

ASX Announcement

21 August 2020

SNC announces intention to pay a 2.5 cents per share fully franked final dividend

The Directors of Sandon Capital Investments Limited (ASX:SNC) announce their intention to pay a 2.5 cents per share fully franked final dividend. Last year's final dividend was 3.5 cents per share.

SNC's investment performance for the 2020 financial year was poor. The gross investment return was a loss of 11.9% before all fees and expenses, most of which was unrealised. This result was disappointing and represented the worst annual result for SNC to date, which was also the first time the portfolio delivered a negative annual result.

This result needs to be considered as a tale of two halves. Shareholders may recall that the first half performance (to 31 December 2020) was outstanding and more than double that of the market. In contrast, the impact of the COVID-19 pandemic was particularly harsh on the share prices of the companies owned by SNC in the second half to 30 June. Announcements and results of our investee companies so far this reporting season would indicate the impact of the COVID-19 pandemic on the underlying businesses themselves has been far less harsh than their share prices suggest.

	SNC Gross Return	Small Ordinaries Accumulation Index	All Ords Accumulation Index
6 months to 31 December 2019	8.1%	3.9%	3.6%
6 months to 30 June 2020	-18.5%	-9.2%	-10.4%
12 months to 30 June 2020	-11.9%	-5.7%	-7.2%

Since the nadir in mid-to-late March, the SNC portfolio has partially recovered, however much work remains to be done. We remain committed to the current companies in our portfolio. We believe many are significantly undervalued, and now more so than before. Few are in the fashionable sectors that seem to have taken investors' imaginations in the COVID-19 era, yet most are solid businesses that are delivering profits and free cash flows.

The dividend of 2.5 cents per share the Board intends to declare reflects the current capacity of the SNC profit reserve, as well as what the Board believes is prudent in the current uncertain economic environment.

The merger with MVT last year resulted in the issue of additional SNC shares and therefore reduced the profits reserve per share. This, combined with the impact of COVID-19 on our second half performance, has affected the Company's ability to maintain the previous dividend level.

In response to the economic impacts of the COVID-19 pandemic, many companies have already announced the reduction, cancellation or suspension of dividends. This has also occurred among many LICs.

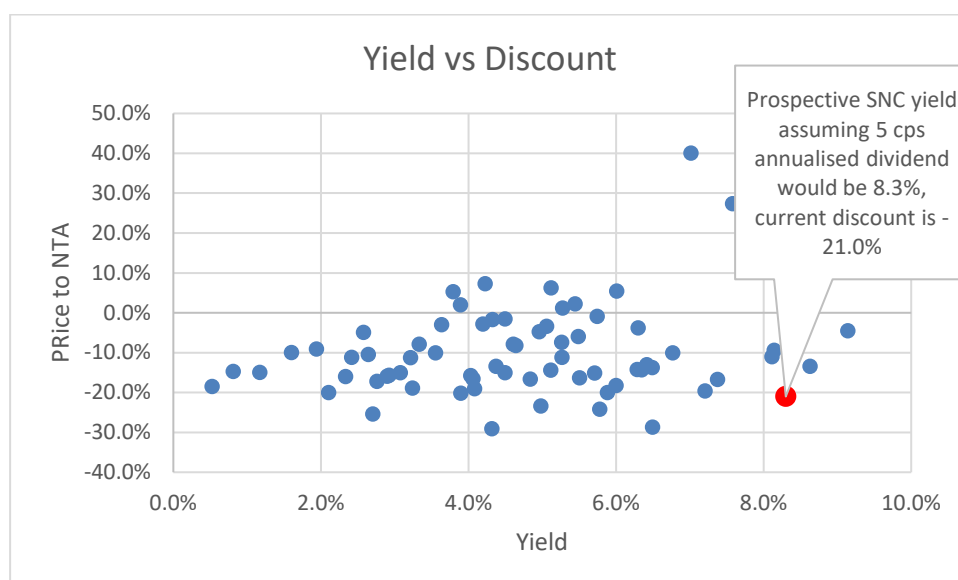
The reduction in dividends per share is also directed to assisting SNC to rebuild its profits reserves, from which future dividends can be declared. In the past, SNC had typically been able to maintain a

profits reserve equivalent to at least one or two future dividends. The Board believes aiming to pay dividends at this new lower level, and at the same time aiming to rebuild the profits reserve, is prudent and appropriate. The lower dividend level will also allow more returns to be retained for future growth.

