SANDON CAPITAL

MONTHLY REPORT

Sandon Capital Investments Limited (ASX:SNC)

NTA Before Tax (ex-dividend)	NTA After Tax (ex-dividend)
$0.7660	$0.7761

NOVEMBER 2022

INVESTMENT PERFORMANCE

Gross Performance to 30 Nov 2022[1]	1 month	1 year	Since inception (p.a.)
SNC	-0.6%	-29.7%	7.4%
All Ordinaries Accum. Index	6.4%	3.0%	8.5%
Outperformance[2]	**-7.0%**	**-32.7%**	**-0.9%**

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 SIN's gross investment performance.
2. Figures may not tally due to rounding,

SANDON CAPITAL INVESTMENTS LIMITED

ASX Code	SNC
Gross assets*	$139.0m
Market capitalization	$94.8m
Share price	$0.69
Fully franked dividends	$0.055
Dividend yield (annualised)	8.1%
Profits reserve (per share)	27.0cps
Franking (per share)	5.8cps
Loan-to-assets (incl. MVTHA)	21%

*Includes the face value of Mercantile 4.8% unsecured notes

PORTFOLIO COMMENTARY

The Portfolio was down 0.6% 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 6.4% for the All Ordinaries Accumulation Index.

The largest contributors to the poor monthly performance were City Chic Collective Ltd (CCX) (-0.8%), Fleetwood Ltd (FWD) (-1.1%) and A2B Australia Ltd (A2B) (-0.6%). These were partially offset by COG Financial Services Ltd (COG) (+0.7%), BCI Minerals Ltd (BCI) (+0.4%) and Karoon Energy Ltd (KAR) (+0.3%).

CCX held its AGM during the month. On a positive note, the company reaffirmed their guidance of reduced inventories and aim to be in a net cash position by 30 June 2023. However, this positive was far outweighed by the outlook for demand in the US and Europe and margin compression arising from widespread competitor discounting. US and European logistics costs have also increased, including inventory storage costs and transportation costs. The company also reported above-average product returns, which also led to increased costs. Northern Hemisphere consumers are clearly in pain.

Now, for the mea culpa. We have held the line that CCX was a superior retailer (which we believe remains true) and we thought those skills would see it navigate the current challenges as effectively (and successfully) as they had navigated the COVID-19 pandemic. First, the share price, and now, more importantly, the comments by the company at the AGM make clear we were wrong to think they could dodge two bullets in succession. We remain invested in CCX as we rate the risks of complete failure as low and expect the company to recover from its current malaise. However, beyond that, we are chastened and will refrain from comment until further operational information emerges from CCX.

A2B's AGM provided some very good news and some news taken poorly by some. The good news, which we consider significant, was the turnaround and continued recovery in the core taxi services business. A2B reported that as of October 2022, total fares processed had reached 89% of pre-COVID levels and that the total taxi fleet had reach more than 7,300 vehicles. The fleet numbers represent growth of nearly 7% since 30 June, and places the company in a good position to achieve its FY23 target of 10-15% growth in vehicles. As we mentioned above, we consider this operational update significant as it provides clear evidence of the return to the road of taxis and their drivers. These two measures will drive an increase in fares processed which will flow through to improved revenues for A2B. Following meaningful cost reductions, all this augurs well for A2B to meet its stated guidance. Using the "building blocks" provided by A2B, the company aims to deliver earnings before interest, tax, depreciation and amortisation (EBITDA) of $18 million in FY23. A return to viable operational profits will ultimately deliver long term value to A2B shareholders.

The news perceived less well by some was that A2B had withdrawn from sale its O'Riordan Street property (its largest, most valuable property). Apparently, only bargain hunters were prepared to buy the property. While we would have loved a sale at a good price, and a subsequent large fully franked dividend, we're certainly not in the business of offering bargains to others. We support the Board's decision and are happy to wait for market conditions to bring forth an acceptable offer for what is a large, valuable and strategic parcel of land. In the absence of a sale, owning O'Riordan Street will continue to provide long term growth in value to A2B shareholders. The company did announce that it has entered into exclusive due diligence on its smaller Bourke Road property following the receipt of an acceptable proposal. Assuming that a sale can be completed, we expect A2B to announce a resumption of dividends with its FY23 result.

DIVIDENDS

SNC has paid 50.75 cents per share of fully franked dividends since listing in December 2013. The profits reserve is 27.4 cents per share and there are 5.9 cents per share of franking credits. These franking credits support the payment of 17.7 cents per share of fully franked dividends.

SNC's FY22 final dividend of 2.75cps was paid on 7 November 2022. The Board anticipates paying an interim dividend for FY23 of 2.75cps, provided the Company has sufficient profit reserves, franking credits and it is within prudent business practice.

A full list of SNC dividends since the IPO in December 2013 can be found here.

TOP 5 POSITIONS

COG Financial Services	13%
Fleetwood	9%
Spectra Systems PLC	8%
A2B	7%
BCI Minerals	6%

INSTRUMENT EXPOSURE

Listed Australian Equities	81%
Listed International Equities	11%
Unlisted Investments	8%
Cash or Cash Equivalents	0%

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 9.9% 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.

SANDON CAPITAL

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