

SANDON CAPITAL

Sandon Capital Investments Limited
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Monthly Report

As at 30 June 2017

Net Tangible Assets (NTA)

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

NTA before tax	\$0.9874
Deferred tax asset	\$0.0031
Deferred tax liability on unrealised income and gains	(\$0.0360)
NTA after tax	\$0.9545

Note: The NTA figures reported above are after the payment of 15.5 cents per share of fully franked dividends.

Investment Performance

Gross Performance to 30 June 2017 ¹	1 Month	Financial YTD	Since inception ²
SNC	1.7%	16.1%	9.6%
All Ordinaries Accumulation Index	0.3%	13.1%	8.1%
Outperformance³	+1.4%	+2.9%	+1.5%

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 anticipates being able to declare a final dividend for the year ending 30 June 2017 similar to the interim dividend (3.5 cents per share), 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	\$48.5m
Market capitalisation	\$45.1m
NTA before tax	\$0.9874
Share price	\$0.94
Shares on issue	48,001,175
Options on issue	40,519,237
Fully franked dividends	\$0.065
Dividend yield	6.9%

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 12.3% 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.

NTA Commentary

SNC's pre-tax NTA at 30 June 2017 increased approximately 3.9% over the prior month, whereas the investment portfolio increased 1.7%. The difference between the figures was due to finalisation of the tax position following the end of financial year. For accounting purposes, SNC values each item of trading stock at its prevailing market value with the unrealised gain or loss being taken to the profit and loss statement. For tax purposes, SNC can elect to value each item of trading stock (ie each share) at either its cost or its market selling value. Accordingly, SNC has elected to revalue certain items of trading stock to the lower of cost or market value for the year ended 30 June 2017. This has resulted in a number of shares being revalued to their lower cost price. This creates a lower current tax liability and a correspondingly larger deferred tax liability than in previous months, when no such revaluation to cost took place.

Portfolio commentary

The Portfolio was up 1.7% in June. Gross portfolio returns since inception are the equivalent of 9.6% per annum, compared to 8.1% per annum for the All Ordinaries Accumulation Index.

Fleetwood Corporation Ltd (FWD) was the largest positive contributor for the month (~0.8%). FWD has set July 25 as the date for the EGM to vote on changes to the company's constitution, including Sandon's resolution that the constitution be changed to facilitate the payment of dividends. During the month, FWD announced a new broader agreement with Gateway Lifestyle for the supply and installation of modular homes to Gateway's residential communities. In positive news for the manufactured accommodation industry in Western Australia, BHP announced the approval of US\$184m in initial funding for the South Flank project, primarily for the expansion of accommodation facilities. Whilst Fleetwood is not yet an approved supplier to this project, we expect significant demand for manufactured accommodation in Western Australia will arise over the next 2-3 years from BHP's South Flank project, Rio Tinto's Koodaideri project and the replacement project for Fortescue's depleting Firetail deposit.

Iluka Resources Ltd (ILU) was the main detractor for the month (~-0.5%), although there was no apparent news to drive the weakness. The abovementioned news on BHP's initial funding for its South Flank project bodes well for a more than doubling of ILU's iron ore royalty over the medium term. BHP provided further detail on its plans for South Flank – the project is expected to be submitted for Board approval in mid-FY18 with first ore targeted in 2021 and ramp-up timed to coincide with the ramp-down of the depleting Yandi deposit. We continue to press the company to spin out its royalty into a separately listed vehicle which we think will be valued significantly higher by the market, as is the case for other pure play listed royalty companies. In a reflection of strong global demand for zircon, Iluka announced the re-start of its zircon rich Jacinth-Ambrosia mine in December 2017.

During the month, we sold our remaining holding in BlueScope Steel Ltd (BSL) in what has proven to be a very profitable investment. When we first invested in the company it was perceived as a loss-making commodity steel producer. Since then, the company has significantly reduced costs in its steel making operations in Australia and New Zealand and completed the acquisition of the remaining 50% of the North Star mill in North America. We congratulate the Board and management on their commendable efforts over the past 2+ years.

Investment Portfolio

	June 2017	May 2017
Listed Equities	95%	94%
Cash or Cash Equivalents	5%	6%
Number of investments	28	29

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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