

SANDON CAPITAL

Sandon Capital Investments Limited
ACN 107 772 467

Level 11, 139 Macquarie Street, Sydney
Telephone: (02) 8014 1188
Email: info@sandoncapital.com.au

Monthly Report

As at 31 October 2016

Net Tangible Assets (NTA)

The net tangible assets per share for Sandon Capital Investments Limited (SNC) as at 31 October 2016 were:

NTA before tax	\$1.0013
Deferred tax asset	\$0.0060
Deferred tax liability on unrealised income and gains	(\$0.0226)
NTA after tax	\$0.9847

Note: The NTA figures reported above are payment of the 3 cents per share fully franked final dividend declared on 18 August 2016. The shares went ex-dividend on 21 October 2016 and the 3.0 cents per share dividend was paid on 2 November 2016. A total of 12.0 cents per share of fully franked dividends have been paid by SNC to date.

Investment Performance

Gross Performance to 31 October 2016 ¹	1 Month	Financial YTD	Since inception ²
SNC	2.0%	12.1%	10.7%
All Ordinaries Accumulation Index	-2.2%	3.0%	6.6%
Outperformance ³	4.1%	9.2%	4.1%

1. The SNC and index returns are before all fees and expenses and before any taxes, except that SNC returns are after incurred brokerage expenses. 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

The table below shows the SNC dividend history.

Ex-date	Dividend Amount	Franking	Type
21 October 2016	3.0 cps	100%	Final
18 April 2016	2.0 cps	100%	Interim
22 October 2015	1.0 cps	100%	Special
22 October 2015	2.0 cps	100%	Final
1 June 2015	2.0 cps	100%	Interim
14 October 2014	2.0 cps	100%	Special

Sandon Capital Investments Limited

ASX Code	SNC
Listed	23 Dec 2013
Gross assets	\$45.8m
Market capitalisation	\$39.4m
NTA before tax (ex-div)	\$1.0013
Share price	\$0.89
Shares on issue	44,260,206
Options on issue	nil
Fully franked dividends	\$0.05
Dividend yield	5.6%

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 13.1% 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 delivered a 2.0% gross return for October.

Centrepoint Alliance Ltd (CAF) was the month's strongest contributor. CAF's share price rose 28% over the month. There were no announcements from CAF other than the release of the Annual Report, whose results had been previously released to the market.

Armidale Investment Corporation Ltd (AIK) again made a strong contribution to the month's result. The other notable positive contributor was Tatts Group Ltd (TTS), whose shares rose following the announcement of a proposed merger with Tabcorp Ltd. Although welcomed by some TTS shareholders, we believe the Tabcorp proposal significantly undervalues TTS, in particular, the lotteries business. We first articulated our thesis for TTS in February 2016, calling for a sale or spin-off of the troubled wagering business, which would leave TTS as a largely lotteries-focused company. We believe the TTS lotteries business is a rare and valuable asset. This analysis is available on our website at www.sandoncapital.com.au in the "Campaigns" section.

We expect the proposed transaction to take quite some time to pass regulatory hurdles before being put before shareholders for approval. There is a long time before this game ends, and much can change between now and then.

During the month, our Onthehouse Holdings Ltd (OTH) investment came to a profitable conclusion, though we believe the price for which OTH was sold was well below what we think the company is worth. Takeover proceeds were received following the end of the month, and bolstered cash reserves by 8.6%.

We thought it worth drawing your attention to the CIMIC Group Ltd takeover proposal for UGL Ltd, an engineering services firm. Note that we do not currently have any interest in UGL. This situation is noteworthy for the decision by a sole non-executive director, Mr Robert Kaye SC, to recommend against the proposed transaction. The other four directors have recommended the takeover in the absence of a superior offer. It is all too rare in such circumstances for an independent non-executive director to dissent. Mr Kaye will have, like his fellow directors, considered all the information available to him regarding the prospects and risks for UGL. Yet he came to a different conclusion to his fellow directors. We'd like to commend Mr Kaye for having the courage to stand by his own convictions. Importantly, we are not implying the other directors have not also discharged their duties diligently and with conviction.

We have continued to accumulate shares in new activist prospects and remain poised to seize opportunities to deploy cash.

Investment Portfolio

	October 2016	September 2016
Listed Equities	99%	98%
Cash or Cash Equivalents	1%	2%
Number of investments	33	33

Sandon Capital does not habitually disclose the companies held in its investment portfolios or investment weighting within portfolios. Below is a list of recent substantial shareholder notices filed by Sandon Capital. Copies of the notices are available on the ASX website.

Latest ASX filing date	ASX Code	Company
23 Mar 16	CYG	Coventry Group Ltd
27 Apr 2016	RNY	RNY Property Trust
12 May 2016	FWD	Fleetwood Corporation Ltd
13 Jul 16	OTH	Onthehouse Holdings Ltd
2 Aug 16	SCY NZ	Smiths City Group Ltd
5 Aug 16	CND	Clarius Group Ltd
29 Aug 16	AGS	Alliance Resources Ltd
30 Sep 16	AIK	Armidale Investment Corporation Limited

Note: Shares in companies were held by SNC as at the date of this report and may or may not be current beyond that date.

Contact

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

Further information:

Sandon Capital Investments Limited

Tel: 02 8014 1188

Fax: 02 8084 9918

Website: www.sandoncapital.com.au

Share registry:

Link Market Services

Tel: 1300 554 474 (toll free within Australia)

Email: registrars@linkmarketservices.com.au

Fax: +61 2 9287 0303

Postal Locked Bag A14, Sydney

Address: South NSW 1235