

9 September 2014

The Manager

ASX Market Announcements

NTA as at 31 August 2014

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

Pre-tax:	\$1.0208
Post-tax:	\$1.0110

Manager's Investment Update

The main driver of this month's return was Calliden Group Limited (CIX), which announced a scheme of arrangement proposal with Steadfast Group Limited (SDF) for a total consideration of 46.5 cents per share (comprising the proposed scheme consideration 41.5 cents per share and the payment of 5 cents per share fully franked dividend). CIX represented approximately 3% of the portfolio. The SDF proposal also allows for an interim fully franked dividend of 1 cent per share to be paid without reducing the scheme consideration, bringing the total result to 47.5 cents per share. The CIX share price immediately before the announcement was 34.5 cents per share, and SNC had paid an average of 28.1 cents per share for its holding. We are, though, looking at this in great detail. CIX has been a long-standing core holding among all Sandon Capital portfolios, and we have had very strong views about the direction the company has taken.

Offering credit where it is due, the CIX Board and management team led by Mr Nick Kirk have done a great job steering CIX away from being an insurer (which we always contended was sub-scale) into a more robust and diverse business under their Managed General Agency model. We had for several years questioned the strategy but had conceded a while ago that the results were proving them right.

The question now before shareholders is whether the SDF offer, despite the substantial premium to market prices, is reflective of where value lies. Although we had a view on value prior to the half year results, those results need to be incorporated into our valuation. On top of the work we are doing ourselves, we keenly await the release of the scheme booklet, and independent expert's report, which will help us to form our views.

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. That said, we see such conditions are ultimately ideal for our activist investment approach.

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.

DRP details being despatched

As previously advised, the Directors have declared a full franked special dividend of 2.0 cents per share. The DRP will apply to this dividend. Shareholders will be shortly receiving correspondence outlining the details of the DRP and how to make an election to participate.

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, whose details appear below.

Further information:

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