

SANDON CAPITAL

Sandon Capital Investments Limited
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Monthly Report

As at 30 November 2021

Net Tangible Assets (NTA)

The net tangible assets per share for Sandon Capital Investments Limited (SNC) as at 30 November were:

NTA before tax (ex-dividend)	\$1.1544	+1.7%
Deferred tax asset	\$0.0051	
Deferred tax liability on unrealised income and gains	(\$0.0664)	
NTA after tax (ex-dividend)	\$1.0931	+1.7%

Investment Performance

Gross Performance to 30 Nov 2021 ¹	1 Month	1 year	Since inception ²
SNC	1.4%	48.1%	13.4%
All Ordinaries Accumulation Index	-0.3%	16.7%	9.4%
Outperformance³	1.7%	+31.4%	+4.0%

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. Figures may not tally due to rounding.

Dividends

SNC has paid 45.25 cents per share of fully franked dividends since listing in December 2013. The profits reserve is 29.6 cents per share and there are 7.3 cents per share of franking credits.

SNC's FY21 final dividend of 2.75cps was paid on 5 November 2021. The special dividend of 1.00cps will be paid on 20 December 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
30 November 2021	1.00 cps	100%	25.0%	Special
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*	\$189.3m
Market capitalisation	\$131.4m
NTA before tax	\$1.1544
Share price	\$0.9800
Shares on issue	134,107,862
Options on issue	nil
Fully franked dividends	\$0.055
Dividend yield (annualised)	5.6%
Profits reserve (per share)	29.6cps
Franking (per share)	7.3cps
Loan-to-assets (incl. MVTHA)	13%

*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 13.6% 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 1.4% for the month, on a gross basis, after investment management fees and brokerage but before performance fees and corporate expenses, compared to a decrease of 0.3% for the All Ordinaries Accumulation Index.

Key contributors to the month's return were Australian Silica Quartz Group (**ASQ**) and IDT Australia Ltd (**IDT**). The detractors included Coventry Group Ltd (**CYG**) and Nuix Ltd (**NXL**). The rest of the portfolio was also largely down.

November saw the bulk of the portfolio companies hold their Annual General Meetings. Although few gave earnings guidance, the qualitative commentary and announcements made during the month bodes positively for the future performance of the portfolio. Notwithstanding the positive outlook commentary and the longer dated revenue pipelines within many of our companies, the share prices of most were down. We consider most share price moves to be related to general investor anxiety than company performance.

ASQ was up 100% for the month after JV partner DevEx Resources Ltd (ASX:DEV) announced that early drill holes at the Sovereign prospect (50:50 JV between ASQ & DEV) had identified the potential for nickel-copper mineralisation. The market's excitement relates to Sovereign's proximity to the recently discovered Julimar Nickel-Copper-PGE project, owned by Chalice Mining Ltd (ASX:CHN). It is still early days in the drilling program, so we believe it is too early to draw any conclusions. We expect to receive further updates on the drilling program in the first quarter of 2022. In the meantime, we expect volatility in the ASQ share price.

Last month, IDT's share price fell due to an absence of news. This month the share price rose after the company announced that it had manufactured Australia's first mRNA vaccine candidate, developed by Monash Institute of Pharmaceutical Sciences (MIPS) and the Doherty Institute. IDT manufactured 450 doses of a vaccine that will be used in the first phase of clinical trials expected to begin soon. The Federal Government is yet to announce its decision on domestic mRNA vaccine manufacturing. Irrespective of the outcome, until an announcement is made, we expect IDT's share price to remain highly volatile.

NXL, which is a recent addition to the portfolio, fell more than 26% during the month, after a poor trading update delivered at the AGM. NXL, whose initial public offerings was one of the hottest tickets in town, has had a disastrous first year as a listed company. It has been plagued by scandal and delivered far less than investors had been led to expect. Unsurprisingly, its first six months as a listed company piqued our interest, as its share fell from a high of \$11.16 to a low of \$1.97. Expecting the company is not yet out of the woods, we have (and continue) to slowly accumulate NXL shares. At this stage, we have nothing further to add.

Fleetwood Ltd (**FWD**) and COG Financial Services Limited (**COG**) both gave encouraging updates at their respective AGMs. FWD is well-placed after having been awarded contracts totalling \$68 million for the Centres for National Resilience (CNR), the Orwellian-named federal quarantine facilities. FWD is also well-placed to win some of the work at the WA CNR, for which the lead contract has been awarded to Multiplex (as is the case in Melbourne and Brisbane). COG reported on a solid 2021 and updated its market share of the SME finance broker market to 18%. Using data presented by COG in their AGM update, it would seem COG brokers are involved in approximately 12.6% of all bank-funded SME finance in Australia. We don't believe the market quite understands the pivotal role COG and its brokers play in SME finance. We remain patient supporters of the strategy.

We expect financial market volatility will continue, with COVID (and any future variants), interest rates and inflation, and geopolitics all likely sources of concern. Markets are likely to overshoot, both up and down. We continue to see such volatility as opportunity for patient long term investors like us.

Investment Portfolio

	November 2021
Listed Australian Equities	82%
Listed International Equities	8%
Unlisted investments	5%
Cash or Cash Equivalents	5%

Contact

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

Further information:

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