

**11 July 2014**

**The Manager**

**ASX Market Announcements**

## **NTA as at 30 June 2014**

Net tangible assets per share for Sandon Capital Investments Limited (**SNC or the Company**) as at 30 June 2014 were:

Pre-tax:	\$0.9844
Post-tax:	\$0.9827

## **Manager's Investment Update**

In June, Sandon Capital began a campaign to seek Board changes at Coventry Group Limited (CYG).

CYG is the largest position in SNC (and across all Sandon portfolios), representing approximately 7.3% of the portfolio (as at close on 30 June 2014). Funds we manage have been shareholders of CYG since mid-2011.

CYG's share price has persistently traded below the reported net assets per share for many years (both before and since we became shareholders). Since disposing of its auto-parts businesses and related property assets in 2011, the company has held in excess of \$50 million in cash. Further the company has had substantial franking credits that would allow for the payment of a large special dividend.

This cash has been held back for a strategy of "*investment in new business areas...[that]...create long term shareholder value.*"<sup>1</sup> Yet, there have been no meaningful achievements in that strategy. The businesses it retained have each faced significant challenges. When taking all of these factors into account, CYG appeared to be a highly prospective investment for an activist investor.

A notice of initial substantial shareholding was lodged with the ASX by Sandon Capital on [18 June 2014] stating an intention to seek changes to the CYG Board. At this stage, other than what is in this report and the announcement of the 18<sup>th</sup>, we have little to say publicly about any engagement with CYG. You can obtain a more detailed understanding of how this campaign began by reading the announcement on the ASX website.

As a post-script to the month, on 1 July 2014, the current CYG Board announced it would pay 11 cents per share in the form of a special dividend, closely followed by 11 cents per share in final dividend. The Company further announced it planned to declare 11 cents per share in interim and final dividends for FY2015 as well as a further special dividend in July 2015.

Although CYG's announcement seemed to be well received by the market, we were, as quoted in the press, "underwhelmed".

We continue to invest selectively, adding to current positions as well as establishing some new ones.

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

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<sup>1</sup> CYG Chairman's Address, AGM 2 November 2011

whose prospects are somewhat independent of market and economic conditions, as we believe these offer the best risk-adjusted returns in the current environment.

#### **Future Generation Investment Fund Limited (FGX) SNC Shareholder Priority Allocation**

The Future Generation Investment Fund Limited gives investors the opportunity to gain unprecedented access to a group of prominent Australian fund managers in a single investment vehicle and also support Australian charities.

Investors will be provided with diversified exposure to Australian equities through different investment strategies and styles. As the fund managers and service providers are providing their services on a pro bono basis, the Company will charge no management fees and no performance fees. The benefit of this pro bono support will allow the Company to donate 1.0% of its assets each year to Australian charities, while also delivering exceptional value to shareholders.

Paul Jensen, one of SNC's non-executive directors and I, are directors of FGX (along with Jonathan Trollip and Geoff Wilson). We have obtained a priority allocation for any SNC shareholders who would like to invest in FGX.

If you would like to learn more about FGX, including the fund managers who have donated their skills and the charities who will benefit from donations, please visit [www.futuregeninvest.com.au](http://www.futuregeninvest.com.au) Priority Offer Applications are due to close on 28 August 2014 (or earlier) and these will be treated on a first-come, first-served basis. You should read the FGX prospectus in its entirety before making any decision to apply for shares and options. The SNC Priority Offer should not be construed as a recommendation to apply for shares by either SNC or its directors.

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