

# SANDON CAPITAL

## Sandon Capital Activist Fund

July 2022 Monthly Report

Entry/Exit Prices: \$2.1558/2.1430

### 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<br>(p.a.) | 5 years<br>(p.a.) | 10 years<br>(p.a.) | Annualised<br>since Fund<br>inception | Annualised<br>volatility<br>since Fund<br>inception | Total<br>Return<br>since Fund<br>inception |
|--------------------------------|---------|--------|-------------------|-------------------|--------------------|---------------------------------------|---|--|
| <b>SCAF</b>                    | 8.7%    | -17.7% | 10.0%             | 8.8%              | 11.2%              | 11.0%                                 | 13.7%   | 285.0%                                     |
| <b>S&amp;P/ASX 200 Accum.</b>  | 5.7%    | -2.2%  | 4.3%              | 8.0%              | 9.4%               | 7.9%                                  | 13.5%   | 167.9%                                     |
| <b>Small Ordinaries Accum.</b> | 11.4%   | -10.9% | 2.5%              | 7.3%              | 6.5%               | 4.7%                                  | 17.0%   | 80.9%                                      |
| <b>Cash</b>                    | 0.0%    | 0.0%   | 0.3%              | 0.9%              | 1.6%               | 2.3%                                  | 5.2%  | 33.9%                                      |

### Portfolio Exposures

|              |     |                 |    |
|--------------|-----|-----------------|----|
| Net Exposure | 94% | Long Positions  | 26 |
| Net Cash     | 6%  | Short Positions | 0  |

### Fund Commentary

The Fund return for July 2022 was 8.7%, bringing total returns (net of all fees and expenses) since inception to the equivalent of 11.0% per annum. Cash levels ended the month at approximately 6%. The increase in cash from last month was the result of the receipt of the takeover consideration for Alliance Resources Ltd (**AGS**), a long held and very profitable investment for the fund.

The largest contributors for the month were Fleetwood Ltd (**FWD**) (+3.2%), COG Financial Services Ltd (**COG**) (+2.7%) and City Chic Collective Ltd (**CCX**) (+1.3%). As a result of a strong market, there were few negative contributors, the largest being BCI Minerals Ltd (**BCI**) (-0.4%).

As noted in last month's report, FWD announced that it had signed a five-year agreement with Rio Tinto to provide accommodation services at Searipple Village. We expect this to be the first of a number of accommodation agreements signed at Searipple over the next 6-9 months given the strong development pipeline of new projects in the oil and gas, fertiliser, and green energy sectors in the Karratha region over the next 5+ years.

COG announced unaudited FY22 results, with NPATA (excluding Government subsidies) of \$25 million, a 41% increase on the prior corresponding period. The company guided to an estimated final dividend of 4.8 cents per share, resulting in a full year dividend of 8.3 cents per share, a 15% increase on last year. Encouragingly, COG noted that "*activity in the markets in which we operate remains strong*" which augurs well for continued growth in profits and dividends in FY23. We expect the company to use its very strong balance sheet to supplement organic growth with expansion of its burgeoning credit asset management business.

BCI announced that it is seeing significant cost increases in some parts of the Mardi salt & potash project and now expects first salt to be shipped in 2H2025 (compared to previous guidance of 1H25). The company has alluded to these pressures in a number of previous releases. Whilst disappointing, the update is not a complete surprise given the current inflationary environment for large project development in Western Australia. Long standing Managing Director and CEO, Alwyn Vorster, also announced his decision to step down from the role by the end of CY22. We congratulate Alwyn on his achievement in transitioning BCI from a high cost, capital intensive iron ore producer to a company with an exciting long term future in the salt and potash industries.

The schizophrenic activity seen in capital markets in late FY22 has continued into FY23. Many market participants continue to react to short term data points, attempting to divine the near-term outlook for stocks, an exercise we believe is both futile and counterproductive to generating long term outperformance. Our long-term fundamental investment process remains unchanged, and we see the current volatility as friend rather than foe. Our like-minded investor base allows us to profit from market dislocations and the current environment is no different. As discussed in our recent shareholder update, valuation metrics for the portfolio are historically cheap and we have seen a number of investments take strategic actions to liberate this value through asset sales and/or meaningful capital management decisions. The majority of our holdings are in a net cash position, allowing them to capitalise on attractive growth opportunities, or if these aren't available, return cash to shareholders. We continue to uncover new opportunities and look forward to reporting on them in future updates.

