

Sandon Capital

*'Ever since 1934 we have argued in our writings for a more ...
energetic attitude by stockholders toward their management'*

Ben Graham, The Intelligent Investor

Investment Manager Presentation

November 2017

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This presentation has been prepared for use in conjunction with a verbal presentation and should be read in that context.

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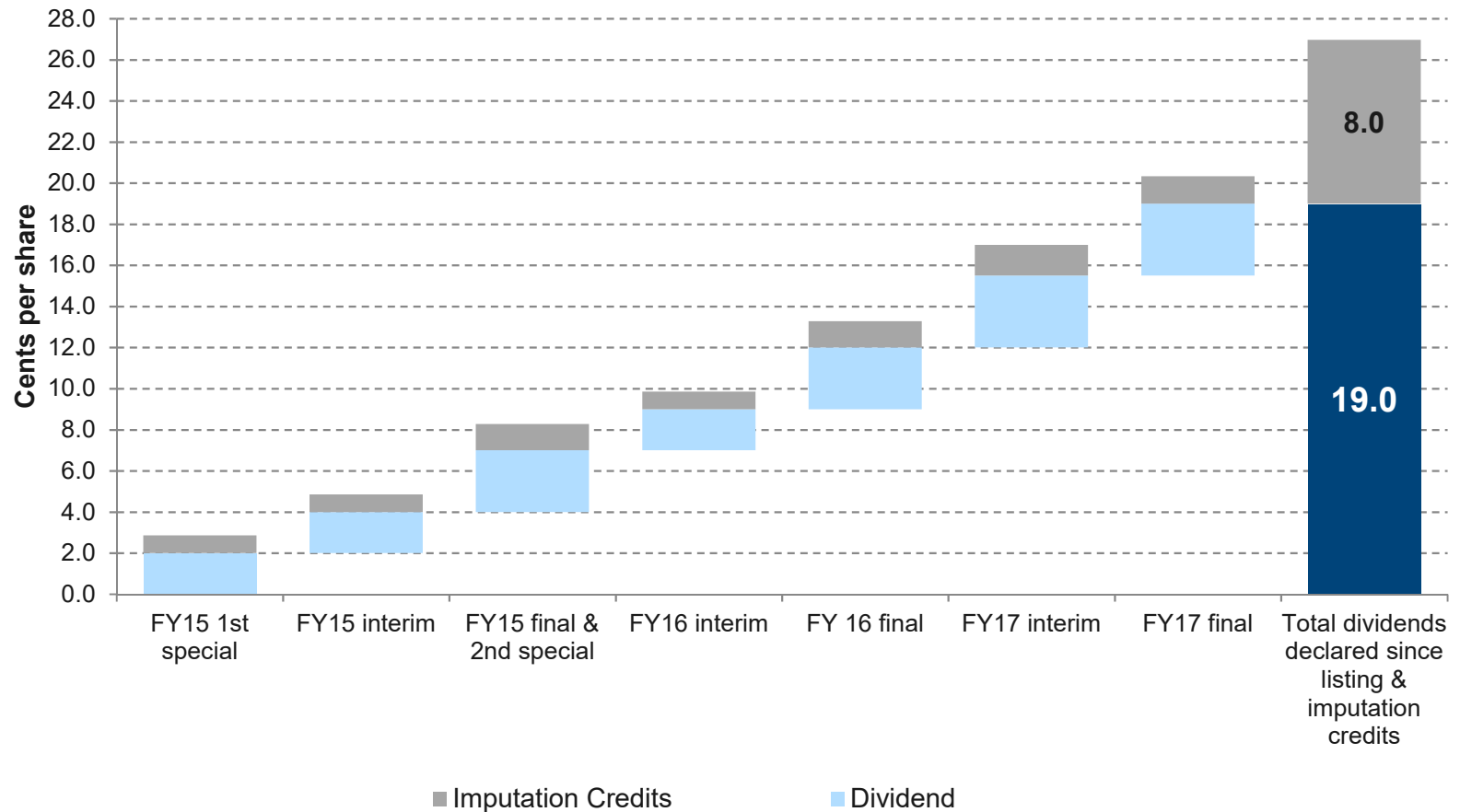
Any quoted performance is post fees and expenses but before tax and assumes distributions were reinvested. Dollars are AUD, unless otherwise stated. We are not responsible for the statements made by or attributed to others in this report. Past performance is no guarantee or does not provide any indication of future returns.

