

ASX Announcement

25 August 2022

## **SNC to pay 2.75 cents per share fully franked final dividend**

- **Fully franked final dividend of 2.75 cps**
- **SNC shares offer an attractive fully franked dividend yield of 7.2% (9.7% incl. franking)**
- **Future dividends underpinned by 30.1 cps in profits reserve and 6.5 cps in franking credits<sup>1</sup>**

The Directors of Sandon Capital Investments Limited (ASX:SNC) intend to pay a 2.75 cents per share fully franked final dividend, in line with last year's final dividend. The DRP will apply, with no discount. The Directors advise that they (or any entities they control) will participate in the DRP for all eligible SNC shares.

While the Directors and the Investment Manager are disappointed by the investment performance for the 2022 financial year, they are encouraged by the operational performance of many of the companies in the portfolio. The Investment Manager remains confident of the medium-term outlook for the portfolio and is excited by the new opportunities the market conditions might provide.

The LIC structure, which allows the Company to build profit reserves from which to pay dividends, means that SNC is able to maintain the fully franked dividend despite the negative investment return this year. Directors believe shareholders will appreciate the Company's ability to continue to pay fully franked dividends, which for most investors remains one of the most tax-efficient forms of investment income.

## **SNC offers an attractive fully franked dividend yield of ~7.2% at a 10.6% discount to pre-tax NTA<sup>2</sup>**

SNC shares are currently trading at a highly attractive annualised yield of 7.2% (which grosses up to 9.7% when including the value of franking credits at SNC's corporate tax rate of 25%).<sup>2</sup> This compares to the current yield of the All Ordinaries Index of approximately 4.7%.<sup>3</sup>

The Company has significant profit reserves. As of 31 July 2022, SNC has profit reserves totalling 30.1 cents per share and a franking balance of 6.5 cents per share. Based on the current franking balance, SNC has the capacity to pay 19.5 cents per share in fully franked dividends. This equates to three and a half years of dividends at the current rate of 5.5 cents per annum.<sup>1</sup>

## **Indicative Dividend Timetable**

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

<b>Ex date</b>	<b>21 October 2022</b>
Record Date	24 October 2022
DRP Election Date	25 October 2022
Payment Date	7 November 2022

<sup>1</sup> These figures are as at 31 July 2022. Any future dividends are not guaranteed and will be paid at the directors' discretion, subject to availability of reserves, franking and being prudent to do so.

<sup>2</sup> Calculated assuming an annualised dividend of 5.5 (2.75 + 2.75) cents per share, the pre-tax NTA at 31 July 2022 and the closing market price on 25 August 2022 of \$0.76 per SNC share.

<sup>3</sup> Source: Bloomberg estimate as at 25 August 2022. This is not a forecast and past performance is not a reliable indicator of future performance.

## Investment Manager Commentary on Portfolio Performance

Investment returns during FY 22 were disappointing, despite operational performance improving within many portfolio companies. Many portfolio companies have already pre-announced full year results. We will be scrutinising full year results and accounts when they are released as well as paying close attention to any outlook statements. Further commentary on the portfolio will be provided in upcoming monthly reports and ahead of the Shareholder presentations in October and November.

On a more positive note, dividend income from the portfolio increased 52% as more of our companies recommenced paying dividends or increased their dividends on the prior financial year. A number of investments have also flagged significant special dividends to be paid over the next 6 months.

The medium- and long-term returns from the portfolio remain strong, despite this past year's performance. The table below shows gross portfolio returns compared to both the broader share market and the small companies index to 31 July 2022.

Gross Performance to 31 July 2022 (all figures are presented on a per annum basis)	1 Year	2 Years	3 Years	5 Years	Since inception
<b>SNC</b>	<b>-17.9%</b>	<b>17.5%</b>	<b>7.8%</b>	<b>7.9%</b>	<b>8.6%</b>
All Ordinaries Accumulation Index	-2.6%	12.7%	4.9%	8.4%	8.2%
<b>outperformance</b>	<b>-15.3%</b>	<b>4.8%</b>	<b>2.9%</b>	<b>-0.6%</b>	<b>0.4%</b>
Small Ordinaries Accumulation Index	-10.9%	8.6%	2.5%	7.3%	7.2%
<b>outperformance</b>	<b>-7.0%</b>	<b>8.9%</b>	<b>5.3%</b>	<b>0.6%</b>	<b>1.4%</b>

*SNC gross performance is after investment management fees but before performance fees, corporate expenses and tax.*

The Investment Manager reiterates comments it made in its June 22 shareholder update:

- Despite recent increases, nominal interest rates remain historically low (very low). Furthermore, real interest rates (that is nominal rates less the inflation rate) remain largely negative, which is highly accommodative for economic activity.
- In Australia, demand for labour is high. We have skilled and unskilled labour shortages, largely the result of COVID-era restrictions on migration. In our view this needs to be addressed.
- Commodity prices remain elevated, which has overall net benefits to the Australian economy. Those sectors augur well for Australia even as spot prices eventually revert to more reasonable levels.
- Many supply chain issues are slowly ironing themselves out, which in time, should flow through to more stable prices.

Although inflation risks are in play, the Investment Manager believes a return to more normal interest rates will be a long-term positive. Geopolitical risks remain elevated and will continue to cause short-term volatility. 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.

*This Announcement has been authorised by the Board.*

### Further information:

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