

MONTHLY REPORT

Sandon Capital Activist Fund (SCAF)

Entry Price Exit Price
\$1.9651 \$1.9533

FEBRUARY 2024

PERFORMANCE RESULTS

	1 month	1 year	3 years (p.a.)	5 years (p.a.)	Annualised since Fund inception	Total Return since Fund inception
SCAF	-0.4%	17.8%	0.6%	7.1%	9.9%	291.3%
S&P/ASX 200 Accumulation	0.8%	10.6%	9.3%	8.6%	8.3%	219.0%
Small Ordinaries Accumulation	1.7%	7.8%	1.4%	4.4%	4.6%	92.3%
Cash	0.4%	4.0%	1.8%	1.4%	2.4%	41.2%

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. Index and cash returns sourced from Bloomberg. Investors should refer to their personalised statements for the performance of their investment.

FUND COMMENTARY

The Fund return for February 2024 was -0.4%, bringing total returns (net of all fees and expenses) since inception to the equivalent of 9.9% per annum. Cash levels ended the month at approximately 5%.

Overall, the operating and financial results delivered by our investments over the February reporting season were encouraging. Those that are in the turnaround phase continued to build upon the solid foundations that have been previously laid. Those that have exited their turnaround phase continued to deliver solid top and bottom line growth. There are also a number of investments that are in the harvest phase that will convert to cash over the next few months.

The largest positive contributors were Global Data Centre Group (GDC) (+1.1%), Fleetwood Ltd (FWD) (+0.8%) and COG Financial Services Ltd (COG) (+0.7%). These were offset by Coventry Group Ltd (CYG) (-1.2%), BCI Minerals Ltd (BCI) (-0.6%) and IDT Australia Ltd (IDT) (-0.6%).

GDC reported a strong result with operating revenue up 36% and operating EBITDA up 136%. The solid growth was underpinned by organic growth in the European business (Etix), three months contribution from the zColo acquisition and contracted price increases. Audited statutory Net Asset Value (NAV) grew 12.6% to \$2.40 per unit. We consider this valuation is conservative and the “value realisation” proceeds received by GDC unitholders will comfortably exceed this level. We expect each of the Group’s main assets – the AirTrunk stake, Etix and the Malaga data centre – to be monetised over the next 12-18 months with proceeds returned shortly thereafter.

