

# SANDON CAPITAL

## Sandon Capital Activist Fund

June 2022 Monthly Report

Entry/Exit Prices: \$1.9827/\$1.9709

### 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	-10.7%	-21.9%	6.9%	7.3%	10.6%	10.4%	13.6%	254.0%
S&P/ASX 200 Accum.	-8.8%	-6.5%	3.3%	6.8%	9.3%	7.5%	13.5%	153.4%
Small Ordinaries Accum.	-13.1%	-19.5%	0.4%	5.1%	5.4%	3.8%	16.8%	62.3%
Cash	0.0%	0.0%	0.3%	0.9%	1.7%	2.3%	5.2%	33.8%

### Portfolio Exposures

Net Exposure	99%	Long Positions	26
Net Cash	1%	Short Positions	0

### Fund Commentary

The Fund return for June 2022 was -10.7%, bringing total returns (net of all fees and expenses) since inception to the equivalent of 10.4% per annum. Cash levels ended the month at approximately 1%.

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 ~5% of the fund's holdings to convert to cash as we receive the proceeds from the takeover of Alliance Resources Ltd (**AGS**) as well as 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.

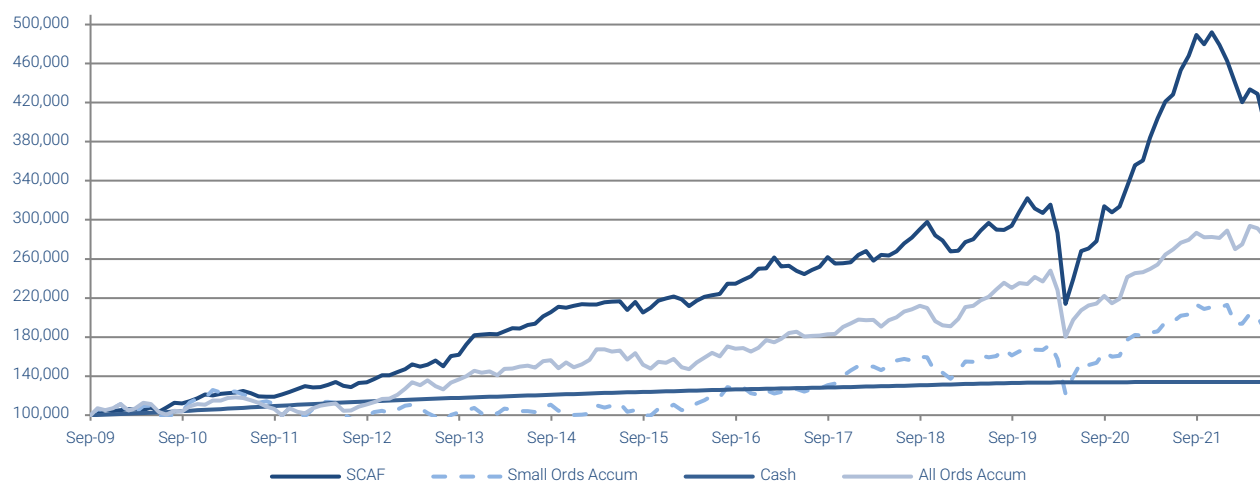
## Fund Description

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.

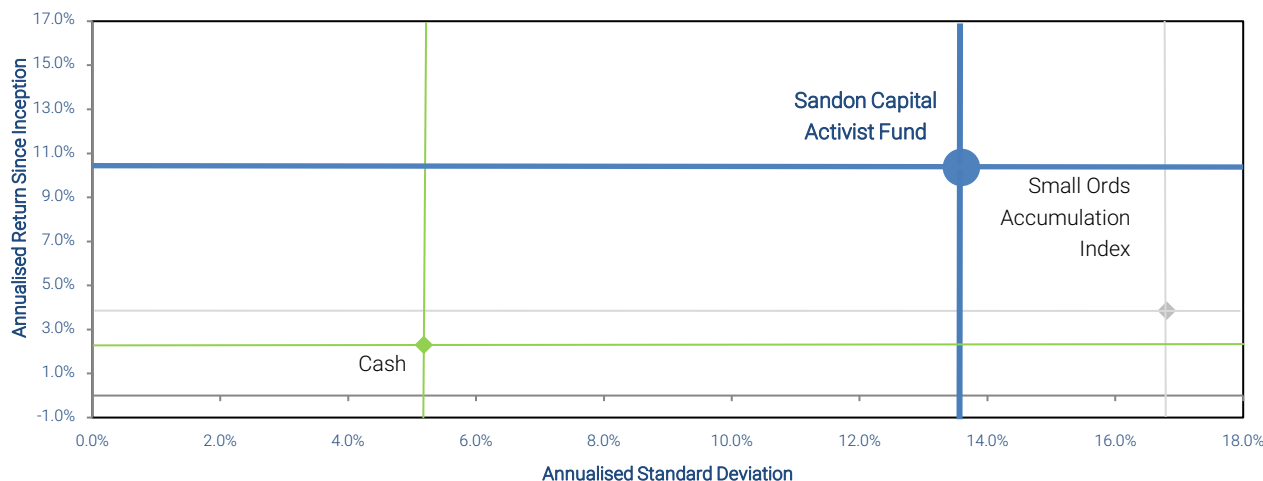
## Fund Details

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.

One Fund Services Limited ("OFSL"), ACN 615 523 03, AFSL 493421, is the issuer and trustee of the Sandon Capital Activist Fund. The material contained in this communication is general information only and was not prepared by OFSL but has been prepared by Sandon Capital Pty Ltd ("Sandon Capital"), ACN 130 853 691, AFSL 331663. Sandon Capital has made every effort to ensure the accuracy and currency of the information contained in this document. However, no warranty is made as to the accuracy or reliability of the information. Investors should consider the Information Memorandum ("IM") dated 31 May 2021 issued by OFSL before making any decision regarding the Fund. The IM contains important information about investing in the Fund and it is important investors obtain and read a copy of the IM before deciding about whether to acquire, continue to hold or dispose of units in the Fund. You should also consult a licensed financial adviser before making an investment decision in relation to the Fund. Past performance is no guarantee of future performance. This report does not take into account a reader's investment objectives, particular needs or financial situation and is general information only to wholesale investors and should not be considered as investment advice and should not be relied on as an investment recommendation.