

# SANDON CAPITAL

Sandon Capital Investments Limited  
ACN 107 772 467

Level 5, 139 Macquarie Street, Sydney  
Telephone: (02) 8014 1188  
Email: [info@sandoncapital.com.au](mailto:info@sandoncapital.com.au)

## Monthly Report

As at 31 January 2018

### Net Tangible Assets (NTA)

The net tangible assets per share for Sandon Capital Investments Limited (SNC) as at 31 January 2018 were:

NTA before tax	\$1.0228
Deferred tax asset	\$0.0020
Deferred tax liability on unrealised income and gains	(\$0.0386)
NTA after tax	\$0.9863

### Investment Performance

Gross Performance to 31 Dec 2017 <sup>1</sup>	1 Month	Financial YTD	Since inception <sup>2</sup>
SNC	2.2%	10.9%	11.0%
All Ordinaries Accumulation Index	-0.3%	8.9%	9.2%
<b>Outperformance<sup>3</sup></b>	<b>+2.5%</b>	<b>+2.0%</b>	<b>+1.8%</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 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	\$50.3m
Market capitalisation	\$46.9m
NTA before tax	\$1.0228
Share price	\$0.975
Shares on issue	48,133,615
Options on issue	40,386,797
Fully franked dividends	\$0.07
Dividend yield	7.2%

### 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 12.4% 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 2.2% in January. Gross portfolio returns since inception are the equivalent of 11.0% per annum, compared to 9.2% per annum for the All Ordinaries Accumulation Index.

The main contributor to this month's return was Mineral Deposits Ltd (MDL), whose shares continued to rise after an upbeat quarterly report. MDL's market commentary was consistent with that of other producers and also with what we have been reading in trade journals. Demand for zircon remains strong and supply is very tight with a number of zircon producers guiding to lower production in 2018 despite strongly rising prices. It is clear that the underinvestment through the last downturn is now coming home to roost and we expect robust zircon prices into the future. The outlook for titanium dioxide feedstocks also remains strong with downstream pigment customers reporting solid demand and strengthening margins, which will be buoyed by pigment price increases announced in early 2018. This is a good environment for feedstock producers to also raise their prices, with Iluka announcing an 8% increase for rutile for 1H18. Despite the political risks of operating in Sierra Leone, the acquisition of Sierra Rutile at the bottom of the cycle looks prescient.

Fleetwood Corporation Ltd (FWD), whose shares rose more than 3% during the month, announced on 1 Feb 2018 the completion of the sale of its Flexiglass business. We see this as merely a long needed first step in a rationalisation of the FWD portfolio of businesses. We keenly await the announcement of the results of the RV business review being conducted. Further rationalisation of the FWD portfolio would allow the company to play to its strengths, becoming a focused manufactured accommodation provider.

Consolidated Operations Group Ltd (COG) made a flurry of announcements during the month. These did not pique the market's interest (since the shares remained flat for the month). COG's opportunity remains significant, though we believe a more effective communication strategy is required to convince the market of the opportunity and COG's ability to deliver.

As we write this report, investors around the world have been reminded that investment markets do not only go up. We will not attempt to decipher the reasons for the volatility, but do observe that much of the market's returns throughout 2017 were, in our minds, unsustainable. We have sat out much of 2017 in largely unfashionable companies operating in sectors unloved by mainstream investors. Pockets of value remain, but such investments require patience both when broader markets are strong and weak. Our approach to investing tends to do better when there is weakness and volatility. If recent volatile conditions continue, we will be excited about the opportunities that will present themselves.

## Investment Portfolio

	January 2018	December 2017
Listed Equities	98%	98%
Cash or Cash Equivalents	2%	2%
Number of investments	29	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:

### Sandon Capital Investments Limited

Tel: 02 8014 1188

Fax: 02 8084 9918

Website: [www.sandoncapital.com.au](http://www.sandoncapital.com.au)

### Share registry:

#### Link Market Services

Tel: 1300 554 474 (toll free within Australia)

Email: [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)

Fax: +61 2 9287 0303

Postal Locked Bag A14, Sydney

Address: South NSW 1235