expect to provide further updates to our investors on this front over the course of 2022. Our top down perspective remains unchanged; we expect financial market volatility will continue, with COVID (and any future variants), interest rates and inflation, and geopolitics all likely sources of concern.

In December, Sandon Capital welcomed Derek Skeen as our new Chief Operating Officer. Derek comes extremely well credentialled, having worked at Macquarie for 25 years, including as the global head of investment operations. We look forward to introducing Derek to our investors over the course of 2022, pandemic rules permitting.

Investment Portfolio

	December 2021
Listed Australian Equities	84%
Listed International Equities	9%
Unlisted investments	5%
Cash or Cash Equivalents	2%

Contact

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

Further information:

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Share registry:

Link Market Services

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