

SANDON CAPITAL

Sandon Capital Investments Limited
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Monthly Report

As at 31 July 2021

Net Tangible Assets (NTA)

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

NTA before tax (ex-dividend)	\$1.1390	+2.3%
Deferred tax asset	\$0.0087	
Deferred tax liability on unrealised income and gains	(\$0.0731)	
NTA after tax (ex-dividend)	\$1.0746	+2.0%

Investment Performance

Gross Performance to 31 July 2021 ¹	1 Month	1 year	Since inception ²
SNC	2.3%	68.1%	12.7%
All Ordinaries Accumulation Index	1.1%	30.4%	9.8%
Outperformance³	+1.2%	+37.7%	+2.9%

1. The SNC gross returns are after investment management fees and brokerage expenses but before performance fees and corporate expenses. Index returns are before all fees and expenses and before any taxes. 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 paid 41.5 cents per share of fully franked dividends since listing in December 2013. The profits reserve is 32.1 cents per share and there are 9.6 cents per share of franking credits.

SNC's FY21 final dividend of 2.75cps will be paid on 5 November 2021. The Board anticipates paying an interim dividend for FY22 of 2.75cps, provided the Company has sufficient profit reserves, franking credits and it is within prudent business practice.

Ex-date	Dividend Amount	Franking	Corporate Tax Rate	Type
19 October 2021	2.75 cps	100%	25.0%	Final
17 May 2021	2.50 cps	100%	26.0%	Interim
21 October 2020	2.50 cps	100%	26.0%	Final
5 May 2020	3.50 cps	100%	27.5%	Interim
21 October 2019	3.50 cps	100%	27.5%	Final
16 May 2019	3.50 cps	100%	27.5%	Interim
23 October 2018	3.50 cps	100%	27.5%	Final
8 May 2018	3.50 cps	100%	27.5%	Interim
23 October 2017	3.50 cps	100%	27.5%	Final
18 May 2017	3.50 cps	100%	30.0%	Interim
21 October 2016	3.00 cps	100%	30.0%	Final

Sandon Capital Investments Limited

ASX Code	SNC
Listed	23 Dec 2013
Gross assets*	\$160.2m
Market capitalisation	\$108.1m
NTA before tax	\$1.1390
Share price	\$0.9750
Shares on issue	110,888,889
Options on issue	nil
Fully franked dividends	\$0.055
Dividend yield (annualised)	5.6%
Profits reserve (per share)	32.1 cps
Franking (per share)	9.6 cps
Loan-to-assets (incl. MVTHA)	15%

*includes the face value of Mercantile 4.8% 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 13.8% 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 2.3% for the month, on a gross basis, after investment management fees and brokerage but before performance fees and corporate expenses, compared to an increase of 1.1% for the All Ordinaries Accumulation Index.

Key contributors to the month's returns included Fleetwood Ltd (FWD), IDT Australia Ltd (IDT) and COG Financial Services Ltd (COG). The largest detractor was City Chic Collective Ltd (CCX).

There was no company specific announcement from IDT that would explain the 24% move in its share price for the month, however previous COVID outbreaks in Australia have translated to strong share price gains for IDT and we believe the same is true this month. [Media reports](#) in late July confirmed that IDT had made a submission to the government's approach to market to enable Australia's onshore mRNA manufacturing capability. Final submissions were due on 16th July. We look forward to further updates from IDT and the government in due course.

FWD share price also enjoyed a strong month, albeit there were no announcements from the company. The new CEO, Bruce Nicholson, began in the role on 1 July, and was introduced to shareholders during the month. Prior to meeting the new CEO (via Zoom), funds managed by Sandon Capital disclosed their shareholding in FWD had increased to 11.9%. We look forward to Bruce successfully executing the Board's strategy to ensure FWD realises its undoubted potential.

COG released unaudited FY21 trading results on 27 July. Net Assets Financed (NAF) for the full year increased 13% to \$5.1 billion and net profit rose more than 130% to \$19.5 million. The outlook comments for the 2022 financial year were encouraging, despite supply chain disruptions. The current lockdowns in NSW and Victoria are likely to have some impact on closing leasing deals, however we see this as largely short term. As noted by COG in its announcement, the effect of these delays is that orders are pushed out, rather than cancelled.

CCX was the largest detractor for the month in spite of the company announcing a very strong trading update. Revenues in FY21 increased 33% against the previous year and expected EBITDA of \$42-42.5 million represents 58-60% growth on FY20. More importantly, CCX also announced the acquisition of Navabi, a predominantly German online marketplace selling women's plus-size brands, for consideration of €3.9 million (net of cash acquired).

We see this acquisition as key to CCX building out its presence in the €40 billion European plus-size market. Similar to the recent acquisitions of Avenue in the United States (October 2019) and Evans in the United Kingdom (December 2020), CCX is taking an incremental, lower risk approach to entering new markets. We are excited about Navabi and its strong online presence (>10m annual customer visits pre COVID) joining the CCX stable and expect the CCX team to continue its track record of successful acquisition integration. With a now tangible presence in all key plus-size geographic markets, we look forward to many years of profitable growth ahead for the company.

August is where reporting season heats up, with most of our companies are expected to report later in the month. Those that have pre-announced their results have reported strong profit growth and encouraging outlooks. We look forward to reading results in detail as they are released and we will be keenly scrutinising any outlook statements.

Investment Portfolio

	July 2021
Listed Australian Equities	83%
Listed International Equities	10%
Unlisted investments	6%
Cash or Cash Equivalents	1%

Contact

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

Further information:

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Link Market Services

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