SANDON CAPITAL

Sandon Capital Activist Fund

March 2022 Monthly Report

Entry/Exit Prices: $2.4280/$2.4134

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	3.1%	7.3%	15.7%	11.4%	12.7%	12.4%	13.1%	333.6%
S&P/ASX 200 Accum.	6.9%	15.0%	10.6%	9.2%	10.2%	8.8%	13.3%	187.6%
Small Ordinaries Accum.	5.3%	9.7%	9.6%	9.9%	6.0%	5.8%	16.4%	103.9%
Cash	0.0%	0.0%	0.4%	1.0%	1.8%	2.3%	5.1%	33.8%

Portfolio Exposures

Net Exposure	98%	Long Positions	28
Net Cash	2%	Short Positions	0

Fund Commentary

The Fund return for March 2022 was +3.1%, bringing total returns (net of all fees and expenses) since inception to the equivalent of 12.4% per annum. Cash levels ended the month at approximately 2%.

The largest contributors for the month were BCI Minerals Ltd (**BCI**) (+1.6%) A2B Australia Ltd (**A2B**) (+0.8%) and COG Financial Services Ltd (**COG**) (+0.7%). The main detractors were Fleetwood Ltd (**FWD**)(-1.2%) and City Chic Collective Ltd (**CCX**)(-1.1%).

The spectre of rising interest rates and inflation is well and truly taking hold of financial markets, particularly in the US and Australia. The sources of inflationary pressures are numerous. Last year, central banks described inflationary pressures as transitory, meaning they were not convinced inflation was anything more than a hangover from the pandemic. Today, the US and Australian central banks have abandoned such thinking and are poised to raise rates. In Australia, whatever the root cause, the prices of most inputs into production are rising, labour costs are rising (and indeed in some sectors, there are clear labour shortages) and with longer dated interest rates rising, the cost of capital is rising too.

Although, our investment approach is not predicated in heroic macro-economic predictions, we are not ignorant of the environment in which our companies operate. Our companies are reporting such cost pressures. Our focus is whether these can be mitigated, for example, by those costs being passed on to customers.

BCI, for example, has flagged significant capital cost increases at its flagship Mardie salt and potash project. Fortunately, for now, these increased costs are being more than offset by increases in the market prices for the commodities it will produce. Geopolitical turmoil, which we think will persist, probably underpins these commodity prices for some time, especially for production in Australia, which is for now considered geopolitically stable.

FWD is another company exposed to increased costs. For example, the costs of steel and timber used in its modular construction have increased substantially. FWD has also been affected by increasing labour costs, particularly in WA. For its recent Centres for National Resilience contract, it was able to mitigate those labour costs to some extent by manufacturing modules in Victoria and Queensland for shipment to Perth. A more disciplined approach to contracting should also help FWD mitigate cost pressures. Rising commodity prices should also help underpin increased spending on major resources projects around Karratha, where FWD's Searipple accommodation village is located. We expect to see earnings from Searipple grow substantially in coming years with major projects like Woodside's Scarborough LNG expansion, the new Perdaman urea plant and other large scale maintenance work ensuring strong demand for worker accommodation.

Roughly half the portfolio is exposed directly to various rising commodity prices (for example, Iluka Resources Ltd, Deterra Royalties Ltd and Karoon Energy Ltd) and indirectly (though companies like FWD and Coventry Group Ltd, which have operations that service the resources industries). Commodity prices are usually expected to benefit in inflationary conditions.

The portfolio comprises companies we consider represent good value and have potential to improve through careful application of our activist techniques. Today, much of the portfolio has undergone the changes we've sought, so now we look to reap the rewards of those improvements. We continue to look at new opportunities and remain disciplined.

