

MONTHLY REPORT

Sandon Capital Activist Fund (SCAF)

Entry Price Exit Price
\$2.0464 **\$2.0342**

DECEMBER 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 | 1.0% | 11.2% | -1.4% | 7.7% | 10.2% | 344.2% |
| S&P/ASX 200 Accumulation | -3.2% | 11.4% | 7.4% | 8.1% | 8.5% | 248.6% |
| Small Ordinaries Accumulation | -3.1% | 8.4% | -1.6% | 4.0% | 4.7% | 103.0% |
| Cash | 0.4% | 4.4% | 3.0% | 1.9% | 2.5% | 46.4% |

Note: Inception date is Sep 2009. Entry/Exit prices are for the 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 December 2024 was 1.0%, bringing total returns (net of all fees and expenses) since inception to the equivalent of 10.2% per annum. Cash levels ended the month at approximately 9%.

The largest positive contributors were COG Financial Services (COG) (+0.8%) and an undisclosed position (+0.8%). These were partially offset by Coventry Group Ltd (CYG) (-1.0%). Despite a very weak market in December, the majority of the remainder of the portfolio saw positive attribution.

CYG advised that its Enterprise Resource Planning (ERP) upgrade had been successfully completed with all business units now operating on the system. Pleasingly, the ERP upgrade has been completed broadly to plan, schedule and budget. We note this is a rare occurrence with such projects and compliment CYG board and management on this achievement. This project was a significant exercise for a company of CYG's size, taking well over two years to implement and costing almost \$20 million. We expect many benefits to flow from the upgrade, from improved customer service, to better management of working capital, to enhanced cash flow generation. With this project now in the rear-view mirror, we expect CYG to generate significant cash flows into the future. We expect these cash flows to facilitate strong organic growth, to be used to pay down debt, and to reward shareholders through increased dividends and/or buybacks.

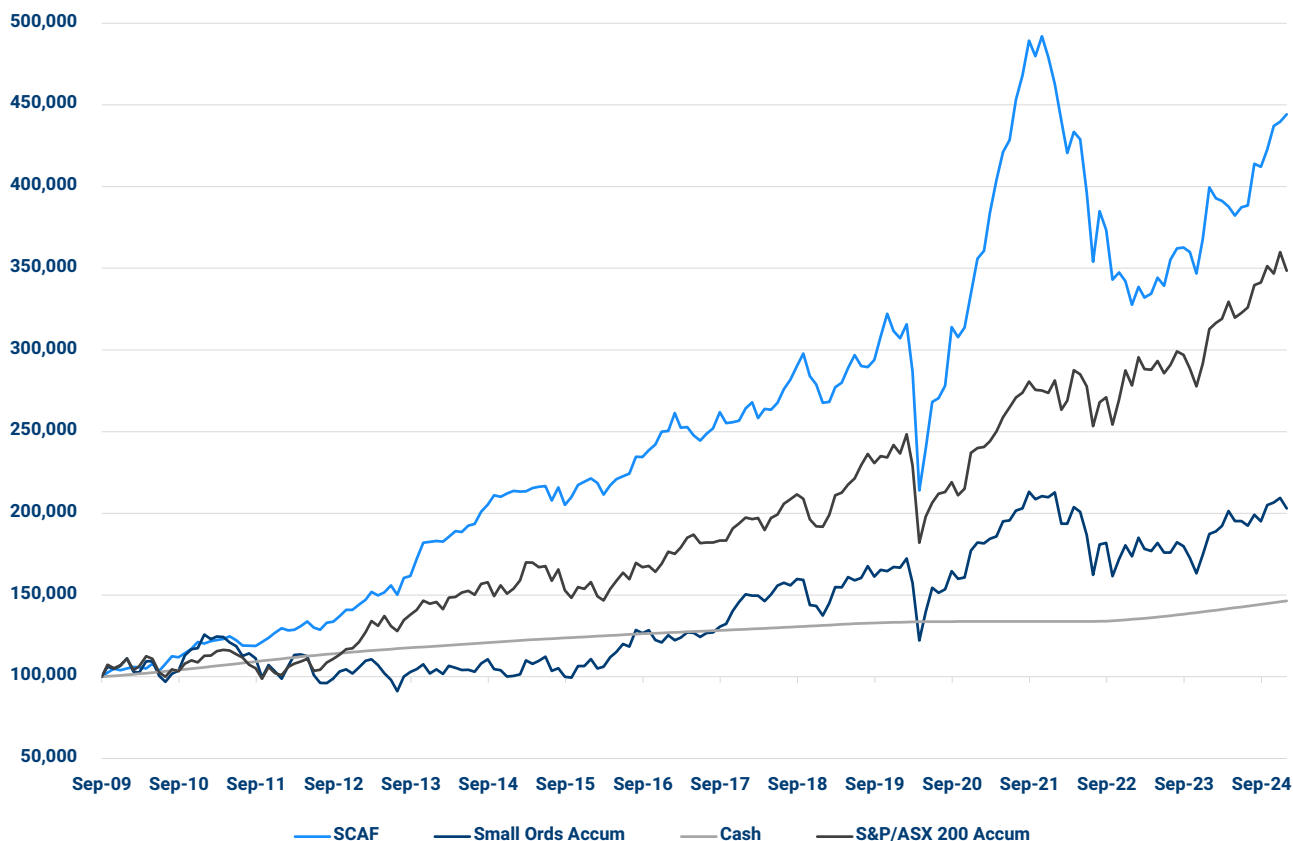
Global Data Centre Group (GDC) announced that the sale of AirTrunk had been completed. This is the final asset disposal of GDC, with forecast proceeds of \$124 million. We expect a final return of capital in the latter part of the March quarter, following a detailed assessment of any retention requirements and wind-up costs by the responsible entity and investment manager.

