

# SANDON CAPITAL

## Sandon Capital Activist Fund

December 2021 Monthly Report

Entry/Exit Prices: \$2.5916/\$2.5760

### 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	-3.4%	30.0%	20.0%	13.1%	13.6%	13.2%	13.0%	362.8%
S&P/ASX 200 Accum.	2.7%	17.2%	13.6%	9.8%	10.8%	8.7%	13.2%	181.3%
Small Ordinaries Accum.	1.4%	16.9%	15.7%	11.2%	8.0%	6.3%	16.3%	112.9%
Cash	0.0%	0.0%	0.6%	1.1%	1.9%	2.4%	5.1%	33.8%

### Portfolio Exposures

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

### Fund Commentary

The Fund return for December 2021 was -3.4%, bringing total returns (net of all fees and expenses) since inception to the equivalent of 13.2% per annum. Cash levels ended the month at approximately 1%.

The largest detractors to this month's return were IDT Australia Ltd (**IDT**) (-4.9%), City Chic Collective Ltd (**CCX**) (-1.0%) and BCI Minerals Ltd (**BCI**) (-0.9%). These were only partly offset by COG Financial Services Ltd (**COG**) (+1.5%), Fleetwood Ltd (**FWD**) (+0.8%) and Coventry Group Ltd (**CYG**) (+0.7%). 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.

Notwithstanding the disappointing finish to the year, the performance of the fund overall for 2021 was satisfactory, delivering a net return of 30.0%. Major positive contributors to this return were COG Financial Services Ltd (**COG**) (+9.0%), Coventry Group Ltd (**CYG**) (+4.7%), Fleetwood Ltd (**FWD**) (+3.8%), City Chic Collective Ltd (**CCX**) (+3.3%) and BCI Minerals Ltd (**BCI**) (+3.0%). Pleasingly, there were only four detractors to the year's performance, the largest being Alterra Ltd (**1AG**) (-0.9%).

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.

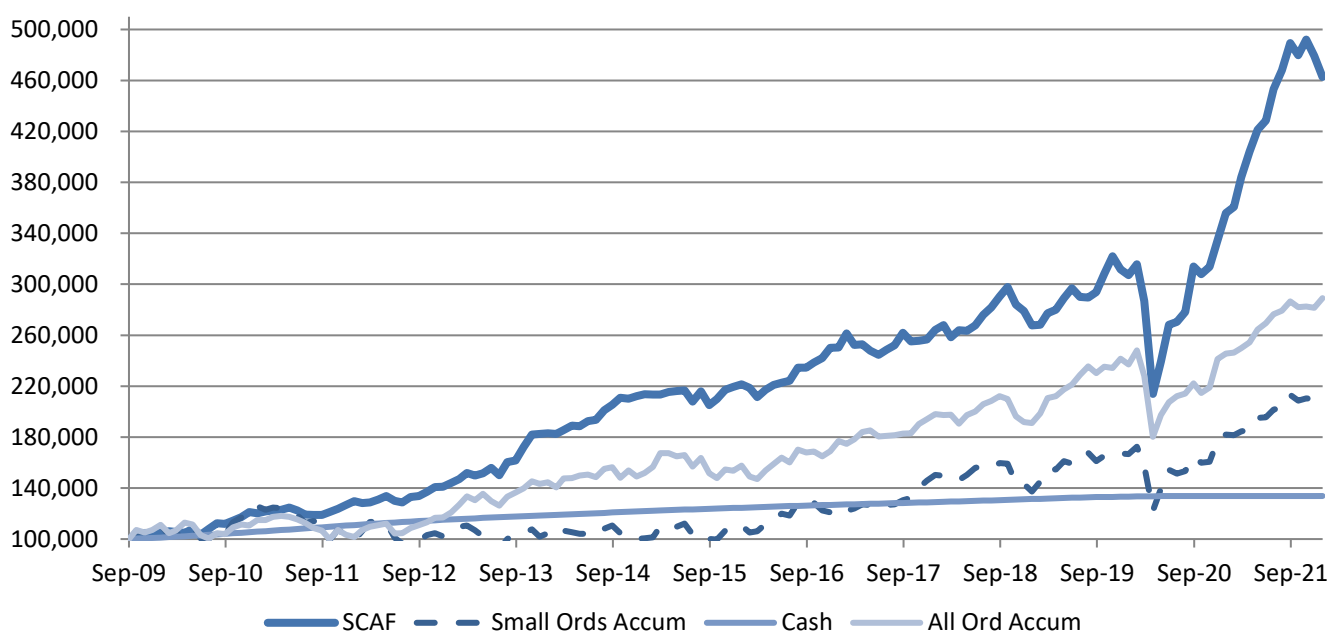
## Fund Description

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.

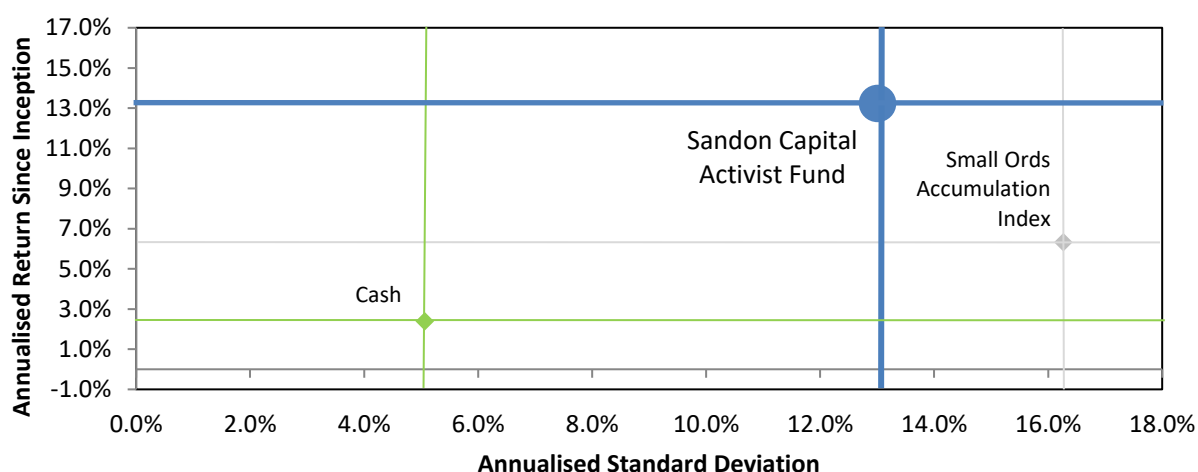
## Fund Details

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	±0.30%
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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