

SANDON CAPITAL

Sandon Capital Investments Limited
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Monthly Report

As at 30 April 2019

Net Tangible Assets (NTA)

The net tangible assets per share for Sandon Capital Investments Limited (SNC) as at 30 April 2019 were:

NTA before tax	\$0.9646	+1.5%
Deferred tax asset	\$0.0013	
Deferred tax liability on unrealised income and gains	(\$0.0205)	
NTA after tax	\$0.9454	+1.1%

Investment Performance

Gross Performance to 30 April 2019 ¹	1 Month	Financial YTD	Since inception ²
SNC	+2.3%	+3.5%	+9.4%
All Ordinaries Accumulation Index	+2.5%	+5.6%	+8.9%
Outperformance ³	-0.2%	-2.1%	+0.5%

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 29.5 cents per share of fully franked dividends since listing in December 2013. The Board anticipates declaring a final dividend of a similar amount to the FY19 interim dividend, provided the Company has sufficient profit reserves, franking credits and it is within prudent business practice.

The table below shows SNC's recent dividend history.

Ex-date	Dividend Amount	Franking	Corporate Tax Rate	Type
16 May 2019	3.5 cps	100%	27.5%	Interim
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

Sandon Capital Investments Limited

ASX Code	SNC
Listed	23 Dec 2013
Gross assets	\$47.3m
Market capitalisation	\$42.9m
NTA before tax	\$0.9646
Share price	\$0.8850
Shares on issue	48,435,427
Options on issue	nil
Fully franked dividends	\$0.07
Dividend yield	7.9%

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 11.6% 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 2.3% in April. Gross portfolio returns since inception are the equivalent of 9.4% per annum, compared to 8.9% per annum for the All Ordinaries Accumulation Index.

The main contributors to this month's result were OneMarket Ltd, Coventry Group Ltd and City Chic Collective Ltd, with the main detractor being Consolidated Operations Group Ltd.

We have discussed in previous monthly reports that our mergers and arbitrage file was bulging. Following the approval of a recent transaction, we are taking the opportunity to provide more insight into such activity. At month end, shareholders of Highlands Pacific Limited (HIG) approved its takeover by Cobalt 27 Capital Corp (KBLT). We first started buying HIG in early January 2019 after the company announced it had entered into a scheme implementation agreement with KBLT. An investment in HIG was offering an annualised rate of return of ~15%. In our estimation, there was a low risk of the deal not proceeding given the Scheme was recommended by the Board and over 30% of shareholders had stated publicly their intention to vote in favour of the Scheme in the absence of a superior proposal. Australia's "truth in takeovers" regulations are useful in such circumstances as shareholders can be held to account for their public statements.

However, a twist in the Scheme existed that allowed us to potentially generate an even better return. KBLT were offering an additional 1c per share in scheme consideration if the closing spot price of nickel exceeds US\$13,220 per tonne for 5 consecutive trading days prior to 31 December 2019. This free option was completely overlooked by the market at the time we bought HIG. Since the Scheme was announced, the nickel price has crossed the \$13,220 per tonne threshold for only 2 consecutive days. Now that the Scheme has been approved, we will receive scheme consideration on 17 May. We also retain our 'free' call option over the nickel price until the end of the year. Should the contingent consideration be eventually triggered and paid, our already attractive annualised return of ~15% will be significantly improved.

Whilst cash levels are currently at historically low levels, we do expect ~10% of the portfolio to be returned as cash by mid-July. We continue to find attractive opportunities to redeploy this cash.

Investment Portfolio

	April 2019	March 2019
Listed Equities	97%	97%
Cash or Cash Equivalents	3%	3%
Number of investments	32	34

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:

Link Market Services

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