

MONTHLY REPORT

Sandon Capital Activist Fund (SCAF)

 Entry Price
 (Lead Units)
\$1.8734

 Exit Price
 (Lead Units)
\$1.8622
MARCH 2023

PERFORMANCE RESULTS

	1 month	1 year	3 years (p.a.)	5 years (p.a.)	Annualised since fund inception	Total Return since Fund inception
SCAF	0.7%	-22.8%	16.1%	4.9%	9.3%	234.5%
S&P/ASX 200 Accum.	-0.2%	0.1%	16.5%	8.7%	8.1%	187.9%
Small Ordinaries Accum.	-0.7%	-13.2%	13.1%	3.9%	4.3%	77.0%
Cash	0.3%	1.7%	0.6%	1.0%	2.3%	36.1%

Note: Inception date is Sep 2009. Entry/Exit prices are for Lead Series Units. SCAF returns are net of all fees and expenses and are calculated for Lead Series units. Investors should refer to their personalized statements for performance of their investment.

FUND COMMENTARY

The Fund return for March 2023 was 0.7%, bringing total returns (net of all fees and expenses) since inception to the equivalent of 9.3% per annum. Cash levels ended the month at approximately 3%.

The largest contributors to performance were A2B Australia Ltd (A2B) (+1.1%) and Global Data Centre Group (GDC) (+0.7%). These were partially offset by BCI Minerals Ltd (BCI) (-0.5%) and Fleetwood Ltd (FWD) (-0.5%).

In what came as a positive surprise, A2B announced that they had exchanged contracts for the sale of its O’Riordan St property in Alexandria for \$78m. This price is in line with the independent valuation undertaken by Jones Lang Lascelle in May 2022, and comes after A2B had announced a halt to the sales process in November 2022. Given the softness that has been seen in commercial property markets over the past ~12 months, we regard this as an exceptional outcome.

The net proceeds from the announced sales of the two Alexandria properties are expected to be \$73m, net of costs, tax payments and debt repayments, with the A2B Board expecting to distribute the proceeds by the end of 2023 as a fully franked dividend, subject to the usual caveats. With an operating business returning to profitable growth, a strong balance sheet allowing significant capital management opportunities and an attractive valuation, A2B remains a core holding for the portfolio.

Whilst the release did not materially impact the share price, Consolidated Operations Group Ltd (COG) announced the acquisition of salary packaging business, Paywise and the simultaneous partial divestment of its FleetNetwork business to EML Group (EML), described in more detail below. Paywise complements COG’s growing novated lease and salary packaging services to government and private sector customers around Australia and gives the company additional exposure to the rapidly growing electric vehicle sector.

The rationale for the simultaneous acquisition and partial divestment is to allow COG to expand its novated lease offering to salary packaging while partnering with an established organisation that has many decades of experience in the provision of services to employers (who are clients of EML) and their staff. EML has provided a range of services including workers' compensation, general insurance and life insurance claims management since 1910. According to COG, the partnership with EML will facilitate a new distribution network for its financial service products and enable it to participate in larger government tenders for novated leasing services.

During the month, funds managed by Sandon Capital announced a substantial shareholding (>5%) in GDC. In [February's newsletter](#), we detailed our investment thesis for GDC. As there was no specific news related to the company's operations during the month, we have no further comments to add.

We have identified some new investment opportunities which we've begun accumulating. We expect to report on these in future periods.

GROWTH OF INVESTMENT SINCE INCEPTION



PORTFOLIO EXPOSURES

Net Exposure	97%
Net Cash	3%
Long Positions	25
Short Positions	0

TOP 5 POSITIONS

COG Financial Services	19%
A2B	11%
Fleetwood	10%
Coventry Group	8%
Global Data Centre Group	7%

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
Trustee	One Fund Services Ltd
Custodian	One Investment Group
Fund Auditor	EY
Investment Manager	Sandon Capital Pty Ltd
Inception	4 Sep 2009
Minimum Investment	\$250,000 (or as agreed with trustee)
Trustee/Admin Fees	0.21%
Management Fees	1.33%
Performance Fees	15.375% of returns above cash
High water Mark	Yes
Buy/Sell Spread	±0.30%
Applications/Withdrawals	Monthly/Quarterly

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