

SANDON CAPITAL

Sandon Capital Activist Fund

January 2022 Monthly Report

Entry/Exit Prices: \$2.4652/\$2.4504

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	-4.9%	22.0%	17.9%	11.0%	13.1%	12.7%	13.1%	340.2%
S&P/ASX 200 Accum.	-6.4%	9.4%	9.8%	8.5%	9.5%	8.1%	13.3%	163.4%
Small Ordinaries Accum.	-9.0%	6.7%	10.1%	9.6%	6.2%	5.5%	16.4%	93.7%
Cash	0.0%	0.0%	0.6%	1.0%	1.8%	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 January 2022 was -4.9%, bringing total returns (net of all fees and expenses) since inception to the equivalent of 12.7% per annum. Cash levels ended the month at approximately 1%.

The largest detractors for the month were City Chic Collective Ltd (**CCX**) (-1.2%), Fleetwood Ltd (**FWD**) (-0.9%), BCI Minerals Ltd (**BCI**) (-0.9%), COG Financial Services Ltd (**COG**) (-0.6%) and Nuix Ltd (**NXL**) (-0.6%). The major positive contributor was Wellard (**WLD**) (+0.3%), which was successful in international arbitration proceedings and received a payment of US\$12m.

Whilst the share prices of many of our largest positions suffered during the month, many of these same companies provided strong operating updates. CYG announced that sales for 1HFY22 were up 13.6% on the prior corresponding period (pcp). Konnect and Artia Australia (KAA), the business that has caused CYG so many problems over the past decade, saw its sales grow by 19.6%. COG announced unaudited 1HFY22 NPATA (less Government subsidies) of \$10.5m, a 25% increase on the pcp. Importantly, the key Finance Broking & Aggregation business continued the strong growth seen over the past 12-18 months. CCX announced unaudited 1HFY22 comparable sales growth of 44%. Whilst underlying EBITDA was flat with the pcp, this was acceptable given the COVID driven lockdowns and supply chain issues in the period and we expect margins to return to more normal levels going forward.

A2B Australia Ltd (**A2B**) was one of our "pandemic specials", with shares first purchased in July 2020. Our campaign began in earnest in the lead-up to last year's AGM. We wrote a [letter](#) to the chairman, outlining our concerns with the operational performance of the company and its strategic direction. To shore up investor support, the company announced a memorandum of understanding (MoU) for a property swap. While the resolutions passed, the votes against were significant. The property swap did not become the silver bullet the company had hoped for; it became a millstone around its neck. Many investors expressed dismay. In mid-January, we [wrote](#) to the Board outlining our concerns with the property swap and called on the company to immediately abandon the transaction. Press coverage ensued. In early February, A2B's Chairman, Paul Oneile, announced he was retiring with immediate effect. The following day, the company announced that Managing Director, Andrew Skelton, would be stepping down from his role and that independent external advisors had been appointed to commence a strategic review of the company. We view these announcements as positive for the preservation of long-term value at A2B.

We believe the current share price of A2B, is underpinned by the company's significant property holdings. The core taxi despatch and taxi payments businesses are solid, however we don't believe their financial performance will return to the halcyon days. If a successful turnaround is implemented and the company can return to generating solid profits and cash flows, we believe a share price >\$2.50 is easily achievable. If the turnaround is not successful, we believe the safety net of the property assets more than covers our purchase price. Our preference is for investment opportunities where we believe the downside is limited, and where the potential exits to make multiples on our money on the upside. We believe A2B well and truly fits this criteria. We look forward to providing further updates in the future.

The month of February is when reporting season heats up, with most of our companies expected to report later in the month. Those that have pre-announced their results have reported strong growth and encouraging outlooks. We look forward to reading results in detail as they are released and will be keenly scrutinising any outlook statements.

