SANDON CAPITAL

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Sandon Capital Investments Ltd NPAT up 153%, to pay a fully franked interim dividend of 2.5 cents per share

- **Strong investment performance for the 6 months to 31 December 2020:**
    - **NTA return was 29.9%**[i]
    - **Gross returns were 32.1%**[ii]
    - **All Ordinaries Accumulation Index return was 15.7%**
- **Net profit after tax of $18.6m, up 153% on pcp**
- **SNC announces intention to pay a fully franked interim dividend of 2.5 cents per share**
- **SNC Shares offer an attractive fully franked dividend yield of 5.8% (7.9% incl. franking)**[iii]

Sandon Capital Investments Limited (ASX:SNC) (**SNC** or the **Company**) is pleased to report a 1HFY21 net profit of $18.6m, a 153% increase on the prior corresponding period.

The investment portfolio delivered gross returns of 30.9%[3] for the 6 months ended 31 December 2020, significantly ahead of the 15.7% delivered by the All Ordinaries Accumulation Index ("the **Index**") over the same period. Net returns including dividends, after all fees and expenses, were 29.9% (including the value of franking credits at the 26.0% corporate tax rate), also well ahead of the Index.

Following these strong results, the Board has announced its intention to pay a fully franked interim dividend of 2.5 cents per share. Upon payment of this dividend, SNC will have paid 41.5 cents per share of fully franked dividends since listing in December 2013.

The Company has continued to re-build its Profits Reserve. As at 31 December 2020, the profits reserve is equivalent to 15.6 cents per share and the franking account stands at approximately 10.0 cents per share.

Key Dates for Interim Dividend:

Dividend Dates	
Announcement date	24 February 2021
DRP Election Date	19 May 2021
Ex-date	**17 May 2021**
Record date	18 May 2021
Date payable	3 June 2021

The reinvestment plan (DRP) will apply in respect of the interim dividend. There will be no discount offered.

