

## MONTHLY REPORT

# Sandon Capital Activist Fund (SCAF)

Entry Price  
(Lead Units,  
ex-distribution)  
**\$1.8186**

Exit Price  
(Lead Units,  
ex-distribution)  
**\$1.8078**

**JULY 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	2.0%	-6.0%	9.2%	5.1%	9.7%	<b>262.0%</b>
S&P/ASX 200 Accum.	2.9%	11.7%	12.0%	7.5%	8.2%	<b>199.2%</b>
Small Ordinaries Accum.	3.5%	0.8%	5.9%	3.2%	4.4%	<b>82.3%</b>
Cash	0.3%	2.9%	1.0%	1.1%	2.3%	<b>37.8%</b>

*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 July 2023 was 2.0%, bringing total returns (net of all fees and expenses) since inception to the equivalent of 9.7% per annum. Cash levels ended the month at approximately 2%.

The largest contributors to performance were A2B Australia Ltd (A2B) (+1.3%), BCI Minerals Ltd (BCI) (+0.8%) and Nuix Ltd (NXL) (+0.3%). These were partially offset by Fleetwood Ltd (FWD) (-0.6%) and Midway Ltd (MWY) (-0.4%).

A2B announced that it had received the second instalment of the 12% deposit for the sale of its O’Riordan Street property in Alexandria. This appears to have given the market additional confidence that the company will deliver the targeted special fully franked dividend of >\$0.70 per share by the end of the calendar year. Despite the 13% increase in the share price in July, we believe the imputed price of the taxi despatch and payments business remains well below its fair value. We look forward to an update on the company’s operating performance with the FY23 result on 22<sup>nd</sup> August.

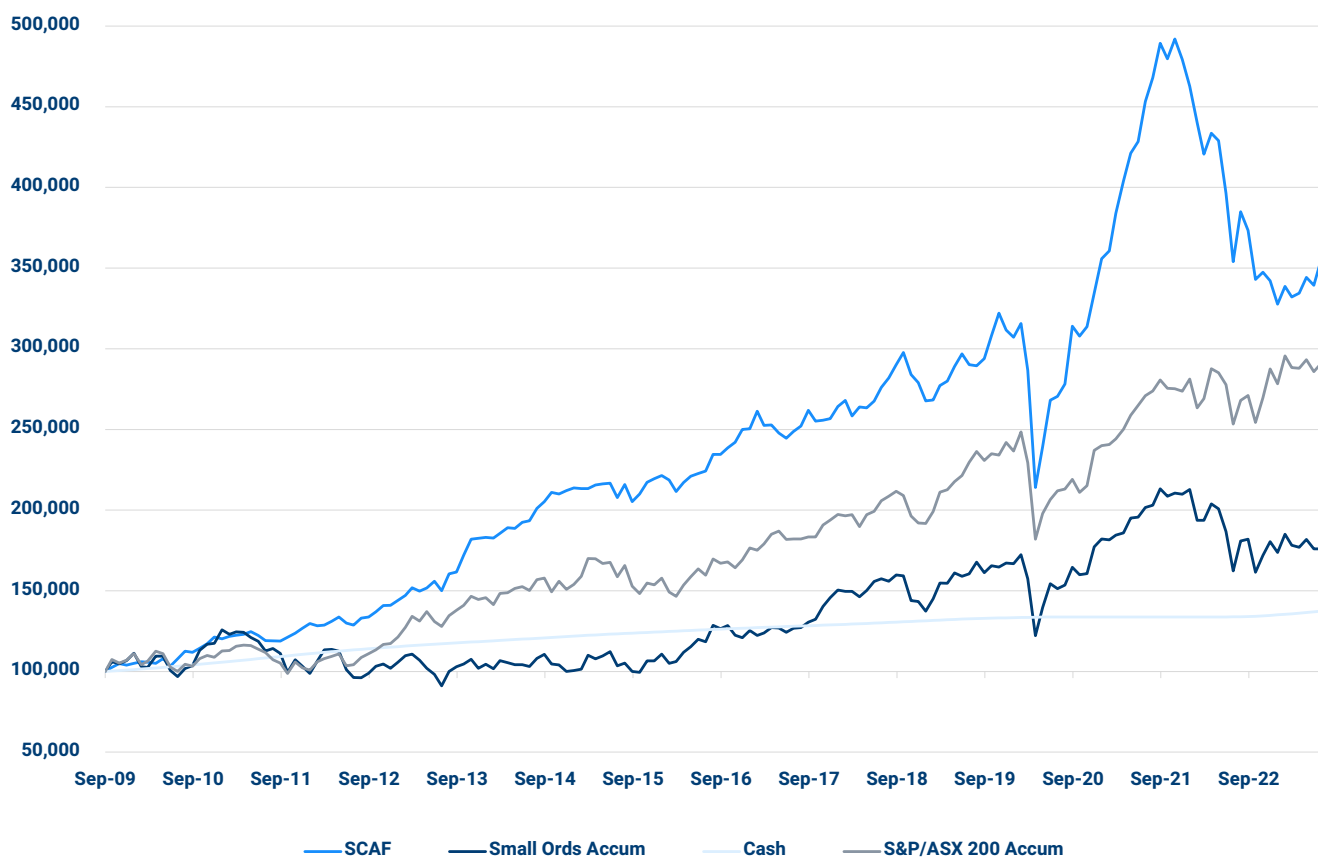
BCI announced a non-binding Memorandum of Understanding (MOU) with Indonesian Government owned company, PT Mineral Industri Indonesia (MIND ID), in relation to potential offtake of up to 1 Mtpa of salt from the Mardie Project as well as a potential equity investment at the corporate level of up to \$100m. Later in the month, the company’s quarterly production report showed continued strong earnings from its Iron Valley royalty. This asset has generated ~\$25m of EBITDA in FY23 and brings the total EBITDA contribution since inception in late 2014 to >\$200m. In our opinion, there is little value ascribed to the Iron Value royalty in BCI’s share price. The company has a market capitalisation of ~\$320m, significantly below the value of its assets which include \$109.5m cash (at 30 June 2023), investment to date of \$369m (at 30 June 2023) in the Mardi salt & potash project and the aforementioned Iron Valley royalty which we estimate to be worth at least another \$50m.

