

Sandon Capital Master Fund

June 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	-11.3%	-19.1%	-	-	8.5%	20.8%	25.1%

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%	-7.2%	-11.3%							-22.3%

Portfolio Exposures

Long Exposure	111%	Long Positions	24
Short Exposure	1%	Short Positions	1
Cash	0%	Australia	110%
Net Exposure	110%	International	1%
		Currency Exposure	110% 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 June 2022 was -11.3%. Net exposure was approximately 110%.

Equity markets were punished in June with inflation, rising interest rates and recession at the top of a long list of investor concerns. The Fund's portfolio did not escape the carnage with many positions down 10-30% despite a dearth of company specific news that would usually justify such share price movements. Positive contributors were few and far between.

The largest detractor for the month was Fleetwood Ltd (**FWD**) who provided FY22 earnings guidance that was slightly below market expectations. The major cause of concern for FWD in FY22 has been the Ti-Tree Camp project, a contract for Rio Tinto that was tendered for, and ultimately approved by, personnel who are no longer at FWD. This contract had significant civil engineering works that are well outside FWD's area of core expertise (modular building construction and installation). The share price reaction to this news (a fall in market capitalisation of nearly \$50m) was far in excess of its economic impact (approximately \$3-4m). We are confident that the changes at Board and management level over the past 18 months should ensure such projects are avoided in future. Subsequent to month end, FWD announced that it had signed a five-year agreement with Rio Tinto to provide accommodation services at Searipple Village in Karratha. Rio will have exclusive use of 250 rooms for the term of the contract, with the agreement expected to provide a minimum of \$52m of revenue (at what we estimate to be very good margins). We expect this to be the first of a number of agreements signed over the next 6-9 months for accommodation at Searipple. Woodside Energy, Perdaman and Yara International all have significant projects around Karratha that are likely to enter construction very soon. Current room availability (including the additional >1,000 rooms that FWD has at Searipple) is likely to fall well short of demand for worker accommodation.

Over the next few weeks, we expect ~2.4% of the fund's holdings to convert to cash as we receive the special dividend and capital return from Ardent Leisure Group Ltd (ALG). ALG was one of the stocks referred to in recent newsletters that we have been buying. That opportunity was a good example of irrationality that currently pervades equity markets. Earlier this year, ALG announced the sale of their Main Event business. Following completion of the sale, ALG would have \$1.27 per share of net cash, with the shares trading below this level through parts of May and June. In addition to the cash, ALG also owns the Dreamworld theme park in Queensland and the land upon which it sits. We conservatively value the land and operating business at \$300m (48 cents per share), and we were getting this for free at the prices we paid for ALG. Some degree of rationality has since returned to the ALG share price with implied value of the theme park business/land currently around 22 cents per share.

ALG is not the only investment opportunity that the current market volatility has thrown up. Many good companies have seen their share prices decimated and a number of stocks that have been on our watch list are now approaching attractive buying levels. As mentioned in our recent investor update, our patient, long-term investors provide us with significant advantages, allowing us to take advantage of market turmoil when it presents itself. We thank all of our investors for their continued support. We are as excited about the portfolio and the opportunity set as we have been for many years and believe this will translate to very satisfactory returns for investors over time.

Contact Details

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

Gabriel Radzynski, CIO & Founder

gabriel@sandoncapital.com.au

+612 8014 1188

www.sandoncapital.com.au

Derek Skeen, COO

derek@sandoncapital.com.au

+612 8014 1188

www.sandoncapital.com.au