

MONTHLY REPORT

Sandon Capital Activist Fund (SCAF)

Entry Price
(Lead Units)
\$1.9890

Exit Price
(Lead Units)
\$1.9772

JUNE 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	4.7%	0.3%	9.5%	5.2%	9.6%	255.2%
S&P/ASX 200 Accum.	1.8%	14.8%	11.1%	7.2%	8.0%	190.8%
Small Ordinaries Accum.	0.0%	8.4%	5.2%	2.3%	4.2%	76.0%
Cash	0.3%	2.6%	0.9%	1.1%	2.3%	37.3%

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 June 2023 was 4.7%, bringing total returns (net of all fees and expenses) since inception to the equivalent of 9.6% per annum. Cash levels ended the month at approximately 6%.

The largest contributors to performance were Fleetwood Ltd (FWD) (+3.8%), Magellan Financial Group Ltd (MFG) (+1.0%), BCI Minerals Ltd (BCI) (+0.5%) and A2B Australia Ltd (A2B) (+0.5%). These were partially offset by IDT Australia (IDT) (-0.9%).

During the month, we launched our latest campaign - MFG. MFG is an Australian-based global funds management company that manages funds across three categories: Global Equities, Infrastructure Equities and Australian Equities. The company was established in 2006 and became a leading asset management franchise in Australia, especially among retail investors and independent financial advisers. However, investment underperformance as financial markets emerged from COVID-19 and then personnel change led to a loss of confidence and substantial fund outflows.

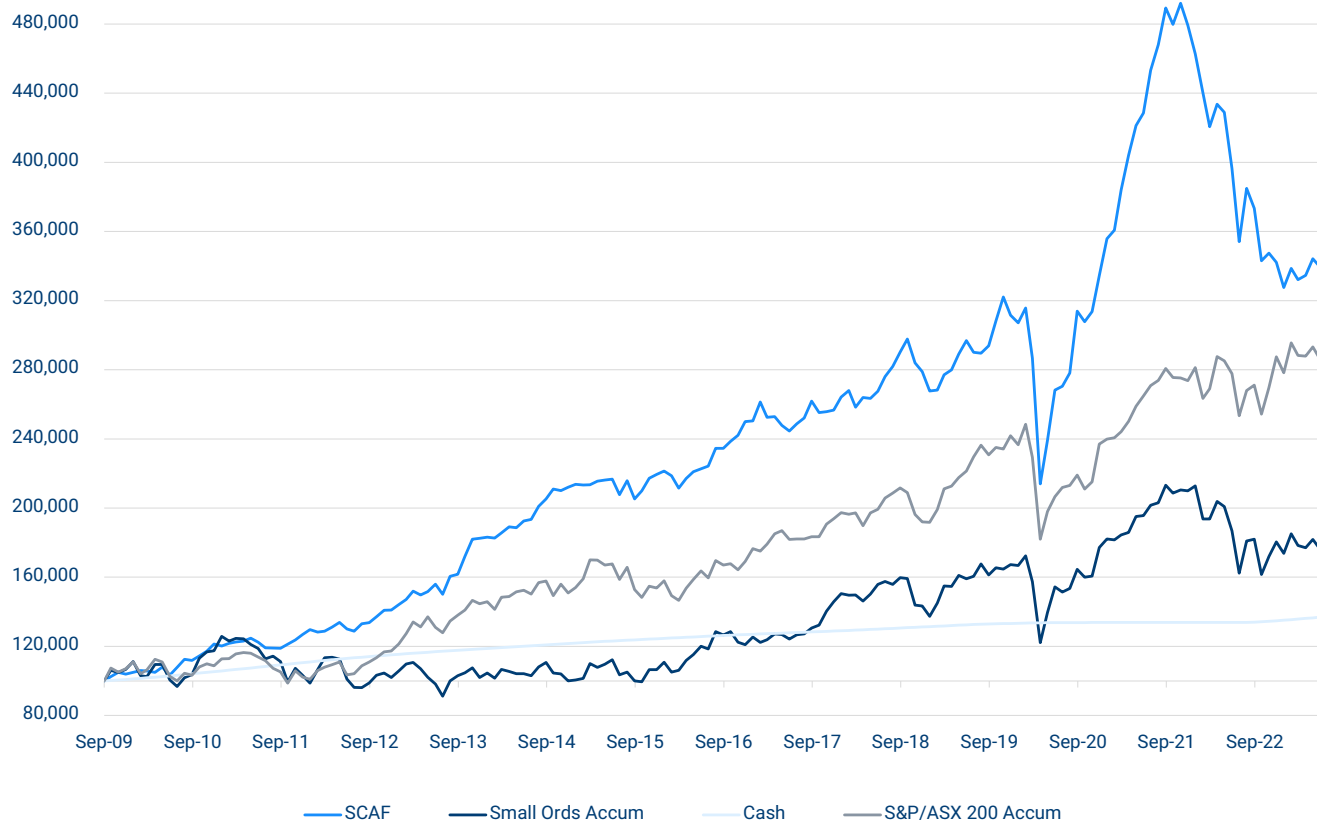
Today, market perceptions of MFG are negative, and we believe the company to be deeply undervalued and misunderstood. A large portion of MFG's current market capitalisation is accounted for by cash and investments that we consider non-core. We believe this provides considerable downside protection for our investment. In order to stabilise the business, and return to strong long-term profitability, we have made five recommendations to the MFG Board. These include (1) Return excess capital to shareholders (2) Prioritise the existing business (3) Review the cost base (4) Provide further Share Purchase Plan (SPP) relief, and (5) Accelerate Board renewal and improve Board diversity. More detail on our campaign can be found in our publicly released presentation which can be read [here](#). Should the MFG Board adopt our recommendations, we expect the market price and value of MFG shares to improve significantly.

