

2 February 2017

Sandon Capital Investments declares fully franked interim dividend of 3.5 cents per share, up 75%

Highlights

- **The Board has declared a fully franked interim dividend of 3.5 cents per share, a 75% increase on the prior period**
- **The investment portfolio delivered a 16.2%¹ for the 6 months to 31 December 2016, outperforming the ASX All Ordinaries Accumulation Index by 6.3%,**

The Board of Sandon Capital Investments Limited (ASX:SNC) (“SNC” or the “Company”) has declared a fully franked interim dividend of 3.5 cents per share. This represents a 75% increase on the prior period interim dividend of 2.0 cents per share.

The investment portfolio has delivered gross returns of 16.2% for the 6 months ended 31 December 2016. The strong performance for the period has enabled the Directors to declare the substantial increase in the interim dividend.

The Company has continued to build its Profits Appropriation Reserve (PAR) to the equivalent of 8.2 cents per share as at 31 December 2016. The franking account stands at approximately 4.7 cents per share at 31 December 2016. This potentially allows for the company to pay fully franked dividends of up to 11 cents per share, subject to the availability of profits.

The Board anticipates being able to declare a similar final dividend for the year ending 30 June 2017, subject to prudent business practices and the availability of profits.

SNC has declared 15.5 cents per share of fully franked dividends since listing in December 2013.

SNC Chairman Gabriel Radzyninski said: *“SNC’s dividend policy is to pay a growing stream of fully franked dividends to our shareholders. The strong investment performance of the portfolio has allowed the Board to consider and declare a substantial increase in the interim dividend for period.*

The Investment Portfolio is well positioned, with a good mix of investments at differing stages of the activist engagement process. Some mature investments, like BlueScope Steel Ltd, are being

¹ Gross Investment performance is before management and performance fees, corporate expenses and tax paid but after brokerage.

harvested, others like Tatts Group Ltd remain in play, while companies like Fleetwood Corporation Ltd and Iluka Ltd are at the early stages of the activist engagement process. As mature investments are realised, we have redeployed that capital into newer, and as yet, undisclosed opportunities. "

Investment Commentary

Investment returns in the first half of FY2017 are largely the result of investment decisions and activist campaigns undertaken prior to and during FY2016. For example, BlueScope Steel Ltd (BSL) was the target of an activist campaign by Sandon Capital that sought to stem losses from BSL's Port Kembla blast furnace and recognise the value of BSL's North American steel businesses (in particular Northstar).

Sandon Capital published its BlueScope investment thesis in June 2015. Since then Bluescope have announced significant cost cutting at Port Kembla and the buy-out of its joint venture partner in the Northstar steel mill, leading to a significant re-rating of BSL's prospects. Tailwinds from improving steel margins globally also helped. Since 30 June 2016, BSL's shares have risen more than 75% (and more than 240% since the publication of Sandon Capital's thesis). We congratulate BSL's Board and management for an outstanding turnaround. SNC began trimming its BSL holding in late 2016 and still holds BSL shares.

Armidale Investment Corporation Ltd (AIK) is another long held investment that has begun to make significant contributions to SNC's returns. Between 30 June and 31 December 2016, AIK continued its transformation from a listed investment company to consolidated finance broking aggregator, with the completion of several acquisitions. Those acquisitions and accompanying capital raisings have broadened AIK's shareholder base and drawn the attention of other investors to the significant growth potential within the AIK stable of businesses. Sandon Capital first became involved with AIK in 2009.

Sandon Capital launched its most recent activist campaign, on Iluka Resources, during the first half of FY2017 and continued with its active campaigns targeting Tatts Group Ltd and Fleetwood Corporation Ltd.

A strong start to 2017

In recent days, two other companies in which SNC has invested, Macmahon Holdings Ltd and Warrnambool Cheese and Butter Factory Holdings Ltd were each the subject of unsolicited takeover offers. Although Sandon Capital is undecided in respect of these offers, each represents a substantial premium to market prices before the offers and, importantly, to SNC's average cost.

Dividend Policy

The SNC dividend policy is to pay a growing stream of fully franked dividends to our shareholders.

Key Dates

| Interim Dividend Dates | |
|-------------------------------|-----------------|
| Announcement date | 2 February 2017 |
| Ex-date | 18 May 2017 |
| Record date | 19 May 2017 |
| Date payable | 31 May 2017 |

There will be no Dividend Reinvestment Plan (“DRP”) in operation in respect of the interim dividend.

Portfolio returns

| | SNC Gross Return¹ | Small Ordinaries Accumulation | All Ordinaries Accumulation |
|----------------------------------|---|--|--|
| 6 months to 31 December 2016 | 16.2% | 5.8% | 9.9% |
| 12 months to 31 December 2016 | 19.6% | 13.2% | 11.6% |
| Return per annum since inception | 11.3% | 8.0% | 8.5% |

1. The SNC and index returns are before all fees and expenses and before any taxes, except that SNC returns are after brokerage expenses. The fully franked 2.0 cents per share special dividend paid in Nov 14 is included when calculating SNC's investment performance over the period.

Note, past performance should not be taken as being indicative of future performance.

Contact

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

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