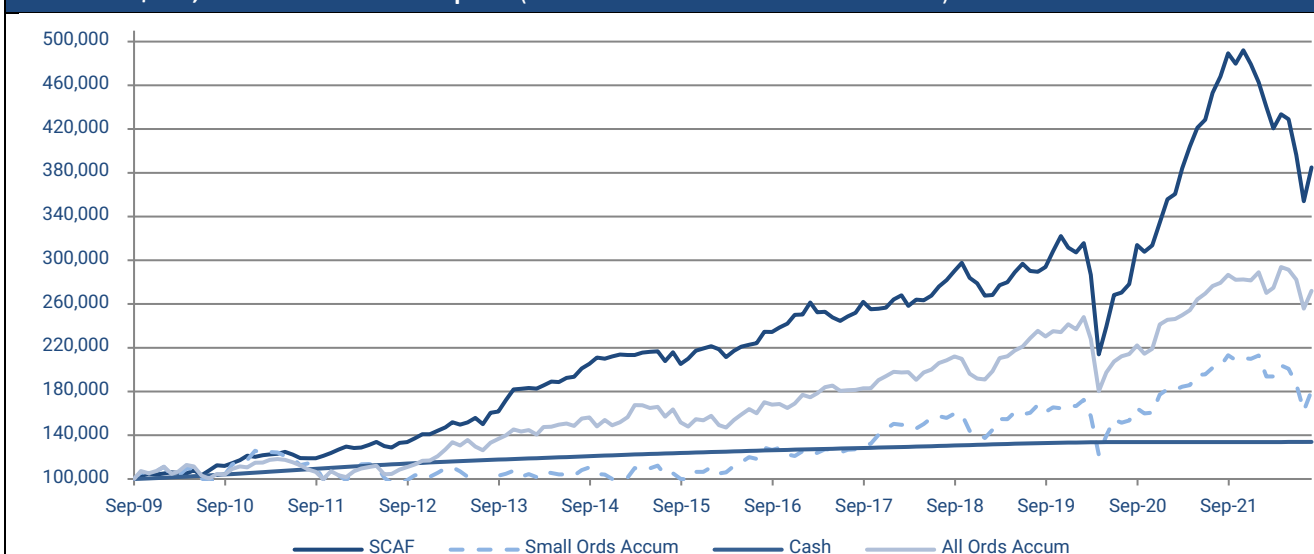
## Fund Description

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.

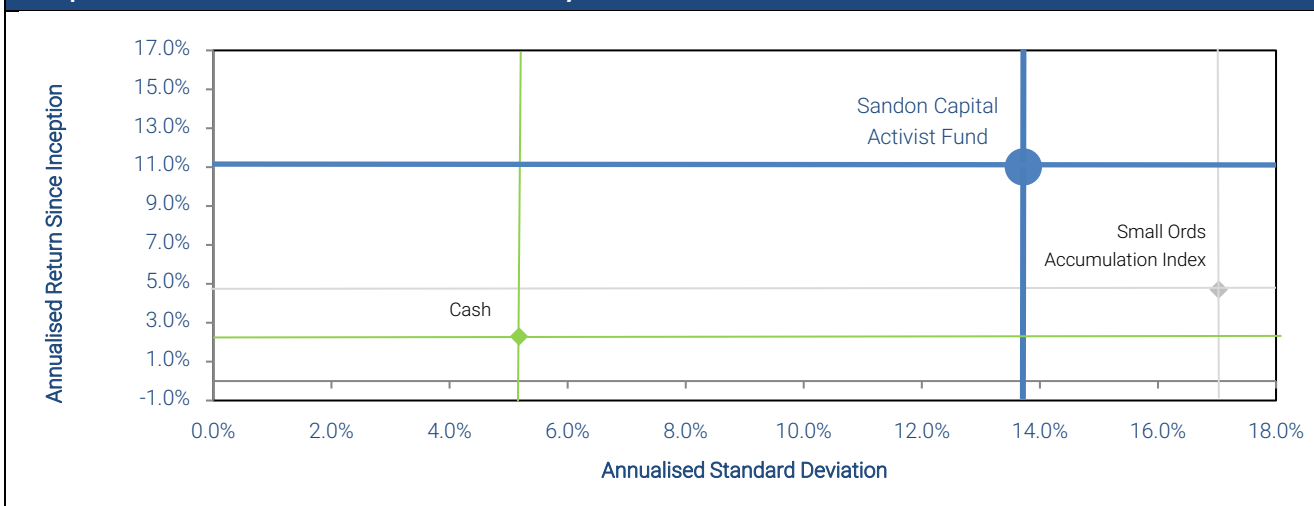
## Fund Details

|                    |                          |                          |                                       |
|--------------------|--------------------------|--------------------------|---------------------------------------|
| 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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