SANDON CAPITAL

Sandon Capital Activist Fund

May 2022 Monthly Report

Entry/Exit Prices: $2.2195/$2.2063

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	-7.6%	-7.5%	10.1%	10.1%	11.8%	11.4%	13.2%	296.3%
S&P/ASX 200 Accum.	-2.6%	4.8%	7.8%	8.8%	10.4%	8.3%	13.3%	177.7%
Small Ordinaries Accum.	-7.0%	-4.6%	5.5%	8.5%	6.3%	5.0%	16.4%	86.8%
Cash	0.0%	0.0%	0.3%	0.9%	1.7%	2.3%	5.2%	33.8%

Portfolio Exposures

Net Exposure	98%	Long Positions	26
Net Cash	2%	Short Positions	0

Fund Commentary

The Fund return for May 2022 was -7.6%, bringing total returns (net of all fees and expenses) since inception to the equivalent of 11.4% per annum. Cash levels ended the month at approximately 2%.

The largest detractors for the month were Coventry Group Ltd (**CYG**) (-1.8%), City Chic Collective Ltd (**CCX**) (-1.4%), COG Financial Services Ltd (**COG**) (-1.2%) and A2B Australia Ltd (**A2B**) (-1.2%). Any gains were so small as to not warrant a mention.

Whilst never pleasant to report results like these, there is an aspect to this far more frustrating: there were no negative updates from our companies. Sellers are likely doing so in anticipation of lower prices. We suspect they may come to regret their sales in the fullness of time. The price declines have been widespread across small and mid-cap companies.

We have spent the past two months speaking with the management teams of our major holdings. We've asked similar questions to each of them: what are your experiences with input costs and labour costs (and availability)?; and, have you been able to pass on increased costs to your customers (and do you expect to continue to do so)?

Unsurprisingly, all have faced increased costs for raw materials and labour. Labour shortages have also been mentioned. What most have also talked about is how they are seeking to mitigate these cost increases. For some, they are simply passing on the cost increases to their customers. One CFO noted that most customers have been accepting of the price increases as there was a broad understanding of the situation. Others are seeking to mitigate cost pressures by ensuring that quotes remain valid for ever-shorter times. This helps reduce the risk of a project being priced today, only to find that raw materials are more expensive when the quote is accepted. Increasing skilled and unskilled migration will be the only way to ameliorate the skills shortage and reduce pressure to significantly raise wages.

While investor sentiment may not yet have reached its nadir, we believe there is evidence of light at the end of the tunnel. On supply chains, there is increasing evidence that these issues are slowly resolving. For example, in recent days, major European car and truck makers have said micro-chip shortages are now over and they are now returning to producing at full capacity. We are also seeing evidence of shipping backlogs at major ports slowly clearing. Reports are also emerging that mineral sands producers are announcing 3Q22 contract prices increases for zircon of at least 7%. Energy prices will remain elevated while the Russia-Ukraine conflict persists.

We will shortly release a more detailed letter to investors in which we comment more widely on the portfolio.

In conclusion, rather than reinventing the wheel, we repeat some of our concluding comment from last month: *"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. …. 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."*

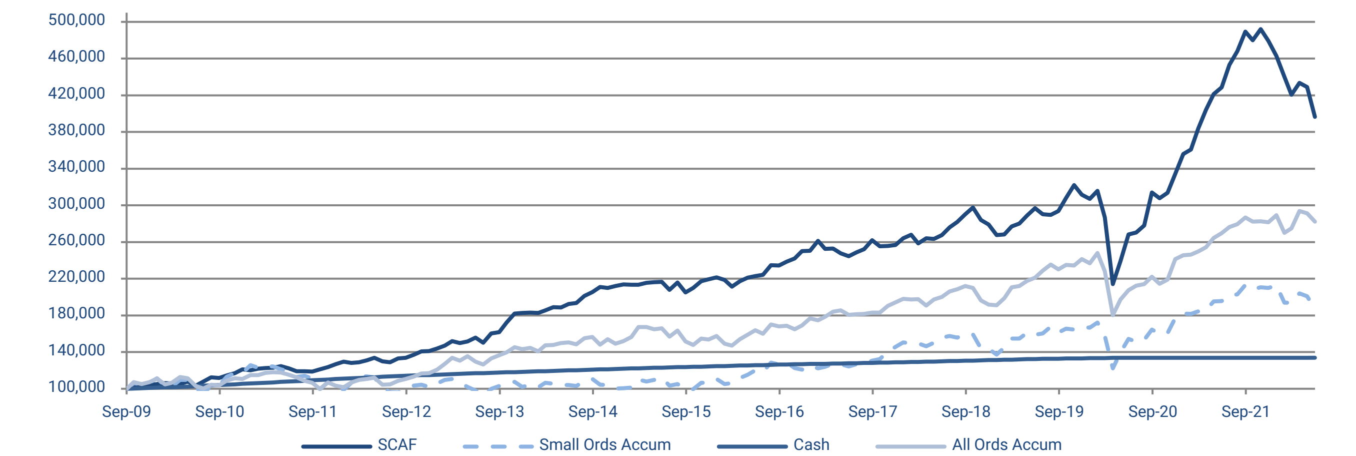
Fund Description

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.

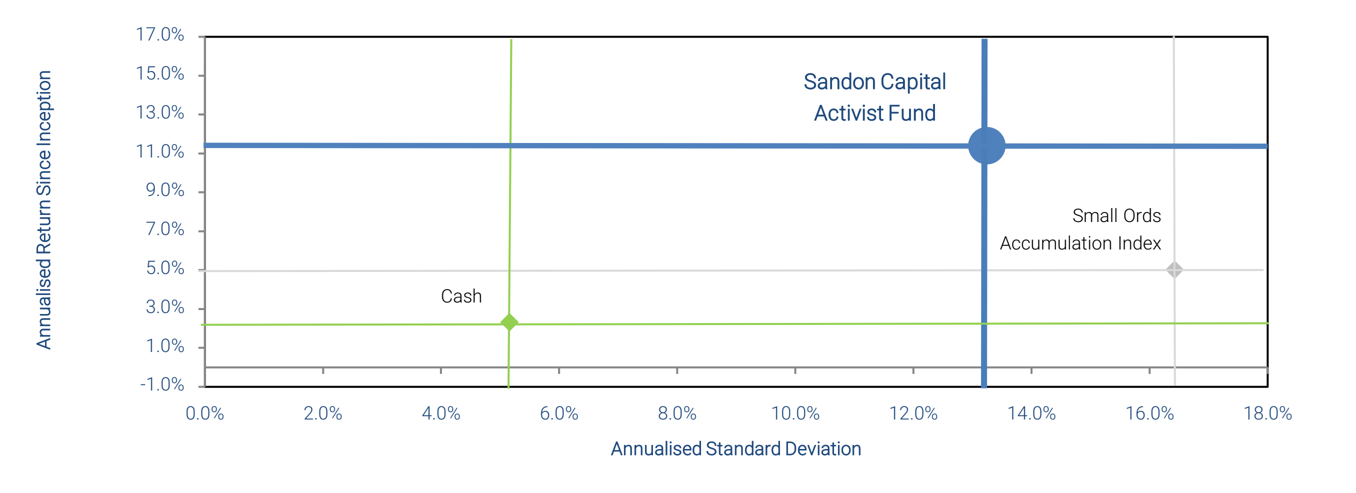
Fund Details

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.