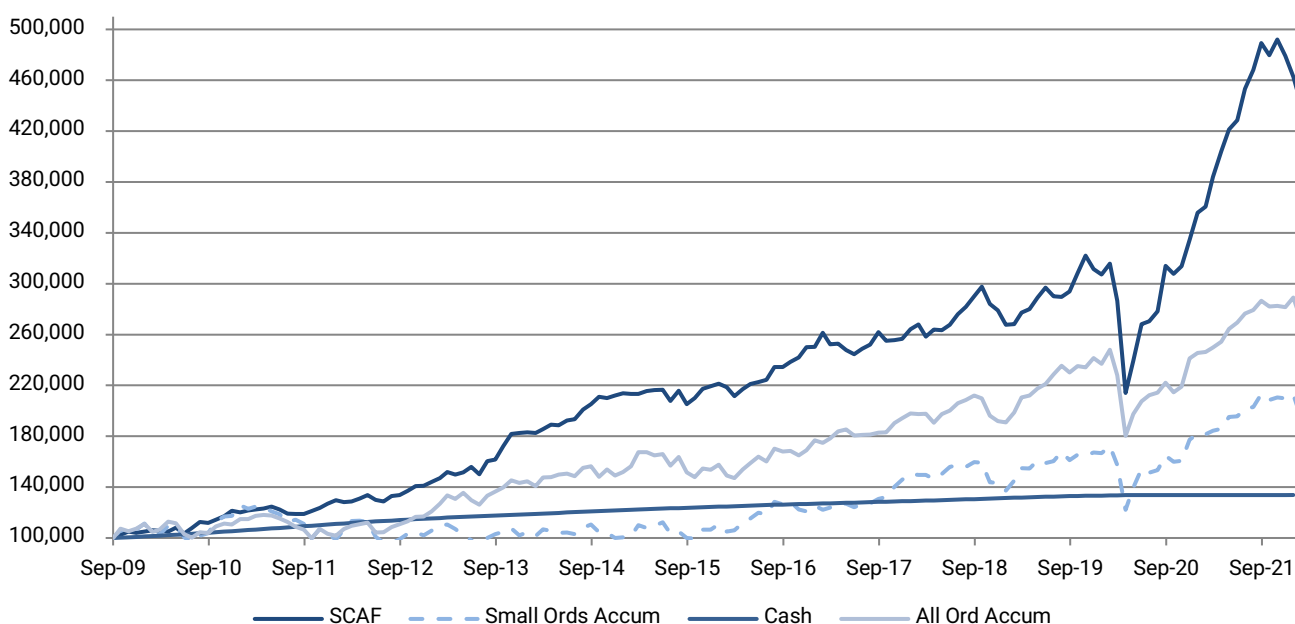
Fund Description

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.

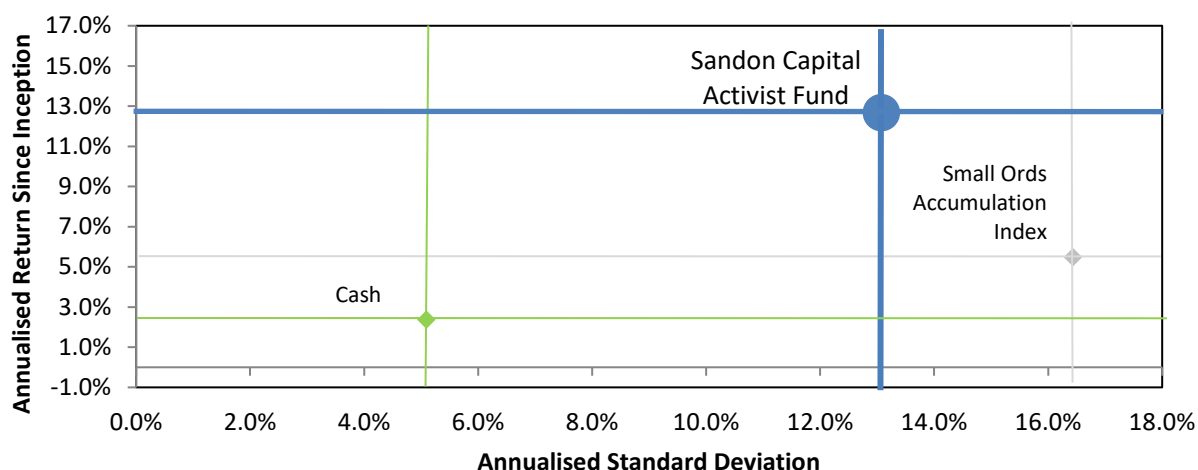
Fund Details

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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