Midway Ltd (MWY) provided a mixed trading update, with one customer, Shandong Chenming Paper Holdings Limited (Chenming), defaulting on two shipments, which were subsequently sold to other customers. Chenming is also likely to default on the remaining two shipments under contract and we would expect these shipments to also be placed with other customers, albeit with some negative margin impact. The net impact is that MWY expects to report FY25 EBITDA at the bottom end of its targeted range of \$10-15m. Offsetting this was an after-tax insurance payment of \$5.2 million via Tiwi Plantation Corporation as a result of fires that occurred in the plantation in 2023.

Soon after the trading update, the Federal Court of Australia approved the convening of the scheme meeting to vote on the scheme of arrangement proposed by an entity controlled by River Capital, as well as the distribution of the scheme booklet. We are currently closely reviewing this 441-page document.

Karoon Energy Ltd (KAR) provided another disappointing production update with Bauna production negatively impacted by broken mooring chains and Who Dat production impacted by Hurricane Rafael. Total production for CY24 is now expected to be 10.1-10.3Mboe, well below the original guidance provided of 12.0-14.5Mboe. Due to the high fixed cost nature of KAR's operations, unit costs have also increased significantly from original guidance of US\$9.00-14.00/boe to US\$13.00-15.00/boe. This is a disappointing outcome given the high cost of acquisition for the Who Dat assets in late 2023. Unforced capital allocation errors have combined with operational challenges to damage investor perceptions and confidence in KAR over the last 12 months. We believe that recent capital management initiatives, combined with a focus on consistent production and a moratorium on acquisitions could, if adopted by KAR, help restore investor faith and drive a re-rating of KAR shares. We believe investors' patience with KAR is wearing thin.

GROWTH OF INVESTMENT SINCE INCEPTION (\$)



PORTFOLIO EXPOSURES

| | |
|-----------------|-----|
| Net Exposure | 91% |
| Net Cash | 9% |
| Long Positions | 23 |
| Short Positions | 1 |

TOP 5 POSITIONS

| | |
|--------------------------|-----|
| Fleetwood | 13% |
| COG Financial Services | 11% |
| Coventry Group | 10% |
| Midway | 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 & Custodian | One Fund Services Ltd |
| Prime Broker | Barrenjoey Markets Pty 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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