FWD announced that Rio Tinto (RIO) had exercised its right to secure additional rooms at FWD's Searipple Accommodation Village in Karratha. RIO had previously secured the supply of 250 rooms per night for its exclusive operations and also had an option over additional rooms. The additional rooms have been secured on a take or pay basis and are expected to generate a further \$100m to \$120m in revenue for Fleetwood from 1 April 2024 until 30 April 2027. We are pleased with the longer duration contracted revenue and expect further accommodation agreements at Searipple over the coming months as a result of planned activities in the oil and gas and green energy sectors in northwest WA. The immediate opportunity is for Searipple to provide worker accommodation for the construction of Perdaman's ~A\$6bn urea project to be built on the Burrup Peninsula. Regardless of whether FWD wins this contract (or part thereof), the contracted revenue and earnings outlook is very solid for the medium term.

IDT announced a placement (\$5 million) and share purchase plan (\$2 million) to raise up to \$7 million. The proceeds of the capital raising will be used to fund the company's capital expenditure program, as well as provide working capital to fund anticipated growth. Funds managed by Sandon Capital were strong supporters of the placement and we have subsequently increased our ownership in the company from ~14% to ~17%. We believe the new Board and management team at IDT are implementing a strategy that will be instrumental in maximising the value of the privileged pharmaceutical manufacturing assets that IDT owns.

After announcing in April 2022 that inflation was expected to significantly increase the capital cost of its Mardi salt & potash project, BCI finally updated the market as to the quantum of these costs. The capex required to complete the project has increased ~60% from ~\$1 billion to ~\$1.6 billion as a result of inflationary pressures and a redesign of parts of the project. Despite the significant increase in capex, the economics of the project remain attractive, with steady state earnings (EBITDA) now expected to be \$384 million annually, up from the previous estimate of \$256 million. BCI expects to execute project finance documentation in the next few months and that will be followed by an equity raising in the December quarter to fund the increased expenditure required for the construction of the project. Pleasingly, BCI is progressing offtake arrangements with potential customers, and we expect these customers may also contribute towards the increased equity required to fund the project.

GROWTH OF INVESTMENT SINCE INCEPTION



PORTFOLIO EXPOSURES

Net Exposure	94%
Net Cash	6%
Long Positions	22
Short Positions	0

TOP 5 POSITIONS

Fleetwood	18%
COG Financial Services	17%
A2B	10%
Global Data Centre Group	8%
Coventry Group	8%

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	Crowe
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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