Results breakdown for the 6 months ended 31 December 2020

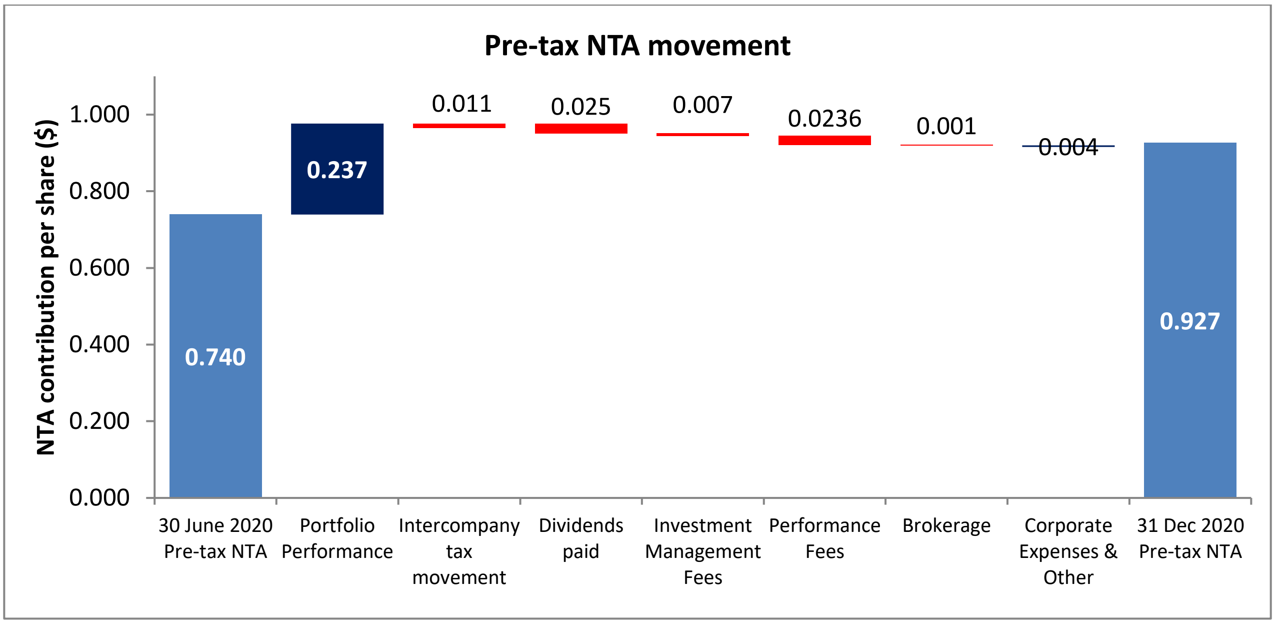

Figure 1

Gross returns (before all fees and expenses) were 23.7 cents per share, equating to 32.1%. Performance fees, accrued but not paid, reflected the outstanding portfolio performance. Corporate expenses were down on the prior comparable period, which had included takeover costs.

This current dividend level provides an attractive fully franked dividend income for shareholders while at the same time allowing the Company to reinvest more of its profits for future growth.

Portfolio structure

The chart below illustrates the broad composition of SNC's portfolio, including a look-through to MVT, as at 31 December 2020. Note that all figures are approximate and may have since changed.

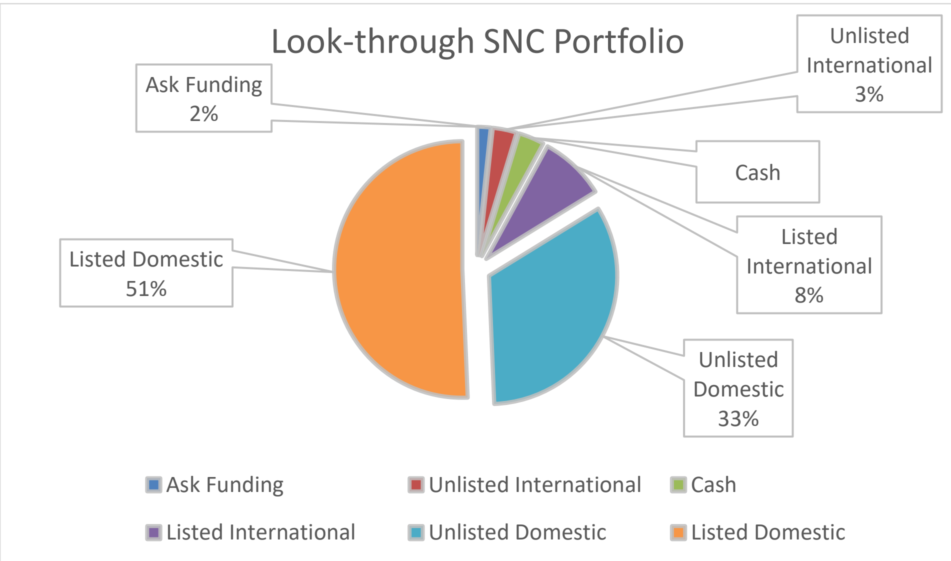

Figure 2
Note: percentages are approximate and provide an illustration of the combined investment portfolio.

The bulk of SNC's assets by value are in listed securities, mainly in Australia with the remainder of approximately 8% spread between the UK and US. Unlisted assets are largely accounted for by Foundation Life, a New Zealand life company in run-off and a number of private equity funds that were acquired when MVT acquired IPE Limited. These funds are also in run-off.

Richfield Maritime Agencies (RMA), the Company's Singapore-based shipping agency, delivered a half year profit of approximately $67,641 for the period.

SNC shareholders should note that Mercantile's (**MVT**) 8% unsecured notes are due for redemption in July 2021. Since MVT is accounted for by SNC as an investment, these are reflected in the post-tax NTA figures and therefore do not appear directly in SNC's accounts.

Investment Manager Commentary on Portfolio Performance

Investment returns in the first half of FY2021 were strong, outperforming those from the broader market. The investment manager, Sandon Capital, is pleased with the underlying operational performance of the majority of companies in the portfolio, with some exceptions.

