

SANDON CAPITAL

Sandon Capital Investments Limited
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Monthly Report

As at 31 March 2017

Net Tangible Assets (NTA)

The net tangible assets per share for Sandon Capital Investments Limited (SNC) as at 31 March 2017 were:

NTA before tax (cum dividend)	\$1.0230
Deferred tax asset	\$0.0036
Deferred tax liability on unrealised income and gains	(\$0.0244)
NTA after tax (cum dividend)	\$1.0023

Note: The NTA figures reported above are after the payment of 12.0 cents per share of fully franked dividends.

Investment Performance

Gross Performance to 31 March 2017 ¹	1 Month	Financial YTD	Since inception ²
SNC	-0.5%	18.6%	11.1%
All Ordinaries Accumulation Index	3.2%	14.9%	9.3%
Outperformance³	-3.7%	3.7%	1.8%

1. The SNC and index returns are before all fees and expenses and before any taxes, except that SNC returns are after incurred brokerage expenses. Dividends paid during the period are included when calculating SNC's gross investment performance.

2. Annualised.

3. Note figures may not tally due to rounding.

Dividends

The Board has declared a 3.5 cents per share interim dividend and also announced a bonus 1-for-1 option issue with an exercise price of \$1.05 per share. Shares traded ex-entitlement for the bonus issue on 5 April 2017. If you choose to exercise some or all of your options before 15 May 2017, the new shares you receive will be paid the 3.5 cents per share fully franked interim dividend payable on 31 May 2017.

The Board anticipates being able to declare a final dividend for the year ending 30 June 2017 similar to the interim dividend, subject to prudent business practices and the availability of profits.

The table below shows the SNC dividend history.

Ex-date	Dividend Amount	Franking	Type
18 May 2017	3.5 cps	100%	Interim
21 October 2016	3.0 cps	100%	Final
18 April 2016	2.0 cps	100%	Interim
22 October 2015	1.0 cps	100%	Special
22 October 2015	2.0 cps	100%	Final
1 June 2015	2.0 cps	100%	Interim
14 October 2014	2.0 cps	100%	Special

Sandon Capital Investments Limited

ASX Code	SNC
Listed	23 Dec 2013
Gross assets	\$47.8m
Market capitalisation	\$46.5m
NTA before tax (cum dividend)	\$1.0230
Share price	\$1.05
Shares on issue	44,260,206
Options on issue	44,260,206
Fully franked dividends	\$0.065
Dividend yield	6.2%

Company overview

Sandon Capital Investments Limited is a specialist 'Activist' listed investment company, managed by Sandon Capital. Sandon Capital devises and implements activist shareholder strategies that seek to unlock value inherent in securities held in our investment portfolios.

SNC provides investors with exposure to a portfolio of Australian companies that are typically not available to traditional investors. Through active engagement with the target company, Sandon Capital seeks to release the embedded value for shareholders. Target companies are likely to be in the small to mid cap market segment.

Sandon Capital has successfully employed its Activist investment strategy since September 2009. The wholesale Sandon Capital Activist Fund's investment performance since inception is 13.0% p.a. (after all fees and expenses)

Investment Objectives

- To provide absolute positive investment performance over the medium to long term, ensuring capital preservation, while providing capital growth.
- To provide an investment strategy that few investors have the capacity to implement themselves.
- To provide shareholders with a growing stream of fully franked dividends.

Portfolio commentary

The Portfolio was down 0.5% in March. Gross portfolio returns since inception are the equivalent of 11.6% per annum, compared to 8.5% per annum for the All Ordinaries Accumulation Index.

Iluka Resources Ltd (ILU) was the major contributor for the month (~0.9%). Further indications emerged regarding pricing improvements in zircon and TiO₂ feedstocks. In addition, BHP confirmed that South Flank, which is within the Mining Area C (MAC) royalty envelope, was the preferred replacement for its depleting Yandi mine. South Flank has figured in BHP presentations over the years and also in an Environmental Impact Statement released in mid-2016. The statement by BHP was a clear reminder of the potential for the increase in the income from the MAC royalty. We continue to socialise our MAC royalty spin-off plan with ILU shareholders and other stakeholders.

Tatts Group Ltd (TTS) contributed ~0.7% to the March result. We attribute this to the increase in the Tabcorp Ltd (TAH) share price, given the proposed merger is heavily scrip weighted. This indicates the market ascribes some likelihood to the merger proceeding. The more notable occurrences during the month were TAH's decision to circumvent the Australian Consumer and Competition Commission (ACCC) review of the merger proposal by submitting an application directly to the Australian Competition Tribunal (ACT) for an "authorisation to proceed". The ACT is able to weigh the benefits of the merger against any reduction in competition, whereas the ACCC has a narrower remit of considering whether a proposed transaction will lessen competition. By going directly to the ACT, we believe TAH is conceding that there will be a lessening of competition, but hopes it can make the case for an overall net benefit argument. Separately, but still on the tangent of competition, more speculation emerged that a number of states are closely examining a "point of consumption" tax for wagering. If this is instituted, we believe this will significantly alter the playing field by removing the tax advantages enjoyed by corporate bookmakers operating from the Northern Territory (NT). The NT licences are effectively flat fee licenses which give the corporate bookmakers a significant cost advantage over TAH and TTS, who pay significant taxes and product fees in NSW, QLD, SA and VIC. We remain of the view that TTS's lotteries business is the main prize. There is still quite some time before any final outcome for TTS becomes clear. As a result we believe the current proposal should not be considered as the final proposal.

There were a number of small declines across the rest of the portfolio, none of which we considered particularly noteworthy.

Investment Portfolio

	March 2017	February 2017
Listed Equities	98%	97%
Cash or Cash Equivalents	2%	3%
Number of investments	33	32

Sandon Capital does not habitually disclose the companies held in its investment portfolios or investment weighting within portfolios. Below is a list of recent substantial shareholder notices filed by Sandon Capital. Copies of the notices are available on the ASX website.

Latest ASX filing date	ASX Code	Company
23 Mar 16	CYG	Coventry Group Ltd
27 Apr 16	RNY	RNY Property Trust
5 Aug 16	CND	Clarius Group Ltd
29 Aug 16	AGS	Alliance Resources Ltd
30 Sep 16	AIK	Armidale Investment Corporation Limited
22 Dec 16	SCY NZ	Smiths City Group Ltd
29 Dec 16	FWD	Fleetwood Corporation Ltd

Note: Shares in companies were held by SNC as at the date of this report and may or may not be current beyond that date.

Contact

If you have any questions regarding the Company or its investments, please call Gabriel Radzynski on 02 8014 1188. If you have questions regarding your shareholding, please contact Link, whose details appear below.

Further information:

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Share registry:

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