

## MONTHLY REPORT

# Sandon Capital Activist Fund (SCAF)

Entry Price      Exit Price  
\$2.1213      \$2.1087

FEBRUARY 2025

## 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%	17.7%	3.1%	9.9%	10.4%	<b>360.5%</b>
S&P/ASX 200 Accumulation	-3.8%	9.9%	9.2%	8.9%	8.4%	<b>250.7%</b>
Small Ordinaries Accumulation	-2.8%	7.3%	2.1%	5.6%	4.8%	<b>106.4%</b>
Cash	0.4%	4.4%	3.3%	2.0%	2.5%	<b>47.4%</b>

*Note: Inception date is Sep 2009. SCAF returns are net of all fees and expenses. 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 2025 was 0.4%, bringing total returns (net of all fees and expenses) since inception to the equivalent of 10.4% per annum. Cash levels ended the month at approximately 7%.

The largest positive contributors were Fleetwood Ltd (FWD) (+3.6%), Coventry Group Ltd (CYG) (+0.5%), Ignite Ltd (+0.4%) and an undisclosed position (+0.4%). These were partially offset by Magellan Financial Group Ltd (MFG) (-1.5%), IDT Australia Ltd (IDT) (-1.1%), BCI Minerals Ltd (BCI) (-0.6%) and an undisclosed position (-0.6%).

In a volatile month for global capital markets, the positive performance of the portfolio was pleasing. By and large our portfolio companies delivered very good results during the February reporting season. Most encouraging was the significant improvement in the operating and financial performance of the Fund's largest position, FWD. Also of note was some shareholder friendly capital management from KAR & IGN, whilst an 'own goal' on capital management by MFG was punished by the market. These are discussed in more detail below.

FWD delivered a stunning result with operating Earnings Before Interest and Tax (EBIT) of \$18.3 million an improvement of 190% on the previous year and 50% ahead of market expectations. The strong growth was driven by the Community Solutions segment, underpinned by multi-year contracts at the Searipple accommodation village, as well as rapid improvement in the Building Solutions (manufactured accommodation) segment. It has been evident for some time that the operational turnaround in the Building Solutions business has been gaining traction, and this is now starting to translate into strong financial results. We expect continued improvement over the medium term and this should lead to strong cash flows given the capital light nature of the business. The 11.5 cents per share fully franked interim dividend represented more than 5.5% yield on FWD's share price prior to the announcement of the result.

Whilst it was not a significant contributor to performance for the month, KAR's newfound focus delivering shareholder returns by improving operating performance and growing via organic means (rather than M&A) was very pleasing. The company also announced the acquisition of the *Cidade de Itajaí* Floating Production, Storage and Offloading vessel (FPSO) for US\$115 million, a price that we believe is very attractive given an expected rate of return in the high teens. KAR's Board and management should be applauded for listening to the concerns that investors

had around M&A ambitions and subsequently adopting a strategy that is much more shareholder friendly. We look forward to reaping the benefits that this pivot should deliver shareholders over time.