	SNC Gross Return[1]	**All Ordinaries Accumulation**	**Small Ordinaries Accumulation**
6 months to 31 December 2020	**30.9%**	15.7%	20.3%
12 months to 31 December 2020	**6.7%**	3.6%	9.2%
Return per annum since inception	**9.4%**	8.1%	9.0%

1. The SNC returns are after investment management fees but before performance fees and other expenses and include dividends paid during the period. Index returns are before all fees and expenses and before any taxes.

Note: past performance should not be taken as being indicative of future performance.

For the companies in the portfolio that have already reported, their results were largely within our expectations. We will make comments on the December 2020 half year reporting season in the SNC February NTA release in March. Overall, we are pleased that most portfolio companies were able to demonstrate the robustness and resilience of their business models as the effects of the COVID-19 pandemic continued. A number of our investee companies are emerging from the pandemic better and more successful than before. This is a testament to their boards and management. For those perhaps not as successful, they are emerging with different leadership teams, which augurs well for the future.

Notable contributors to the 1HFY21 result included Spectra Systems Corporation (**Spectra)** (**LSE: SPSY.LN**), City Chic Collective Ltd (**CCX**), Consolidated Operations Group Ltd (**COG**), Iluka Resources Ltd / Deterra Royalties Ltd (**ILU/DRR**) and Coventry Group Ltd (**CYG**).

Spectra, the largest portfolio holding, reported that it had continued to win new business from its existing central bank customers as well as new business opportunities for its banknote cleaning system as a result of COVID-19 concerns. The company has indicated that its full year results for 2020 will exceed market expectations. Its results will be released in March 2021.

During the reporting period, CCX continued to vindicate our confidence in management's capability to execute on its strategy. The company showed a disciplined approach to acquisitions when it was outbid on one potential acquisition and was successful (at a more attractive price) on another. CCX's omnichannel retail strategy has proven resilient as online sales delivered growth, despite the Victorian COVID related shutdown. CCX remains a core holding in the portfolio.

COG successfully pivoted more of its business away from its own leasing products and into brokered third party finance. This allowed them to focus on lending to SMEs that would benefit from government COVID-19 stimulus measures. COG also increased to a majority ownership stake in Westlawn Financial and announced it would use Westlawn to launch a managed investment scheme product to further diversify its funding sources. COG continues to successfully execute on its strategic plan. Eventually, we believe the market should recognise its success and potential through share price appreciation.

ILU finally spun out the Mining Area C (**MAC**) Royalty, bringing an end to a campaign we began in November 2016. Deterra Royalties Ltd (DRR) began trading in October 2020. ILU's decision has paid off, with its shares performing well following the demerger. The combined price of ILU and DRR shares today is more than $12.00, compared to $9.90 for ILU shares immediately prior to the demerger and SNC's average purchase price of $6.46 (not counting 73 cents per share of fully franked dividends received since we first acquired ILU shares). We believe the return justifies our efforts. We continue to hold both ILU and DRR.

Coventry Group Ltd's (CYG) performance was boosted by strength in the resources sector, which helped its Fluid Systems hydraulics division. The Trade Distribution division also acquitted itself well. Management have done a good job. We believe the company is well placed to deliver increasing returns to shareholders.

Further information and commentary on the investment portfolio will be provided ahead of the shareholder presentations that will be scheduled in March 2021.

In terms of outlook, our portfolio companies have so far delivered in line with expectations. Beyond our own portfolio, earnings across the Australian market appear solid, even if compared to results before the pandemic. This said, the performance differences between leaders and laggards are as pronounced as ever. More than ever we believe that patient, value-focused investing will deliver sound long-term returns for our shareholders. We remain committed to this approach.

Further information:

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[i] Change in pre-tax NTA plus dividends paid and imputation credits.

[ii] Gross return performance is before management and performance fees, corporate expenses and tax paid.

[iii] Based on a closing price of $0.86 on 23 February 2021