

SANDON CAPITAL

Sandon Capital Investments Limited
ACN 107 772 467

Level 5, 139 Macquarie Street, Sydney
Telephone: (02) 8014 1188
Email: info@sandoncapital.com.au

Monthly Report

As at 31 July 2020

Net Tangible Assets (NTA)

The net tangible assets per share for Sandon Capital Investments Limited (SNC) as at 31 July 2020 were:

NTA before tax	\$0.7580	+2.5%
Deferred tax asset	\$0.0168	
Deferred tax liability on unrealised income and gains	(\$0.0001)	
NTA after tax	\$0.7747	+2.0%

Investment Performance

Gross Performance to 31 July 2020 ¹	1 Month	Financial YTD	Since inception ²
SNC	2.6%	2.6%	6.1%
All Ordinaries Accumulation Index	0.9%	0.9%	6.9%
Outperformance³	1.6%	1.6%	-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

SNC has declared and paid 36.5 cents per share of fully franked dividends since listing in December 2013.

SNC has profits reserves equivalent to 2.6 cents per share and franking of approximately 11.3 cents per share.

The table below shows SNC's recent dividend history.

Ex-date	Dividend Amount	Franking	Corporate Tax Rate	Type
5 May 2020	3.5 cps	100%	27.5%	Interim
21 October 2019	3.5 cps	100%	27.5%	Final
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*	\$106.0m
Market capitalisation	\$62.5m
NTA before tax	\$0.7580
Share price	\$0.5750
Shares on issue	108,624,261
Options on issue	nil
Fully franked dividends	\$0.035
Dividend yield (6-mths)	5.6%
Profits reserve (per share)	2.6 cps
Franking (per share)	~11.3 cps

*includes face value of Mercantile 8% unsecured notes.

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 9.8% 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 up 2.6% for the month, on a gross basis, before all fees and expenses, compared to an increase of 0.9% for the All Ords Accumulation Index.

Key contributors to the month's returns were City Chic Collective Ltd (CCX), CML Group Ltd (CGR), BCI Minerals Ltd (BCI) and Iluka Resources Ltd (ILU). Fleetwood Corporation Ltd (FWD) was the main detractor.

City Chic Collective Ltd (CCX) provided further evidence of the growth opportunities available to it in the US market with the announcement that it had been appointed as the "stalking horse bidder" for certain assets of a US retail chain that has filed for Chapter 11 bankruptcy. If successful, CCX will acquire the e-commerce assets of the "Catherines" plus-size retail brand. The company undertook a capital raising by way of a placement and share purchase plan to fund the potential acquisition and its necessary working capital. We applaud the CCX board and management for the manner in which it conducted the raising. They favoured existing institutional shareholders and allowed existing retail shareholders to buy up to \$30,000 of CCX shares at the placement price of \$3.05. The fund took its pro rata share of the placement.

The stalking horse bid places CCX in the box seat to acquire the Catherines e-commerce assets provided no other party makes a higher bid. CCX used a similar process to make its previous US acquisition, the e-commerce assets of Avenue. We believe their experience of the process places them odds-on favourites to secure the business. As more bricks and mortar retailers experience difficulties, we anticipate there may be more such acquisition opportunities for CCX to consider. If so, these may provide attractive, low cost opportunities for growth.

CCX also provided a trading update that confirmed challenges in the retail store network due to COVID-19 as well as highlighting the growth in online sales. If CCX is successful in the acquisition of Catherines, we expect >80% of sales will come from its online channel.

Consolidated Operations Group Ltd (COG) provided a trading update that we read as positive. COG advised that unaudited net profit after tax and before amortisation (excluding one-off items) for FY20 was \$8.4m up 6% on the FY19 result. COG also confirmed a write-down, largely goodwill, of the commercial equipment leasing segment. Whilst disappointing, we understand the need for this given the changes caused by the COVID-19 pandemic on the economy and the SME market in particular. We believe COG's finance broker and aggregation is well placed to thrive as brokers assist their SME clients navigate through government stimulus and the eventual economic recovery.

FWD's share price continued to fall in spite of there being no meaningful news. Perhaps management's comment that they are keeping "a keen eye for potential corporate transactions" has spooked the market. We believe the company should focus on better managing their existing assets before they consider acquiring new ones.

We continue to accumulate shares in a number of new companies which we look forward to discussing at some point in the future.

Investment Portfolio

	July 2020
Listed Australian Equities	66%
Listed International Equities	14%
Unlisted investments	16%
Cash or Cash Equivalents	4%

Contact

If you have any questions regarding the Company or its investments, please call Gabriel Radzysinski on 02 8014 1188. If you have questions regarding your shareholding, please contact Link, whose details appear below.

Further information:

Sandon Capital Investments Limited

Tel: 02 8014 1188

Fax: 02 8084 9918

Website: www.sandoncapital.com.au

Share registry:

Link Market Services

Tel: 1300 554 474 (toll free within Australia)

Email: registrars@linkmarketservices.com.au