

# SANDON CAPITAL

Sandon Capital Investments Limited  
ACN 107 772 467

Level 5, 139 Macquarie Street, Sydney  
Telephone: (02) 8014 1188  
Email: [info@sandoncapital.com.au](mailto:info@sandoncapital.com.au)

## Monthly Report

As at 30 April 2017

### Net Tangible Assets (NTA)

The net tangible assets per share for Sandon Capital Investments Limited (SNC) as at 30 April 2017 were:

NTA before tax (cum dividend)	<b>\$1.0004</b>
Deferred tax asset	<b>\$0.0036</b>
Deferred tax liability on unrealised income and gains	<b>(\$0.0127)</b>
NTA after tax (cum dividend)	<b>\$0.9907</b>

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 30 April 2017 <sup>1</sup>	1 Month	Financial YTD	Since inception <sup>2</sup>
SNC	-1.7%	16.6%	10.3%
All Ordinaries Accumulation Index	0.8%	15.8%	9.3%
<b>Outperformance<sup>3</sup></b>	<b>-2.5%</b>	<b>0.8%</b>	<b>1.0%</b>

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. The ex-date for this dividend is 18 May 2017, payable on 31 May 2017. Eligible shareholders have been issued their free 1-for-1 bonus options, exercisable at \$1.05 per share. If you choose to exercise some or all of your options before 15 May 2017, the new shares you receive will pay the 3.5 cents per share fully franked interim dividend.

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
<b>18 May 2017</b>	<b>3.5 cps</b>	<b>100%</b>	<b>Interim</b>
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	<b>SNC</b>
Listed	<b>23 Dec 2013</b>
Gross assets	<b>\$46.7m</b>
Market capitalisation	<b>\$46.5m</b>
NTA before tax (cum dividend)	<b>\$1.0004</b>
Share price	<b>\$1.04</b>
Shares on issue	<b>44,961,366</b>
Options on issue	<b>43,559,046</b>
Fully franked dividends	<b>\$0.065</b>
Dividend yield	<b>6.3%</b>

### 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 12.6% 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 1.7 % in April. Gross portfolio returns since inception are the equivalent of 10.3% per annum, compared to 9.3% per annum for the All Ordinaries Accumulation Index.

Consolidated Operations Group Ltd (COG), formerly known as Armidale Investment Corporation Ltd, was the main detractor (~1.7%) for the month. There was no news to explain the decline, however we believe the “indigestion” that occurred following the first time reporting as a consolidated entity continues to weigh on the share price. Subsequent to month’s end, COG announced the proposed acquisition of another finance broker. The two most recent acquisitions, that are expected to complete on 1 July 2017, could, based on announced deal metrics, contribute additional EBITDA of at least \$3 million on top of any growth from the existing businesses. If such results come to fruition, we anticipate the market might be more favourably disposed to COG’s growth potential. An entitlement offer at 12 cents per share has been announced, though timing is yet to be settled. While this will weigh on the share price in the short term, we remain confident of the outlook for COG.

Iluka Resources Ltd (ILU) was the largest positive contributor (~0.9%). In its March quarter production report, ILU reported that its net debt had reduced by ~\$100m since 31 December, underscoring our view that the company does not need to raise capital post the acquisition of Sierra Rutile late last year. The company also highlighted a positive demand and pricing outlook for its key zircon and titanium dioxide (TiO<sub>2</sub>) feedstock products. In addition, Chinese and western world TiO<sub>2</sub> pigment producers have recently announced a further round of price increases, which augurs well for further sustained increases in TiO<sub>2</sub> feedstocks.

We were disappointed when Tatts Group Ltd (TTS) concluded that the indicative, non-binding \$4.21 cash proposal from Pacific Consortium was not superior to the cash and scrip merger proposal from Tabcorp Ltd (TAH). We would have liked to see TTS come to a different conclusion, which would have allowed the Pacific Consortium to conduct due diligence enquiries. This might have led to a higher cash offer. The TAH merger proposal remains subject to Australian Competition Tribunal as well as shareholder approvals. We remain of the view that better long term value would accrue to TTS shareholders if the company were to retain its crown jewel Lotteries business and spin-off Wagering.

## Investment Portfolio

	April 2017	March 2017
Listed Equities	98%	98%
Cash or Cash Equivalents	2%	2%
Number of investments	33	33

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:

### Sandon Capital Investments Limited

Tel: 02 8014 1188

Fax: 02 8084 9918

Website: [www.sandoncapital.com.au](http://www.sandoncapital.com.au)

### Share registry:

#### Link Market Services

Tel: 1300 554 474 (toll free within Australia)

Email: [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)

Fax: +61 2 9287 0303

Postal Locked Bag A14, Sydney

Address: South NSW 1235