SNC FY17 Result highlights

- NPAT up 51% to \$3,348,908
- Declared interim dividend of 3.5 cps fully franked
- Dividend yield of 7.0% (9.7% grossed up) with fully franked dividends of 7.0 cps paid in last 12 months¹
- SNC retains franking credits of 1.7 cps which can be used to pay further fully franked dividends, provided there are sufficient profits and the Board considers it prudent

1. Assumes market price of \$1.00 on 17 Nov 2017. Annual fully franked dividends of 7.0 cents per share and a 27.5% corporate tax rate.

Fully franked dividends since listing



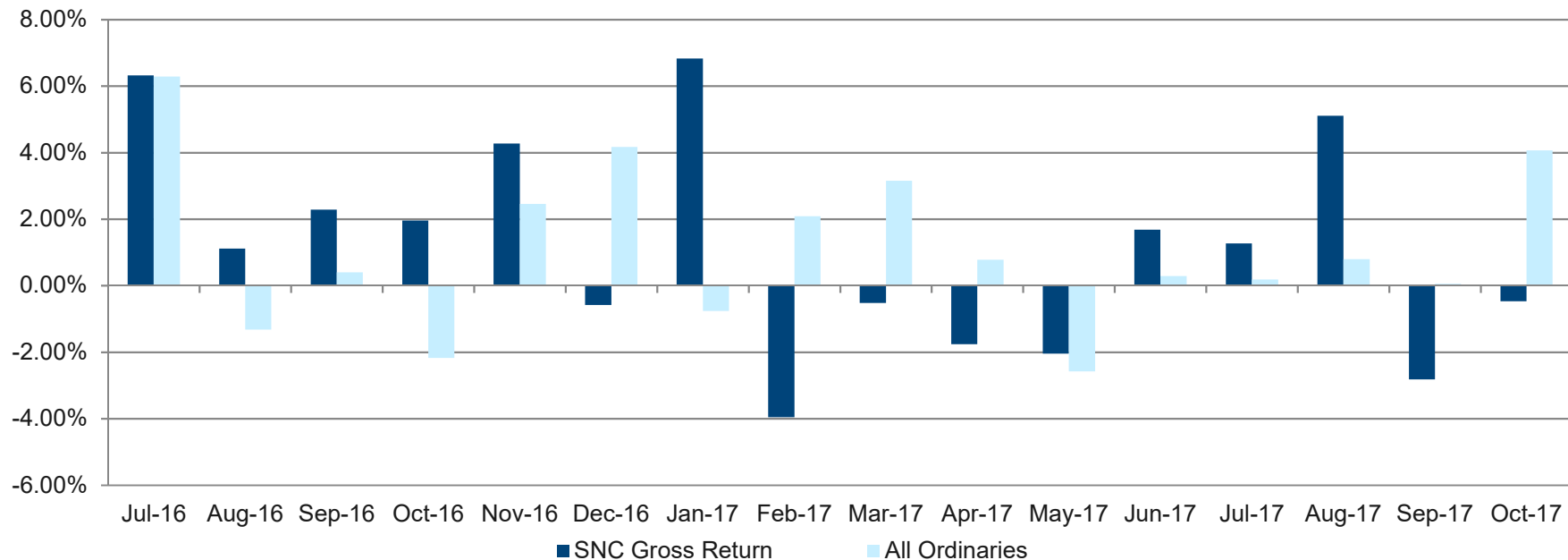
Source: SNC ASX Releases

FY17 Return Summary

Return measure	FY17 Return
Total Shareholder Return ¹	29.1%
NTA Return <ul style="list-style-type: none"> • Pre tax • Post tax 	9.8% 7.1%
Gross Investment Return ²	16.1%
Net Investment Return ³	12.0%

1. Period from 1 July 2016 to 30 June 2017, includes payment of fully franked dividends 6.5 cents per share and imputation credits of 2.8 cents per. Does not assume any reinvestment of dividends.
2. Before all expenses but after brokerage costs
3. After brokerage costs, investment management and performance fees, but before all corporate expenses.