SNC offers an attractive fully franked dividend yield of ~8.3% at a 21% discount to NTA

Using the new intended dividend rate, SNC shares are currently trading at a highly attractive annualised yield of 8.3% (which grosses up to 11.4% when including the value of franking credits at SNC's corporate tax rate of 27.5%).¹ This compares to the current yield of the All Ordinaries Accumulation Index of approximately 3.7%. Readers should note this is not a forecast and past performance is not a reliable indicator of future performance.

Using the most recent NTA announced on 31 July 2020, SNC shares are currently trading at a 21% discount to pre-tax NTA.¹ The chart below compares the prices-to-NTA and yields of 69 LIC's, including SNC. At current market prices and assuming an annualised dividend of 5 cents per share, SNC offers one of the highest yields, whilst also trading at a 21% discount to NTA.

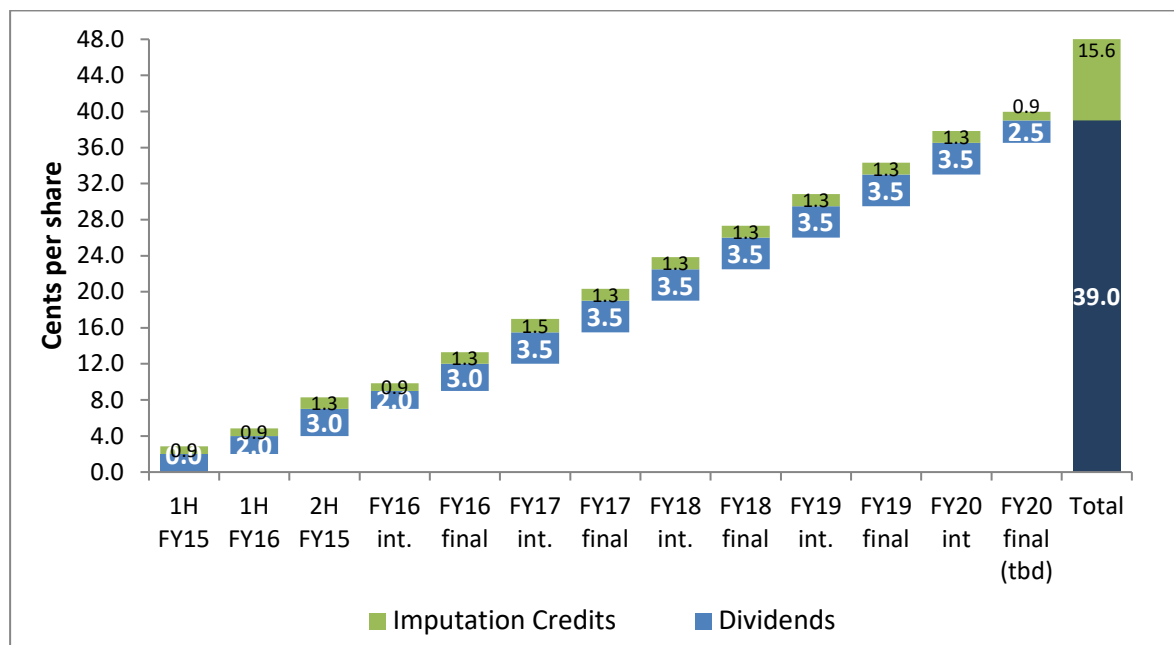


Note: this is not a forecast and past performance is not a reliable indicator of future performance.
Source: Bloomberg, Sandon Capital Investments Limited analysis

¹ Calculated assuming an annualised dividend of 5.0 (2.5 + 2.5) cents per share, the pre-tax NTA at 31 July 2020 and the closing market price on 20 August 2020 of \$0.60 per SNC share.

Dividend History

Since inception, SNC has paid 36.5 cents per share in fully franked dividends. This latest dividend will bring the total to 39 cents per share.



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Source: Sandon Capital Investments Limited

Indicative Timetable

The table below shows the indicative timetable and may be subject to change.

Ex date	21 October 2020
Record Date	22 October 2020
Payment Date	12 November 2020

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Approved for release by the Board of Directors.