

# SANDON CAPITAL

Sandon Capital Investments Limited

ACN 107 772 467

Level 11, 139 Macquarie Street

Sydney NSW 2000

T: 02 8014 1188

F: 02 8084 9984

**13 June 2014**

**The Manager**

**ASX Market Announcements**

## **NTA as at 31 May 2014**

Net tangible assets per share for Sandon Capital Investments Limited (**SNC or the Company**) as at 31 May 2014 were:

Pre-tax:	\$0.9859
Post-tax:	\$0.9842

## **Manager's Investment Update**

The Company's portfolio continues to take shape, with \$16.5 million (\$14 million as at 30 April 2014) now having been invested in the securities of 23 companies, and the remainder being invested in cash and term deposits of varying maturities.

We continue to build stakes in several companies whose prospects for shareholder engagement are beginning to look promising. We have also made several other investments, which at this stage, we feel appropriate to make comment on (as doing so will not prejudice SNC's investment prospects).

## **Armidale Investment Corporation Limited (AIK)**

Sandon Capital Pty Ltd (Sandon Capital), as investment manager of Sandon Capital Investments Limited and other funds, recently disclosed a substantial interest of 8.5% in AIK (4.9% of which is held by SNC). These funds, including SNC, participated in a recent placement by AIK of new shares.

Before describing the AIK opportunity, some background to the investment: Sandon Capital's first wholesale fund, Sandon Capital Activist Fund (SCAF) has been a shareholder in AIK since shortly after SCAF was established in September 2009. Sandon Capital was later retained as an adviser by another investor to assist with removing the Board of what was then known as "Wallace Absolute Return Fund Ltd." Following a bruising campaign, that investor was successful in gaining control of the Company, and appointed a new Board. As a result, Gabriel Radzynski (MD of Sandon Capital and Chairman of SNC), was appointed Chairman of AIK. The company was also renamed. The new AIK Board then proceeded to restructure a number of financing arrangements that had, in their view, hindered the prospects for that AIK ever recovering value from its main investment: a restructured loan note with Hal Data Services, a leasing business. Since then, AIK has taken advantage of other opportunities to expand its investment portfolio (described in a little more detail below). Gabriel retired as a director of AIK at the same time as SNC was listing.

AIK offers exposures to a number of different businesses, including leasing to small- and medium-sized enterprises (through exposure to Hal Data Services Pty Ltd), as well as a 28% equity interest in Riverwise Pty Ltd, the holding company for Leading Edge Group Limited (LEG). LEG encountered difficulties a little while ago, which led to AIK providing some financing and culminated in AIK taking an equity interest in Riverwise and AIK's management team effectively being appointed to run LEG. LEG owns a number of businesses, including buying groups for a number of retailing "verticals" (for example, jewellery and appliances, each being a "vertical"), two Telstra Business Centres, and Leading Edge NZ, which was recently appointed as Telecom NZ's Single National Dealer servicing 3,300 medium to large corporate customers across New Zealand.

The recent purchase of these new shares across all the portfolios managed by Sandon Capital represents the continuation of what began as a very hostile activist campaign, and although AIK's Board and strategy have our full support, we believe there is still value yet to emerge from an investment in AIK shares.

## Summary

We remain cautious about the global macro outlook, as market conditions remain fertile for sentiment to overshoot value (both up and down). The consequences of the significant macro factors at play globally are difficult to predict or quantify.

We are focused on investment opportunities that have high levels of tangible (or easily saleable) assets, marketable securities or cash that can be purchased well below our assessment of their intrinsic value and whose prospects are somewhat independent of market and economic conditions, as we believe these offer the best risk-adjusted returns in the current environment.

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:

Gabriel Radzynski  
M: 0408 936 357

### Sandon Capital Investments Limited

Tel: 02 8014 1188  
Fax: 02 8084 9918  
Website: [www.sandoncapital.com.au](http://www.sandoncapital.com.au)

### Share registry:

Link Market Services  
Tel: 1300 554 474 (toll free within Australia)  
Email: [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)  
Fax: +61 2 9287 0303  
Postal Locked Bag A14, Sydney,  
Address: South NSW 1235