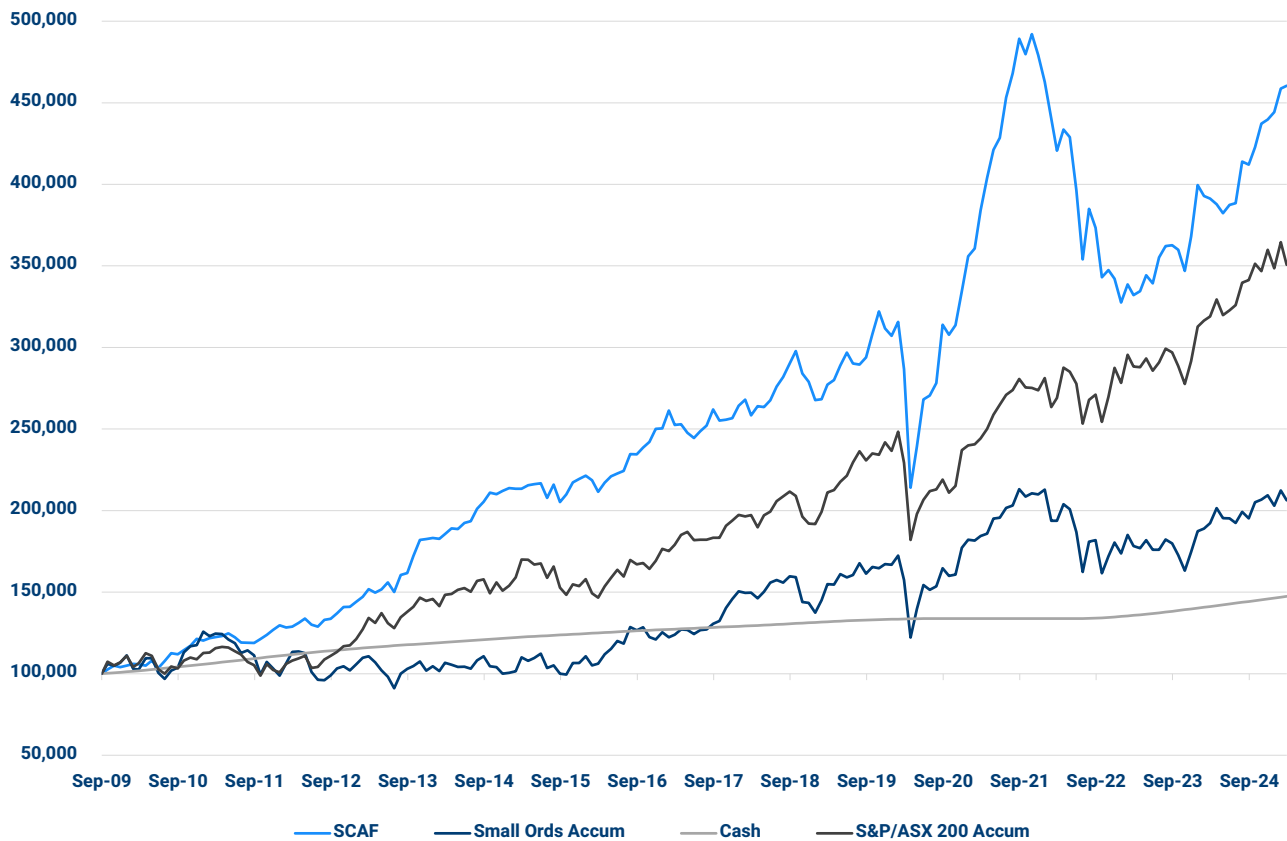
One of the Fund's smallest positions, IGN, announced its first dividend in 13 years, a pleasant surprise. Since the appointment of recruitment industry doyen, Cameron Judson, as an executive director almost two years ago, IGN has undergone an improvement in fortunes. It has transformed from a business that delivered losses in 12 of the previous 13 years, to one that is now sustainably profitable and generating attractive free cash flows. We expect to be the recipients of increased dividends going forward as profitability continues to improve.

Whilst MFG delivered a better-than-expected 1H FY25 financial result, this was more than overshadowed by an about face on capital management. The company had previously signalled that it was conducting an "*active review of capital management*" with an update to be provided with the 1H FY25 results. We consider they kicked an own goal by halting the existing buyback and writing of their turn towards evaluating "*strategic growth opportunities across investment management and specialist financial services*". The market's response was savage, with MFG shares falling ~20%. To the company's credit, the existing buyback was reinstated in early March. We're not yet convinced the company understands the pitfalls of its strategy and we will continue to actively encourage the company to focus on its existing business and to return capital to shareholders rather than spending it on potentially value destructive acquisitions.

IDT's revenues have been growing strongly since the Board and management changes instituted approximately two years ago, however the 1H FY25 result demonstrated that profitability is yet to be achieved. IDT tells us that profits and cash flow are a key focus for the company. We are expecting an improvement in these measures in the second half of the financial year as continued revenue growth should outpace the costs from investments in infrastructure and personnel. There is also the possibility of higher margins as revenue shifts towards Advanced Therapies products.

The proceeds from the Midway Ltd Scheme of Arrangement were received during the month. With heightened volatility in the market, we have deployed this capital into some new investments and look forward to updating our investors in future newsletters.

GROWTH OF INVESTMENT SINCE INCEPTION (\$)



PORTFOLIO EXPOSURES

Net Exposure	93%
Net Cash	7%
Long Positions	23
Short Positions	2

TOP 5 POSITIONS

Fleetwood	17%
COG Financial Services	11%
Coventry Group	10%
Global Data Centre Group	8%
Karoon Energy	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 & 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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