

SANDON CAPITAL

Sandon Capital Investments Limited
ACN 107 772 467
ASX:SNC - Shares
SNCO - Options

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Monthly Report

As at 31 January 2015

Net Tangible Assets (NTA)

The net tangible assets per share for Sandon Capital Investments Limited (SNC) as at 31 January 2015 were:

NTA before tax	\$0.9979
NTA after tax	\$1.0006

Note: SNC paid a fully franked 2.0 cent per share special dividend on 6 November. Dividends are not included in the reported NTA calculations.

Investment Performance

Gross Performance to 31 Jan 2015 ¹	1 Month	Financial YTD	Rolling 12 month Return
SNC	-0.5%	4.6%	8.0%
Small Ordinaries Accumulation Index	+0.9%	-1.6%	-3.8%
Outperformance	-1.4%	+6.2%	+11.8%

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. The fully franked 2.0 cents per share special dividend paid in Nov 14 is included when calculating SNC's investment performance.

Portfolio commentary

January was a quiet month, with little news emanating from portfolio companies. The Australian share market's performance has been influenced by several general themes, including (i) a growing expectation of further interest rate cuts by the RBA, (ii) the declining Australian dollar and (iii) a growing confidence in the performance of the US economy.

Two portfolio holdings in particular have been the beneficiaries of the domestic macro-economic tailwinds, listed property trust RNY Property Trust (RNY) and listed investment company Templeton Global Growth Fund Limited (TGG).

RNY owns interests in suburban office properties in New York's Tri-State area. With the depreciation of the AUD/USD exchange rate, the value of RNY's US assets have increased in AUD terms by almost 20% since early September 2014. Although the RNY unit price has increased by more than 30% over the same period, the market price remains at a significant discount to NTA (currently 37%).

Sandon Capital Investments Limited

ASX Codes	SNC / SNCO
Listed	23 Dec 2013
Gross assets	\$35.2m
Market capitalisation	\$33.0m
NTA before tax	\$1.00
Share price	\$0.94
Shares on issue	35,138,692
Options on issue	34,999,000
Option Exercise Price	\$1.00
Option Expiry Date	24 July 2015
Fully franked dividend (FYTD)	\$0.02
Dividend yield (annualised)	4.25%

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 15.0% p.a. (after all fees and expenses)

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.

In late 2014 Sandon Capital visited RNY management in New York and toured some of their properties on Long Island. We remain positive on the medium-to-long term prospects of RNY's assets. We see the possibility of RNY refinancing some of its loan facilities in 2015 as a catalyst for its unit price to reflect the underlying value of the assets. We expect asset liquidity will be substantially improved with cross collateralisation clauses in the current facilities likely to be removed. Crucially, this will allow RNY flexibility regarding property disposals and will enable it to sell individual properties (or parts of the portfolio). This we expect will ultimately lead to the winding up of the RNY and the capital being returned to unitholders.

TGG, which invests in international shares, has benefited from both the macro tailwinds we mentioned earlier (mainly as the AUD fell against major currencies and as US financial markets have rallied) and a narrowing of the discount to NTA.

Chesser Resources Limited (CHZ) has issued a notice of a General Meeting to be held on 26 February 2015. The general meeting was requisitioned by Sandon Capital late in 2014 to ask shareholders to consider: (a) The removal of Mr Robert Reynolds, Mr Morrice Cordiner and Mr Peter Lester as directors of Chesser and (b) the appointment of Mr Gabriel Radzynski as a director of Chesser.

Unsurprisingly, the incumbent chairman has recommended CHZ shareholders vote against the resolutions proposed by Sandon Capital. The Company further disappointed us by proposing, what for us is, a highly inefficient return of capital. We believe capital can be returned to shareholders in a more efficient mechanism and we have advised the CHZ board that we do not support their proposal.

Investment Portfolio

	January 2015	December 2014
Listed Equities	59%	57%
Cash or Cash Equivalents	41%	43%
Number of investments (incl cash)	25	23

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

Lastest ASX filing date	ASX Code	Company
3 Jun 14	AIK	Armidale Investment Corporation Limited
19 Jun 14	CYG	Coventry Group Limited
19 Oct 14	OTH	Onthehouse Holdings Limited
22 Dec 14	CHZ	Chesser Resources Limited
27 Jan 15	CND	Clarius Group Limited

Note: Shares in companies were held by SNC as at 11 February 2015 (the issue 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:

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Share registry:

Link Market Services

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