SANDON CAPITAL

Sandon Capital Activist Fund

April 2022 Monthly Report

Entry/Exit Prices: $2.4021/$2.3877

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	-1.1%	1.8%	14.1%	11.6%	12.4%	12.2%	13.1%	328.9%
S&P/ASX 200 Accum.	-0.9%	10.2%	9.4%	8.8%	9.9%	8.6%	13.3%	185.1%
Small Ordinaries Accum.	-1.5%	2.9%	7.6%	9.6%	6.0%	5.7%	16.3%	100.8%
Cash	0.0%	0.0%	0.4%	0.9%	1.7%	2.3%	5.2%	33.8%

Portfolio Exposures

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

Fund Commentary

The Fund return for April 2022 was -1.1%, bringing total returns (net of all fees and expenses) since inception to the equivalent of 12.2% per annum. Cash levels ended the month at approximately 2%.

The largest contributors for the month were COG Financial Services Ltd (**COG**) (+3.0%) and Fleetwood Ltd (**FWD**) (+0.4%), however these were more than offset by City Chic Collective Ltd (**CCX**) (-0.9%), A2B Australia Ltd (**A2B**) (-0.8%), Coventry Group Ltd (**CYG**) (-0.8**%**), IDT Australia Ltd (**IDT**) (-0.7%) and BCI Minerals Ltd (**BCI**) (-0.5%).

The COG share price rose 18% for the month after the company provided a very strong trading update. March quarter profits (unaudited NPATA) improved 49% over the same period last year. Profits for the first nine months of FY22 are now 33% ahead of the same period for FY21. Both of the company's divisions – Finance Broking & Aggregation and Funds Management & Lending – performed strongly in what is typically the company's weakest trading period. The building blocks that have been put in place for COG over the past five years are now starting to demonstrate their strong earnings and cash flow potential.

Two of our largest negative contributors for the month – CCX and CYG – both provided solid trading updates. CCX announced in late April that sales growth to date in 2HFY22 was 25%, despite ongoing volatility in demand and supply chains. Pleasingly, this strong sales growth is not coming at the expense of profitability, with trading margins remaining consistent with the prior period. The company's strategy to build inventory is looking more prescient by the day, with China's COVID Zero strategy resulting in port closures and increased supply chain disruption. Whilst the inventory build has impinged on FY22 cash flow, CCX has meaningfully improved its competitive position within the industry, and we expect strong cash flows to result in FY23 as supply chains start to recover and inventory levels are reduced towards somewhat more normal levels.

CYG announced that strong sales growth seen in the first half of the year continued. 3Q sales increased ~8%, predominantly driven by the Trade Distribution business. Top line growth in the Fluid Systems business is currently being negatively impacted by a lack of qualified labour and we do not expect this to be alleviated in the short term. Whilst wage and raw material inflation are currently running at high levels for both businesses, we expect this to be offset by price increases, with profitability growing faster than sales.

Capital markets globally continue to exhibit heightened volatility as central bankers start wringing the excesses of the past decade from the system. High growth equities trading on nose bleed valuations have borne the brunt of the volatility. We believe significant downside remains in many of these names as the market (finally) comes to the realisation that their business fundamentals do not support the valuations being ascribed. Many of the smaller cap names in our portfolio have been caught up in this volatility and have been unduly punished, often on thin volumes. The business fundamentals underpinning many of our investments continue to remain solid and valuations remain undemanding. We believe these ingredients position the portfolio to perform well over the medium to long term. In the short term, we continue to expect significant volatility in markets, however this also provides opportunity. We are taking advantage of this by steadily deploying capital into attractive investments.

