

SANDON CAPITAL

Sandon Capital Investments Limited
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Monthly Report

As at 30 November 2018

Net Tangible Assets (NTA)

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

NTA before tax (ex div)	\$0.9632	-0.9%
Deferred tax asset	\$0.0009	
Deferred tax liability on unrealised income and gains	(\$0.0406)	
NTA after tax (ex div)	\$0.9236	-1.2%

Investment Performance

Gross Performance to 30 November 2018 ¹	1 Month	Financial YTD	Since inception ²
SNC	-1.3%	+0.4%	+9.6%
All Ordinaries Accumulation Index	-2.2%	-6.9%	+7.0%
Outperformance³	+1.0%	+7.3%	+2.6%

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

SNC has declared and paid 26.0 cents per share of fully franked dividends since listing in December 2013. The Board anticipates declaring an interim dividend of a similar amount to the final dividend paid in November 2018, provided the Company has sufficient profit reserves, franking credits and it is within prudent business practice.

The table below shows the SNC dividend history.

Ex-date	Dividend Amount	Franking	Corporate Tax Rate	Type
23 October 2018	3.5 cps	100%	27.5%	Final
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	\$46.9m
Market capitalisation	\$40.7m
NTA before tax	\$0.9632
Share price	\$0.84
Shares on issue	48,435,427
Options on issue	nil
Fully franked dividends	\$0.07
Dividend yield	8.3%

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 11.7% 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 1.3% in November. Gross portfolio returns since inception are the equivalent of 9.6% per annum, compared to 7.7% per annum for the All Ordinaries Accumulation Index.

Fleetwood Corporation Ltd (FWD) (~-0.8%) and IDT Australia Ltd (IDT) (-0.4%) were the main detractors for the month.

We attended the FWD AGM in Perth last month. FWD presented FY18 as a transformative year, citing the sale of the two underperforming business, a \$1.80 per share capital raising and the acquisition of two new businesses. The company clearly preferred to focus attention on transformation than the cold hard facts of its poor financial performance. Revenues were practically flat, EBITDA was down 13%, net profit from continuing operations was down 19.5% and the company reported losses from discontinued operations of \$25.7 million. From a shareholder's perspective, FWD shares began FY18 at \$2.28, peaked at \$3.18 and currently trade at \$1.83. The aforementioned \$1.80 capital raising, while somewhat attractive to new shareholders who participated in the placement, was priced at a 43.4% discount to the peak price reached some months earlier.

In the run up to the AGM, Sandon Capital lobbied many shareholders to vote against the remuneration report and other AGM resolutions. Perhaps considering the financial results, it is not surprising that shareholders dealt FWD a first strike on its remuneration report. More than 44% of shares cast voted against FWD's remuneration report, so this was no near miss. Furthermore nearly 44% of votes cast were also against the issue of performance rights to the Managing Director, although being an ordinary resolution meant the vote was carried. This was disappointing. An issue in these situations is often that shareholders new to a company will give incumbent boards and management the benefit of the doubt and support them, despite past performance suggesting they probably should not.

Chairman Phillip Campbell spent time in his chairman's address describing the "many dimensions" of the Board's matrix used to evaluate its composition and asserted that the FWD board has a "good mix...which helps hold management to account." Based on its performance, we disagree, and more and more FWD shareholders have come to a similar conclusion.

We reluctantly sold the Fund's Watpac Ltd (WTP) shares to BESIX after months' end. Post months' end there were press reports about a potential sale of WTP's mining services business, something confirmed by WTP later that day. Since BESIX's earlier proportional takeover offer at 92 cents per share, WTP has made numerous positive announcements pertaining to its forward order book. This positive stance was reinforced in the full year results commentary. All this has only served to frustrate us. We remain perplexed at how WTP's independent directors could have recommended the BESIX offer at the same price as BESIX's proportional offer six months earlier. The BESIX offer ended with it having acquired 91.9% of WTP. The sale has increased the Fund's cash level by approximately 6% (which will be reflected in next month's cash holding).

Last month, we referred to the association formed by Sandon Capital with Samuel Terry Asset Management (STAM) in respect of the affairs of AIMS Property Securities Fund (APW). A presentation was released that detailed our criticisms of the management of APW.

In a sign that AIMS Fund Management Ltd (AIMS), the responsible entity and manager of APW, was likely to fight hard to preserve the status quo at APW, AIMS convened its own unitholder meeting to consider two resolutions, including its own wind up resolution. The other resolution seeks to have unitholders direct the RE to do certain things, including the commissioning of independent research on APW to attempt to narrow the discount to NTA. This resolution would appear to be at odds with APW's own constitution. As a result we question why the directors of the RE would have gone to such an expense to duplicate a meeting already being held at someone else's cost. The AIMS-convened meeting was held on 7 December and the STAM/Sandon meeting was held on 10 December. As expected, the chair of both meetings allowed AIMS to vote the shares in APW it controls. We objected to this at both meetings and may lead to legal action by Sandon and STAM in 2019. The results of both meetings indicated that the vast majority of unitholders not associated with AIMS were in favour of the wind up. In other words, other than AIMS and its associates only approximately 3% of units voted to keep APW alive.

We have taken the opportunity of falling markets to selectively add to some existing positions, though some of the shares we would have most liked to buy did not fall by much. We remain patient. As already noted in last month's report, if the past provides any indications, such turmoil is likely to provide us with some interesting investment opportunities.

Investment Portfolio

	November 2018	October 2018
Listed Equities	99%	98%
Cash or Cash Equivalents	1%	2%
Number of investments	34	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.

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