

SANDON CAPITAL

Sandon Capital Investments Limited
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Monthly Report

As at 30 April 2018

Net Tangible Assets (NTA)

The net tangible assets per share for Sandon Capital Investments Limited (SNC) as at 30 April 2018 were:

NTA before tax	\$0.9873
Deferred tax asset	\$0.0016
Deferred tax liability on unrealised income and gains	(\$0.0287)
NTA after tax	\$0.9603

Investment Performance

Gross Performance to 30 Apr 2018 ¹	1 Month	Financial YTD	Since inception ²
SNC	-0.5%	6.9%	9.4%
All Ordinaries Accumulation Index	3.5%	8.9%	8.6%
Outperformance³	-4.0%	-2.0%	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 a final dividend for the period ending 30 June 2018 similar to the interim dividend, subject to prudent business practices and the availability of profits and franking credits. SNC has declared 22.5 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
8 May 2018	3.5 cps	100%	27.5%	Interim
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	\$48.4m
Market capitalisation	\$48.9m
NTA before tax	\$0.9873
Share price	\$1.01
Shares on issue	48,435,427
Options on issue	0
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 11.8% 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 down -0.5% in April. Gross portfolio returns since inception are the equivalent of 9.4% per annum, compared to 8.6% per annum for the All Ordinaries Accumulation Index.

The main contributors to performance were Mineral Deposits Ltd (MDL) and Iluka Ltd (ILU), however this was more than offset by poor performance from Fleetwood Corporation (FWD) and Consolidated Operations Group Ltd (COG).

The MDL share price rose 32% for the month following a cash bid from TiZir JV partner, Eramet, at \$1.46/share. We view the bid from Eramet as very opportunistic: it's at a discount to underlying tangible book value and a larger discount to replacement cost, undertaken at a time when TiZir has just emerged from major operational issues, the major competitor (Richards Bay Minerals, majority owned by Rio Tinto) is struggling with industrial unrest and is unlikely to reinvest in replacement capacity, and the wider mineral sands industry is generally booming. The market appears to think the same given the MDL share price is trading at ~10% premium to the Eramet bid at the time of writing. We look forward to the response from MDL and further information to be contained in the Target Statement and Independent Expert Report.

FWD was the main detractor for the month. Our patience with FWD has been worn thin. In fact, it has worn through. We have advocated for the need for strategic focus at FWD. In particular, we have called for the sale of the ute tray and canopy business (Flexiglass), the caravan parts and accessories business (Camec) and the sale or closure of the RV (caravan) manufacturing division. To date, only one sale (Flexiglass) has occurred.

On 8 May, FWD announced a significant downgrade in earnings guidance, largely attributed to worse than expected performance from the RV manufacturing division. FWD has promised for nearly five consecutive years that a turnaround in the business was imminent. Over that time, we estimate the business has consumed well over \$50m in cash, a significant number for a company with a current market capitalisation of \$115 million.

We remain very excited by the opportunities that exist in FWD's manufactured accommodation business. State government announcements of the construction of new schools, including prefabricated units, augur positively for FWD.

The pace of change at FWD has been far too slow and we believe FWD is in need of change, sooner rather than later, both at Board and senior management levels.

Investment Portfolio

	April 2018	March 2018
Listed Equities	98%	98%
Cash or Cash Equivalents	2%	2%
Number of investments	32	31

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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