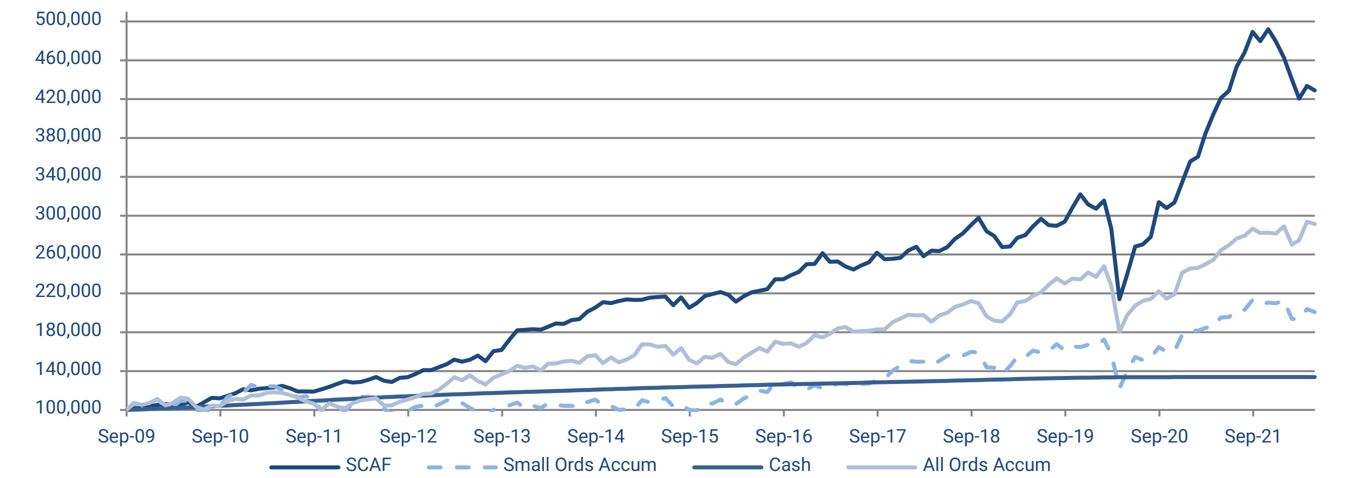
Fund Description

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.

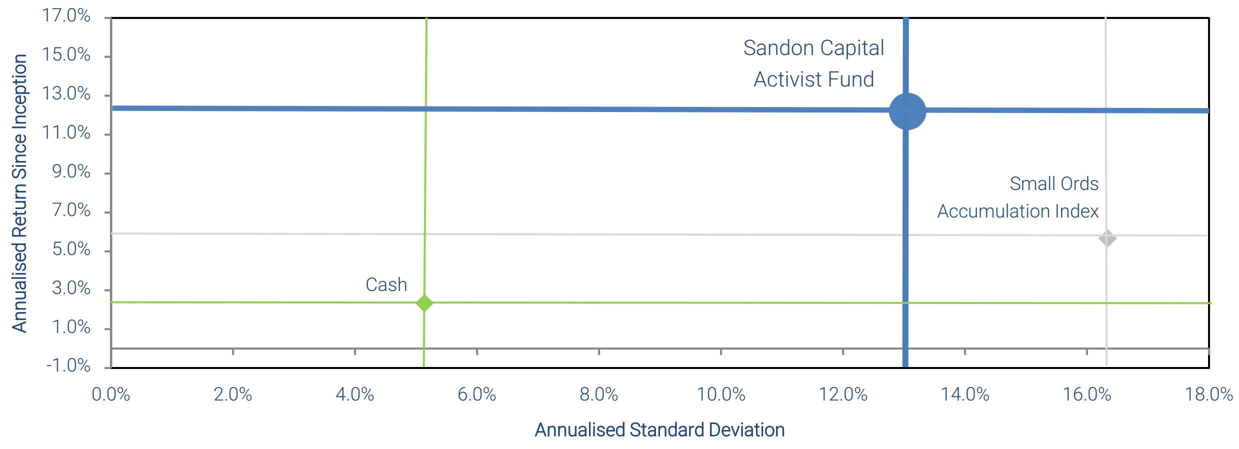
Fund Details

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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