

SANDON CAPITAL

Sandon Capital Investments Limited
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Monthly Report

As at 30 September 2017

Net Tangible Assets (NTA)

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

NTA before tax (cum div)	\$1.0071
Deferred tax asset	\$0.0057
Deferred tax liability on unrealised income and gains	(\$0.0384)
NTA after tax (cum div)	\$0.9741

Investment Performance

Gross Performance to 30 Sep 2017 ¹	1 Month	Financial YTD	Since inception ²
SNC	-2.8%	3.4%	9.9%
All Ordinaries Accumulation Index	0.1%	1.0%	7.9%
Outperformance³	-2.9%	+2.4%	+2.1%

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	Corporate Tax Rate	Type
23 October 2017	3.5 cps	100%	27.5%	Final
18 May 2017	3.5 cps	100%	30.0%	Interim
21 October 2016	3.0 cps	100%	30.0%	Final
18 April 2016	2.0 cps	100%	30.0%	Interim
22 October 2015	1.0 cps	100%	30.0%	Special
22 October 2015	2.0 cps	100%	30.0%	Final
1 June 2015	2.0 cps	100%	30.0%	Interim
14 October 2014	2.0 cps	100%	30.0%	Special

Sandon Capital Investments Limited

ASX Code	SNC
Listed	23 Dec 2013
Gross assets	\$50.2m
Market capitalisation	\$49.0m
NTA before tax	\$1.0071
Share price	\$1.02
Shares on issue	48,001,175
Options on issue	40,519,237
Fully franked dividends	\$0.07
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.

Portfolio commentary

The Portfolio was down 2.8% in September. Gross portfolio returns since inception are the equivalent of 9.9% per annum, compared to 7.9% per annum for the All Ordinaries Accumulation Index.

The two main contributors to last month's return were this month's main detractors. Fleetwood Corporation Ltd (FWD) shares fell by 14% (~-1.5% attribution). Although there were no announcements from the company, we suspect more investors may have also concluded, like we have, that RV Manufacturing remains a cause for concern and that working capital management is less than optimal. We look forward to any updates to these issues the company can provide at this year's AGM.

Consolidated Operations Group Ltd (COG) also detracted from this month's performance following the announcement that it would not proceed with two of its prospective acquisitions. In both instances, we believe COG management demonstrated a discipline that is often lacking in roll-up strategies. Although we are disappointed the acquisitions did not proceed, there will be others and we remain excited by the opportunity that COG presents. Management have improved on their communication with the market, although we would continue to rate it as "could do better." We expect that time will prove a useful teacher.

Although having little price impact, the Tabcorp Ltd (TAH) scheme proposal with Tatts Group Ltd (TTS) was dealt a small blow when the scheme meeting was delayed following a successful challenge by the ACCC in the Federal Court to the Australian Competition Tribunal's (ACT) clearance of the merger proposal. In simple terms, the ACT must reconsider and determine the TAH application. The TTS share price remains well below the indicative price mooted by the Pacific Consortium (\$4.21), which seems to us indicative that the TTS Directors erred when they deemed that the Pacific Consortium's proposal was not superior to the TAH merger proposal.

During the month, Iluka Resources Ltd (ILU) announced a US\$130/t (12%) increase in the contract price of zircon covering 4Q17 and 1Q18. Whilst this was a positive surprise for ourselves and the market, the share prices of the zircon producers that we own (ILU & Mineral Deposits Ltd (MDL)) were largely unchanged. Nevertheless, the outlook for 2018 earnings continues to improve. Given the current tightness in the zircon market, we expect prices to continue to move higher in 2018. We also expect further momentum in titanium dioxide feedstock prices throughout 2018. ILU's titanium dioxide feedstock earnings should also benefit as legacy fixed price rutile contracts are repriced higher in 2018.

Investment Portfolio

	September 2017	August 2017
Listed Equities	94%	99%
Cash or Cash Equivalents	6%	1%
Number of investments	27	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.

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