

# SANDON CAPITAL

Sandon Capital Investments Limited  
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## Monthly Report

As at 31 August 2017

### Net Tangible Assets (NTA)

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

NTA before tax	<b>\$1.0313</b>
Deferred tax asset	<b>\$0.0028</b>
Deferred tax liability on unrealised income and gains	<b>(\$0.0446)</b>
NTA after tax	<b>\$0.9895</b>

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 31 Aug 2017 <sup>1</sup>	1 Month	Financial YTD	Since inception <sup>2</sup>
SNC	5.1%	6.4%	11.3%
All Ordinaries Accumulation Index	0.8%	1.0%	8.2%
<b>Outperformance<sup>3</sup></b>	<b>+4.3%</b>	<b>+5.4%</b>	<b>+3.1%</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 final dividend, an increase of 17% on the prior final dividend. The Board anticipates being able to declare an interim dividend for the period ending 31 December 2017 similar to the final dividend, subject to prudent business practices and the availability of profits. SNC has declared 19.0 cents per share of fully franked dividends since listing in December 2013.

The table below shows the SNC dividend history.

Ex-date	Dividend Amount	Franking	Type
23 October 2017	3.5 cps	100%	Final
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	<b>23 Dec 2013</b>
Gross assets	<b>\$51.3m</b>
Market capitalisation	<b>\$47.8m</b>
NTA before tax	<b>\$1.0313</b>
Share price	<b>\$0.995</b>
Shares on issue	<b>48,001,175</b>
Options on issue	<b>40,519,237</b>
Fully franked dividends	<b>\$0.07</b>
Dividend yield	<b>7.0%</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 12.8% 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 up 5.1% in August. Gross portfolio returns since inception are the equivalent of 11.3% per annum, compared to 8.2% per annum for the All Ordinaries Accumulation Index.

Fleetwood Corporation Ltd (FWD) was once again the month's largest positive contributor (~2.0%). Whilst the market reacted positively to the company's FY17 earnings release, we were less enamoured with the announcement. Despite a number of forecasts from the company over several years that profitability was on the horizon for the RV Manufacturing division, the business continues to flounder, delivering a fourth straight year of meaningful losses. We were also less than impressed with the company's management of working capital, with operating cash flow from the underlying businesses once again negative (after removing the positive impact of the sale of Osprey and other assets held for sale over the last two years). In our original presentation made public in June 2016, we highlighted both of these issues as areas the company should address. Whilst improvements have been made in other areas, we will continue to focus our campaign on these two issues specifically.

After several disappointing months, the shares of Consolidated Operations Group Ltd (COG) finally started to turn upwards, contributing ~0.8% to performance. The company delivered a solid FY17 result, and importantly, has also begun to improve communications with the market. We see significant embedded earnings growth in COG as a result of two factors: (i) acquisitions made in FY17 will contribute meaningfully to FY18 earnings, and (ii) due to the delayed profit recognition on leases the company writes, earnings from the TL Rentals business will more than triple over the next three years, even if the lease book stagnates at levels guided for FY18. Furthermore, the company has significant surplus capital (>\$50m) which will continue to support acquisitions in the asset financing broking and aggregation industry.

The other major contributor for the month was Coventry Group Ltd (CYG), which added ~0.7% to performance. Whilst the FY17 result was underwhelming, with another loss reported, recent management changes and green shoots in the mining sector augur well for an improvement in future financial performance. We look forward to any positive changes that new CEO & MD, Robert Bulluss, can make to the perennially underperforming Trade Distribution Australia business. We also believe there is potential for the company to monetise assets that are not core to its future.

## Investment Portfolio

	August 2017	July 2017
Listed Equities	99%	99%
Cash or Cash Equivalents	1%	1%
Number of investments	28	28

## 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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