

SANDON CAPITAL

Sandon Capital Investments Limited
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Monthly Report

As at 30 June 2019

Net Tangible Assets (NTA)

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

NTA before tax (ex-dividend)	\$0.9030	-5.0%
Deferred tax asset	\$0.0010	
Deferred tax liability on unrealised income and gains	(\$0.0086)	
NTA after tax (ex-dividend)	\$0.8954	-3.4%

* NTA was impacted by acquisition of MVT shares. Refer next page for further detail

Investment Performance

Gross Performance to 30 June 2019 ¹	1 Month	Financial YTD	Since inception ²
SNC	-1.7%	+4.6%	+9.3%
All Ordinaries Accumulation Index	+3.4%	+11.0%	+9.6%
Outperformance ³	-5.1%	-6.4%	-0.3%

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 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	\$54.3m
Market capitalisation	\$48.0m
NTA before tax	\$0.9030
Share price	\$0.8100
Shares on issue	59,259,401
Options on issue	nil
Fully franked dividends	\$0.07
Dividend yield	8.6%

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 11.4% 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.

Corporate update

On 31 May 2019, SNC announced its intention to acquire 18.9% of the issued capital of Mercantile Investment Company Ltd (MVT) followed by an intention to make a takeover over for all the other shares it does not own by way of an NTA-for-NTA merger. Please refer to the various ASX announcements for further details. Those shares were acquired during June by issuing 0.2043 new SNC shares for every 1 MVT share acquired, equivalent to a price of 19.4 cents per MVT share. The SNC shares were issued at SNC's 31 May 2019 pre-tax NTA.

This month's NTA result was impacted by the acquisition of these MVT shares. While SNC does not control MVT, its MVT shares have to be valued at the end of month closing market price (15.5 cents per share on 30 June 2019). This is below the price at which the shares were acquired (19.4 cents per MVT share, being the pre-tax NTA as at 31 May 2019). If SNC's takeover offer is successful and it gains control of MVT, the MVT portfolio will be reported at the prevailing NTA.

Portfolio commentary

The Portfolio was down 1.7% in June. Gross portfolio returns since inception are the equivalent of 9.3% per annum, compared to 9.6% per annum for the All Ordinaries Accumulation Index. Note the Portfolio returns exclude the effect of the corporate acquisition of shares in MVT outlined above.

The main contributors to this month's result were Fleetwood Corporation Ltd (FWD) (-1.8%), Consolidated Operations Group Ltd (COG) (-0.6%) and OneMarket Ltd (OMN) (-0.4%), partly offset by Iluka Resources Ltd (ILU) (+0.9%). There was no news flow of note from any of these companies, so we have no further comment.

During the month we ran a campaign against Gindalbie Metals Ltd (GBG). Our concern related to what we considered to be a suboptimal outcome for shareholders arising from the Schemes of Arrangement and Demerger proposed and recommended by GBG's Independent Directors. Whilst we saw merit in Angang Group Hong Kong (Holdings) Ltd (Ansteel) acquiring the shares in GBG that it didn't already own, we saw no logic in the demerger of Coda Minerals Ltd (Coda).

In our opinion, a holding in Coda, an unlisted speculative exploration company, was an unattractive proposition. Furthermore, if Coda could not satisfy the requirements for listing on the ASX, shareholders may have never had the opportunity to realise any value for their holding in Coda. We pushed for the cash that was designated for Coda to be retained within Gindalbie to enable Ansteel to make a higher offer. Our public presentation can be viewed at https://www.sandoncapital.com.au/images/pdfs/1906_GBG_AU_presentation.pdf. In late June, Ansteel declared their offer final. However, in early July, GBG announced it would "explore potential liquidity options for the unlisted Coda shares in an equitable and timely manner." We believe this represented a good outcome as it significantly increases the probability that all Coda shareholders will be able to realise some value for their holding should they choose to. Following this announcement, we decided not to vote on GBG's resolutions and the Schemes were subsequently approved by GBG's shareholders.

Cash levels finished the month at 0%, however we expect ~8% of the portfolio to be returned as cash by mid-July.

Investment Portfolio

	June 2019	May 2019
Listed Equities	100%	100%
Cash or Cash Equivalents	0%	0%
Number of investments	31	30

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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