

SANDON CAPITAL

Sandon Capital Investments Limited
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Monthly Report

As at 31 October 2017

Net Tangible Assets (NTA)

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

NTA before tax (ex div)	\$0.9669
Deferred tax asset	\$0.0027
Deferred tax liability on unrealised income and gains	(\$0.0340)
NTA after tax (ex div)	\$0.9356

Investment Performance

Gross Performance to 31 Oct 2017 ¹	1 Month	Financial YTD	Since inception ²
SNC	-0.5%	3.0%	9.6%
All Ordinaries Accumulation Index	4.1%	5.1%	8.8%
Outperformance ³	-4.5%	-2.1%	+0.8%

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 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 and paid 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	\$48.0m
Market capitalisation	\$47.7m
NTA before tax	\$0.9669
Share price	\$0.99
Shares on issue	48,133,615
Options on issue	40,386,797
Fully franked dividends	\$0.07
Dividend yield	7.1%

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 12.2% 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 October. Gross portfolio returns since inception are the equivalent of 9.6% per annum, compared to 8.8% per annum for the All Ordinaries Accumulation Index.

In the last few months, the fund has underperformed the small cap and broader share market, as these have reached near pre-GFC highs. We believe the market returns have been driven by expectations that all good things can continue forever: we know from harsh experience this is not so. The Fund has experienced such periods of underperformance before. We remain disciplined and true to our approach to investing despite watching the markets hit new highs, and are not tempted to drink the Kool-Aid. We believe any market volatility will deliver attractive investment opportunities and we continue to focus on attempting to drive positive changes in the companies we target.

FWD was the main detractor this month. The volume of FWD shares traded on several days during the month suggested to us that there were sellers wanting to sell at any price. This, combined with an absence of news from the company (despite our already stated concerns regarding the RV business), gave an opportunity to buy more FWD shares at attractive prices. We are keenly awaiting any news that might emanate from the AGM in late November.

COG's share price increased more than 13% over the month, making a strong contribution to the Fund performance. There was no news from the company. As with FWD (and other portfolio companies), we keenly await any commentary from the AGM that might provide updates on business performance.

Smith City Group Ltd (SCY) in New Zealand was also a detractor to the portfolio. Its shares fell after a poor trading update and announcement of the deferral of a previously announced return of capital. In our view, the return of capital was ill-conceived to begin with. We saw it as incongruous with SCY's stated plans to grow its retailing and finance company businesses. This vacillation augurs poorly for the Board in our opinion.

The shareholder vote on the Tatts Group (TTS) / Tabcorp Limited (TAH) Scheme of Arrangement is slated to take place on 30 November. We have recently released a presentation outlining our case as to why we think TTS shareholders should vote against the Scheme (www.sandoncapital.com.au and click on the "Campaigns" tab). When the Deed Implementation Agreement was announced in October 2016, the implied consideration was \$4.34/share, which we believe woefully undervalued the value of TTS. Sandon assessed standalone valuation for TTS is >\$5/share. Since then, Tabcorp shares have fallen ~6.3%, despite a 12% increase in the S&P/ASX200 and the Scheme Consideration for TTS shareholders today is only \$4.09/share. We believe the market has rightly sold down the TAH share price on the back of disappointing Wagering results and underwhelming outlooks. Meanwhile, the longer-term outlook for TTS crown jewel Lotteries business continues to go from strength to strength. Funds managed by Sandon Capital intend to vote against the Scheme of Arrangement. We urge all other TTS shareholders to do the same.

Investment Portfolio

	October 2017	September 2017
Listed Equities	97%	99%
Cash or Cash Equivalents	3%	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.

Further information:

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Share registry:

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