NXL provided a strong trading update which highlights that the operating performance of the company continues to improve despite ongoing negative headlines in the press related to historical legal and governance issues. In FY23, annualised contract value is expected to increase 14-15% and statutory revenue is expected to increase 19-20%. Due to a focus on costs, underlying FY23 EBITDA is expected to increase 51-61%. Importantly, the company was cash flow positive in both the second half and over the full year, excluding non-operational legal costs and acquisition and operating costs related to the Topos acquisition. This is an improvement on the company's previous expectation of being underlying cash flow neutral for the year.

Whilst its share price was unmoved, COG Financial Services Ltd (COG) provided a solid trading update. The company's core segments, Finance Broking & Aggregation (FBA) and Funds Management & Lending (FML), are expected to grow NPATA attributable to shareholders by 13% in FY23. The 15% growth in the company's net assets financed highlights the continued resilience in Australia's small-to-medium enterprise (SME) sector. The outlook for FY24 is positive, with a full year's benefit from the recently acquired PayWise salary packaging & novated leasing business likely to drive continued underlying earnings growth.

The target of our latest activist campaign, Magellan Financial Group Ltd (MFG), announced the appointment of former Janus Henderson co-chief executive Andrew Formica to the Board. One of our criticisms of the board has been a lack of funds management c-suite experience. This appointment would appear to fill a significant gap in that skill set. We look forward to learning whether this appointment fosters any apparent changes in strategy.

## GROWTH OF INVESTMENT SINCE INCEPTION



## PORTFOLIO EXPOSURES

Net Exposure	98%
Net Cash	2%
Long Positions	22
Short Positions	0

## TOP 5 POSITIONS

Fleetwood	18%
COG Financial Services	18%
A2B	12%
Global Data Centre Group	9%
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

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

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