

SANDON CAPITAL

Sandon Capital Investments Limited
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Monthly Report

As at 31 August 2019

Net Tangible Assets (NTA)

The net tangible assets per share for Sandon Capital Investments Limited (SNC) as at 31 August 2019 were:

NTA before tax	\$0.9217	+2.8%
Deferred tax asset	\$0.0007	
Deferred tax liability on unrealised income and gains	(\$0.0141)	
NTA after tax	\$0.9083	+1.5%

Investment Performance

Gross Performance to 31 August 2019 ¹	1 Month	Financial YTD	Since inception ²
SNC	+2.9%	+2.7%	+9.5%
All Ordinaries Accumulation Index	-2.2%	+0.7%	+9.5%
Outperformance ³	+5.1%	+2.0%	0.0%

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 announcing its dividend intentions shortly after Offer consideration (new SNC) shares are issued to MVT shareholders who have accepted the Offer.

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	\$55.4m
Market capitalisation	\$47.4m
NTA before tax	\$0.9217
Share price	\$0.8000
Shares on issue	59,259,401
Options on issue	nil
Fully franked dividends	\$0.07
Dividend yield	8.8%

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). This was followed by a takeover offer for the remaining shares it did not own by way of an NTA-for-NTA merger. Please refer to the various ASX announcements for further details. SNC's Offer closed on 9 September 2019, with a relevant interest of 93.97% and intends to move to compulsory acquisition of the remaining Mercantile shares. Given SNC has control of Mercantile, the existing holding of 52,980,782 Mercantile shares has been marked at Mercantile's month end pre-tax NTA (\$0.1955). In previous months, this position was held at the prevailing month end share price.

The Offer consideration of new SNC shares will be allotted on 13 September 2019 to all MVT shareholders who accepted the Offer. New shareholding statements will be despatched on the same day.

Portfolio commentary

The Portfolio was up 2.9% in August. Gross portfolio returns since inception are the equivalent of 9.5% per annum, compared to 9.5% per annum for the All Ordinaries Accumulation Index.

OneMarket Ltd (OMN) was the largest contributor followed by Coventry Group Ltd (CYG) and City Chic Collective Ltd (CCX). Iluka Resources Ltd (ILU) was the main detractor for the month.

Equity market euphoria tempered in August, but announcements favoured a number of the SNC's portfolio holdings. At its first AGM, the OMN Chairman announced, among other things, the Board had "been reviewing options to maximise value for shareholders and to proactively manage the discount to cash backing at which OneMarket trades." The Chairman's statement succinctly states the situation at OMN. We have been, and remain, supportive of the OMN Board as it conducts this review. OMN anticipates announcing the outcomes, if any, of this review by the end of September 2019. OMN shares ended the month up 25%.

CYG delivered a strong FY19 result. CYG is one of SNC's longest held investments, having first bought back in 2013. Back then we ran an arduous campaign to remove the then executive chairman. The current Board, chaired by Neil Cathie, and management led by CEO Robert Bulluss, have toiled long and hard on CYG's return to profitability. We commend them and their colleagues. CYG remains a favoured position.

CCX proved once again that fashion retailing can be profitable. CCX reported a 12.6% increase in revenues and a 25.1% increase in underlying earnings before interest, tax, depreciation and amortisation. The outlook statements from the company were positive.

Boards, management and staff of CYG and CCX definitely deserve a place on our "wall of fame".

ILU, once again our largest detractor, continued to fall as investors punished the company for problems with its Sierra Rutile operation and concerns of the impact of US-China trade wars on demand for its mineral sand products. These stand in stark contrast to the positive news emanating from its Mining Area C (MAC) iron ore royalty. BHP's South Flank project, which is within MAC, is inching closer to production. According to BHP the project is 39% complete and on schedule to begin producing in 2021. Although the share price fall is disappointing, we believe it serves to highlight the risks associated with the mineral sands operations when compared to the MAC royalty, underlining our argument that the two businesses should be separated.

Investment Portfolio

	August 2019	July 2019
Listed Equities	98%	95%
Cash or Cash Equivalents	2%	5%
Number of investments	31	32

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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