SANDON CAPITAL

Sandon Capital Master Fund

April 2022 Monthly Report

Performance Results (all figures are in AUD unless otherwise stated)

for the Sandon Capital Master Fund calculated net of Feeder Fund "Z" Class share fees, assuming reinvestment and using NAV. Indices are before fees. Feeder Fund investors should refer to their feeder fund statement for their own specific unit class returns

	1 month	1 year	3 yrs (p.a.)	5 yrs (p.a.)	Annualised since Fund inception	Annualised volatility since Fund inception	Total Return since Fund inception
SCMF	-2.3%	6.8%	-	-	17.6%	19.3%	52.0%

For long term return from the investment strategy, please refer to return from Sandon Capital Activist Fund.

Net Monthly Returns (reported on the same basis as above)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019										2.6%	-1.3%	0.1%	**1.3%**
2020	1.0%	-6.9%	-17.8%	8.4%	5.9%	1.7%	2.2%	11.3%	-0.4%	2.4%	9.0%	2.3%	**16.9%**
2021	1.2%	5.8%	8.3%	3.6%	2.7%	5.9%	3.7%	6.0%	-1.6%	3.3%	-2.0%	-4.9%	**35.9%**
2022	-3.6%	-3.2%	3.6%	-2.3%									**-5.6%**

Portfolio Exposures

Long Exposure	106%	Long Positions	23
Short Exposure	1%	Short Positions	1
Cash	0%	Australia	106%
Net Exposure	105%	International	1%
		Currency Exposure	106% AUD/ 1% USD

Fund Details

Structure	Cayman Islands Master Fund	Share Classes	A	B	C (founders)	Z
Auditor	EY	Min Investment	USD1M	USD1M	USD1M	AUD1M
Prime Broker	BNP Paribas, London Branch	Management Fees	1.5%	1.25%	1.0%	1.5%
Fund Administrator	BNP Fund Services	Performance Fees	15.0%	12.5%	10.0%	15.0%
Investment Manager	Sandon Capital Pty Ltd	Lock up (months)	No	36	12	No
Website	www.sandoncapital.com.au	Redemption Fee	No	3%	3%	No
Fund inception	1 October 2019	Highwater Mark				
		Applications / Redemptions	Monthly/monthly – 90 days' notice			

Fund Commentary

The Fund return for April 2022 was -2.3%. Net exposure was approximately 105%.

The largest contributors for the month were COG Financial Services Ltd (**COG**) (+2.3%) and Fleetwood Ltd (**FWD**) (+0.3%), however these were more than offset by, A2B Australia Ltd (**A2B**) (-1.1%), IDT Australia Ltd (**IDT**) (-1.0%), Coventry Group Ltd (**CYG**) (-0.8%), BCI Minerals Ltd (**BCI**) (-0.6%) and City Chic Collective Ltd (**CCX**) (-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. 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 CYG, 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

Contact Details

For further information about the Fund or to discuss making an investment, please contact:

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