

MONTHLY REPORT

Sandon Capital Activist Fund (SCAF)

Entry Price Exit Price
\$1.9452 \$1.9336

MAY 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	1.3%	14.2%	-3.3%	5.5%	9.6%	287.3%
S&P/ASX 200 Accumulation	0.9%	12.9%	6.8%	7.8%	8.3%	222.7%
Small Ordinaries Accumulation	0.0%	10.9%	-0.1%	4.2%	4.6%	95.2%
Cash	0.4%	4.2%	2.2%	1.5%	2.4%	42.7%

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 May 2024 was +1.3%, 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 9%.

The largest positive contributors were Global Data Centre Group (GDC) (+4.0%), Nuix Ltd (NXL) (+0.6%) and Midway Ltd (MWY) (+0.6%). These were partly offset by Fleetwood Ltd (FWD) (-1.4%), COG Financial Services Ltd (COG) (-0.7%), Coventry Group Ltd (CYG) (-0.7%), Wellard Ltd (WLD) (-0.6%) and Magellan Financial Group Ltd (MFG) (-0.5%).

GDC announced that it had entered into a contract for the sale of its co-controlled investment in Etx Everywhere, the European edge data centre platform, for net proceeds of \$175 million. This is significantly above the 31 December 2023 carrying value (\$115 million) and our own optimistic expectations. The transaction is expected to close in the September quarter, at which point GDC will update the market on how it will return the proceeds to unitholders. During the month, press reports indicated that the sale process for AirTrunk (GDC owns ~1%) was progressing with first round bids due in mid-June.

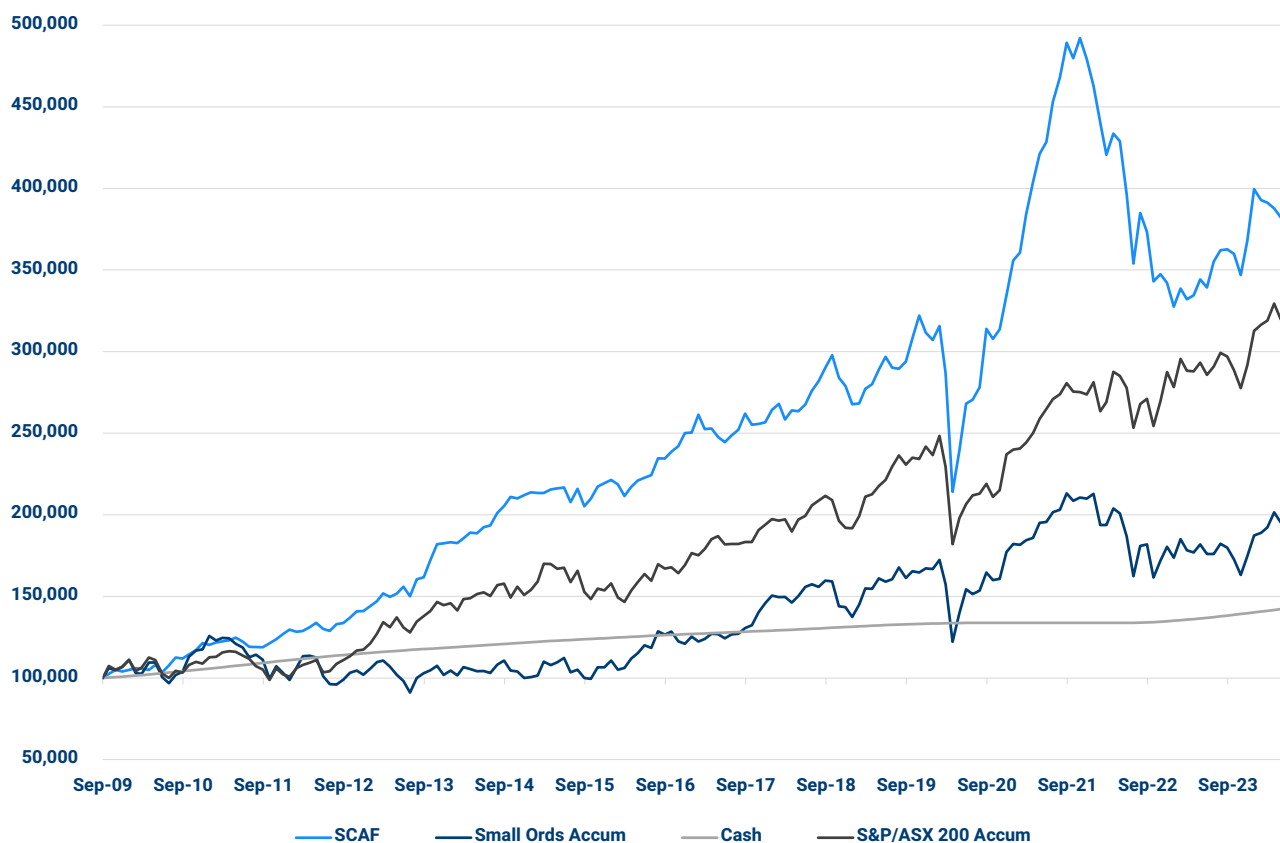
NXL provided a solid earnings update with FY24 underlying EBITDA expected to be in the range of \$63-68 million. The better-than-expected result is a function of a solid trading environment, as well as a significant multi-year contract win. After an inauspicious first few years on the ASX, NXL has now put many of its legacy issues behind it and is starting to deliver the solid operational performance that was expected when it first listed.

MWY appeared to have a delayed reaction to the unexpectedly strong trading update that was provided in late April. The company expects to deliver FY24 EBITDA of \$10-15 million, the bulk of which will be generated in the 2H given 1H EBITDA was only \$2.6 million. Encouragingly, demand for woodchips has been strong which means much of the company's large 1HFY24 inventory balance will have been converted to cash. As a result, we believe the company will have the capacity to announce another meaningful fully franked dividend to shareholders when the FY24 results are released in late August.

FWD announced a soft trading update as Building Solutions has seen short-term delays in awarding Government-announced projects. RV Solutions is affected by lower consumer discretionary spend and original equipment manufacturer (OEM) orders, as well as an inability to pass on the full effects of inflation. On a positive note, FWD announced a long-awaited buyback, an initiative we have been advocating for some time. Given the company's current share price, strong balance sheet and earnings certainty over the next few years, underpinned by contracts in Community Solutions (Searipple), we believe buying back shares at current levels is extremely value accretive for shareholders.

Karoon Energy (KAR) held its Annual General Meeting during May. We and another fund conducted a public campaign to encourage shareholders to vote against the KAR Board for what we consider its poor allocation of shareholder capital. Despite only running a short campaign and KAR receiving support from the proxy advisors, shareholders sent a very clear message with a first strike against the remuneration report and a large protest vote against some of the other resolutions. We eagerly await KAR's announcement in July 2024 when it has promised to release its "framework for shareholder returns" which we expect will include dividends and other potential initiatives including buybacks.

GROWTH OF INVESTMENT SINCE INCEPTION (\$)



PORTFOLIO EXPOSURES

Net Exposure	91%
Net Cash	9%
Long Positions	21
Short Positions	1

TOP 5 POSITIONS

Global Data Centre Group	15%
COG Financial Services	14%
Coventry Group	13%
Fleetwood	11%
BCI Minerals	6%

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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