Investment Performance to 31 October 2017



Gross Performance to 31 October 2017 ¹	Financial YTD	Rolling 1 yr return	Since inception (annualised)
SNC	3.0%	6.6%	9.6%
All Ordinaries Accumulation Index	5.1%	15.5%	8.8%
Outperformance	-2.1%	-8.9%	+0.8%

1. The SNC and index returns are before all fees and expenses and before any taxes, except that SNC returns are after brokerage expenses incurred. Dividends paid during the period are included when calculating SNC's gross investment performance

Our Shareholder Activist Approach

- We are a 'Value Investor'
- We seek to purchase investments:
 - At prices below our assessment of their intrinsic value, and
 - Where we believe we can apply our activist techniques
- When we invest our intention is to actively engage with the company
 - We don't try to passively predict the future, by engaging we are actively trying to shape future
- Our investors capital is precious, we will not put it at risk for the sake of being fully invested
 - We typically hold a significant amount of cash in our portfolios
 - Cash allows us to take advantage of opportunities

Investment objectives and outcomes

➤ Sandon Capital Investments Limited's objectives are to:

- Provide an absolute positive return over the medium- to long-term
- Preserve shareholder capital
- Deliver regular and growing dividends, franked to the fullest extent possible¹

➤ Sandon Capital Investments Limited has:

- Provided an absolute positive gross return of 9.6% since inception during challenging market conditions²
- Preserved shareholder capital since inception
 - (Pre-tax/Post-tax NTA up 2.1% / 3.2% respectively)³
- Paid 19.0 cents per share in fully franked dividends since inception

1. This is not intended to be a forecast. It is merely an indication of what SNC aims to achieve over the medium to long term (that is, 3 to 5 years). SNC may not be successful in meeting its objective. Any financial market turmoil or an inability by the Manager, Sandon Capital Pty Ltd, to find and make profitable investments will likely have an adverse impact on achieving this objective. Returns are not guaranteed

2. Gross returns to 29 February 2016. This figure is not annualised

3. Pre- and Post-tax NTA from 16 Dec 2013 to 29 February 2016, including dividends paid. This figure is not annualised

Activist highlights during the past 12 months

- Sandon Capital Investments Limited (SNC) has continued engaging companies and their stakeholders throughout 2017, both behind closed doors and publicly

➤ Name	Thesis/value outline	Engagement
Tatts Group Ltd Mkt Cap > \$5bn	Discount to sum-of-parts, demerger will result in focused businesses and will unlock value	Public release of Sandon Capital analysis, engagement with company, industry experts and shareholders. Work in progress.
Iluka Resources Ltd Mkt Cap ~\$3.8bn	Discount to sum-of-parts, spin-off of royalty business.	Public release of Sandon Capital analysis, engagement with company, industry experts and shareholders. Work in progress.
Fleetwood Corporation Ltd Mkt Cap >\$100 m	Discount to intrinsic value, need for strategic focus and sale of underperforming businesses.	Public release of Sandon Capital analysis, engagement with company, industry experts and shareholders. Work in progress.

Case study – Tatts Group (ASX: TTS)

➤ Tatts Group Ltd (TTS)

- Our thesis:
 - Tatts Group individual parts are worth significantly more than the current market price
 - The Wagering business has strategic corporate appeal and should be separated from the Group
 - The Lotteries business has attributes that are very similar to infrastructure assets and should be valued accordingly
 - A free standing Lotteries business requires a focused Board and management that can exploit growth opportunities
- We believe the company is worth >A\$5.50 today if separated and potentially more if growth opportunities in Lotteries are pursued.
- We are opposed to the TTS-Tabcorp Scheme Proposal. We will vote AGAINST the scheme.

Case study – Fleetwood Corporation Ltd (ASX: FWD)

➤ Fleetwood Corporation Ltd

- Our thesis – Market price was significantly below our estimate of value
- SNC average purchase price of \$1.68
- Key themes of our analysis:
 - Poorly performing businesses (RV Manufacturing and Parts & Accessories) and poor working capital management are clouding the best business, Manufactured Accommodation (MA).
 - There are significant tailwinds and opportunities in MA to exploit
- There has been a complete change in Board composition since we became shareholders.
- The mooted RV turnaround continues to elude current management
- Sandon Capital proposed changes to the constitution that facilitated the payment of dividends – these were passed.
- While RV and PA businesses continue to underperform, FWD cannot reach its full potential.

Outlook

- We expect volatility and uncertainty in global financial markets
- Key themes driving volatility:
 - China – boom or bust? But leadership stability augurs well.
 - US – rising interest rates/high yield credit refinancing
 - Australia
 - have RBA/APRA calmed the housing waters?
 - Investment strengthening, but not everywhere
 - Polarised sharemarket – lots of underperforming companies despite market highs
- We will continue to invest at prices below intrinsic value and apply our activist techniques
- We believe our fundamental approach will continue to uncover attractive opportunities with shareholder activism unlocking value

About us

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