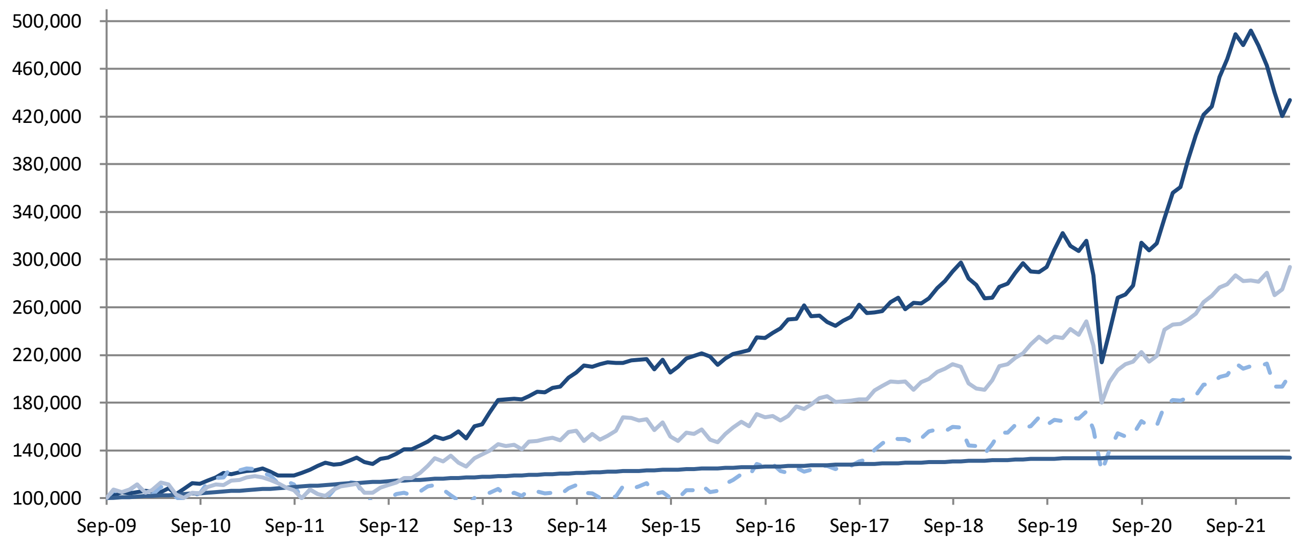
Fund Description

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.

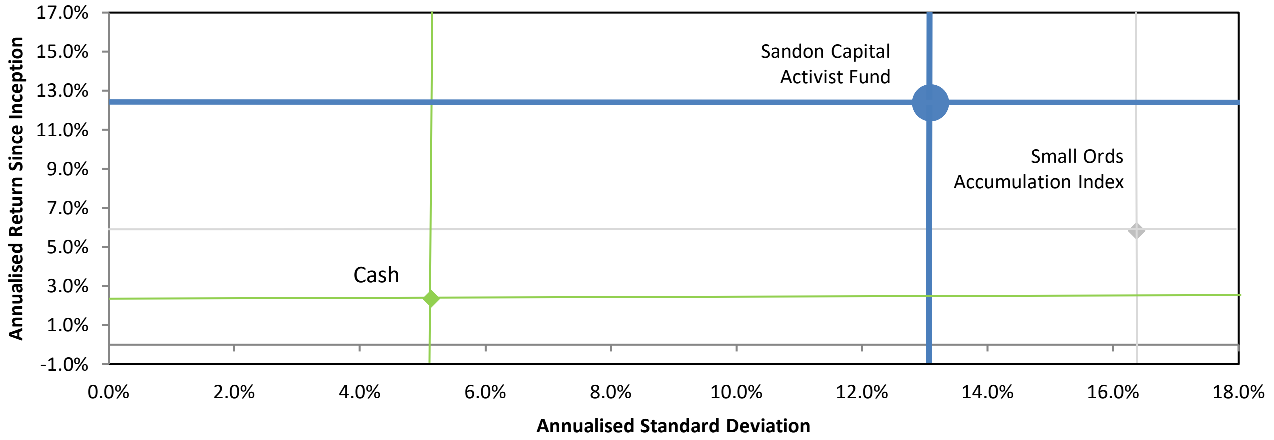
Fund Details

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.