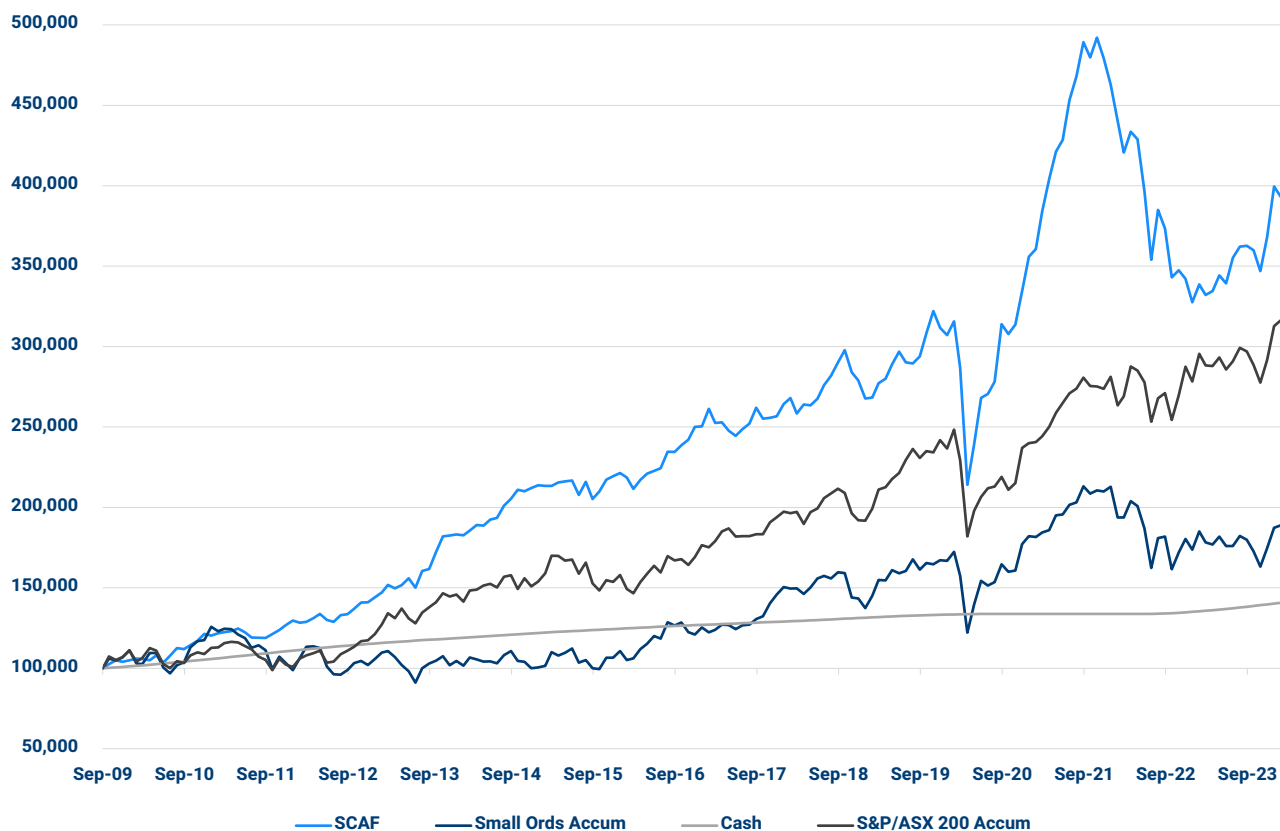
The turnaround at FWD continued to gain traction with 1H FY24 pre-tax profit of \$5.5m a solid improvement on the \$0.5m loss reported in the prior corresponding period (pcp). The most encouraging aspect of the result was the recovery demonstrated in the Building Solutions business which saw Earnings Before Interest & Tax (EBIT) improve from a loss of \$2.3m in 1H FY23 to a profit of \$3.2m in 1H FY24. We believe the medium-term outlook for FWD is bright, with the Rio Tinto accommodation contract at Searipple underpinning earnings well above the current run

rate for the next three years. When combined with a continued turnaround in Building Solutions and a cyclical improvement in RV Solutions, there is a strong outlook for earnings, cash flows and dividends into the medium term.

BCI announced a \$315m equity raising which is expected to form the final component of equity funding for the salt portion of the Mardi salt and potash project. In addition, the 2023 convertible notes issued to Wroxby, AustralianSuper and Ryder Capital (all major shareholders of the company) were converted to equity. The proceeds from the equity raise will supplement the \$981m debt financing announced late last year by the company. As at 31 December 2023, the Mardi project was approximately one third complete. Now that sufficient funding is in place, we look forward to project construction proceeding in earnest and the first shipment of salt in 2H 2026. The economics of the Mardi project remain very attractive with the expected annual free cash flow of \$225m expected to be generated when the project achieves steady state salt and potash production.

We have yet to meet with a number of portfolio companies following the February reporting season. We expect to provide a more fulsome update of the December half operating and financial results for our largest investments later this month.

GROWTH OF INVESTMENT SINCE INCEPTION (\$)



PORTFOLIO EXPOSURES

Net Exposure	95%
Net Cash	5%
Long Positions	24
Short Positions	1

TOP 5 POSITIONS

COG Financial Services	18%
Fleetwood	14%
Global Data Centre Group	11%
Coventry Group	10%
A2B	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 Managed Investment Funds Limited
Fund Auditor	Crowe Australasia
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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