

SANDON CAPITAL

Sandon Capital Investments Limited
ACN 107 772 467

Level 11, 139 Macquarie Street, Sydney
Telephone: (02) 8014 1188
Email: info@sandoncapital.com.au

Monthly Report

As at 27 February 2015

Net Tangible Assets (NTA)

The net tangible assets per share for Sandon Capital Investments Limited (SNC) as at 27 February 2015 were:

| | |
|----------------|-----------------|
| NTA before tax | \$0.9976 |
|----------------|-----------------|

| | |
|---------------|-----------------|
| NTA after tax | \$1.0024 |
|---------------|-----------------|

Note: SNC declared a 2.0 cents per share fully franked interim dividend on 25 February 2015.

Investment Performance

| Gross Performance to 27 Feb 2015 ¹ | 1 Month | Financial YTD | Rolling 12 month Return |
|---|--------------|---------------|-------------------------|
| SNC | 0.1% | 4.8% | 7.0% |
| Small Ordinaries Accumulation Index | +8.4% | 6.7% | 3.1% |
| Outperformance | -8.3% | -2.0% | +3.9% |

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. Dividends paid during the period are included when calculating SNC's gross investment performance.

Dividends

The Directors declared a 2.0 cents per share fully franked interim dividend on 25 February 2015. The table below shows the SNC dividend history.

| Ex-date | Dividend Amount | Franking | Type |
|-----------------|-----------------|----------|---------|
| 14 October 2014 | 2.0 cps | 100% | Special |
| 1 June 2015 | 2.0 cps | 100% | Interim |

SNC has declared 4.0 cents per share of fully franked dividends since 30 June 2014, and the Board anticipates declaring a final dividend in respect of the year ending 30 June 2015, subject to the availability of profits.

After payment of the interim dividend, SNC will retain a franking account equivalent to 9.4 cents per share. Subject to the availability of profits (or reserves), this would allow for the payment of fully franked dividends of 21.9 cents per share.

Portfolio commentary

The broader market reached post-GFC highs during the month, and we continued to sit comfortably on the sidelines, with more than 30% of our assets held in cash. We remind ourselves the single biggest determinant of return on an investment will always be the price paid – pay too much leaves little room for error, whereas buying

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 | \$0.95 |
| 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 (declared FYTD) | \$0.04 |
| Dividend yield (paid & declared) | 4.21% |

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 14.9% p.a. (after all fees and expenses)

Investment 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.

well provides that much sought-after margin of safety. We continue to stalk a number of opportunities, but remain in those comfortable sideline seats until a sufficient margin of safety arises.

There was some activity in several of our existing investments. Onthehouse Holdings Limited (OTH) saw further changes at the Board level. By way of background, Sandon Capital partnered with other OTH shareholders Blue Lake Partners and Gannett Capital to nominate three directors to join the OTH Board in late 2014, including Gabriel Radzynski, SNC's Chairman. We had concerns about OTH's strategic direction and wanted to actively influence a renewal of the board (as the Board sets the strategic direction).

The Board renewal process is now largely complete, with the appointment of three new directors and the retirement of four directors (including Gabriel Radzynski) in February 2015. We believe the five-member Board has the right mix of skills to effectively guide the company's future. Sandon Capital remains a shareholder in OTH.

Chesser Resources Limited (CHZ), where SNC was seeking the removal of three directors, was full of surprises with the appointment of three new directors and the resignation of the three SNC was seeking to remove. The new Board then invited Gabriel Radzynski to join the Board. The new "new" Board then considered and announced a revised capital management plan. The revised plan, an equal access buy back, increased the amount of capital available to shareholders from 2.75 cents per share to 3.53 cents per share.

The Company took a position in Toll Holdings Ltd (TOL) following the announcement of the scheme bid by Japan Post. Our interest lay in TOL's ability to pay further dividends (which would reduce the cash consideration of the scheme) of 18.5 cents fully franked by our estimates. While we congratulate the TOL Board on securing the transaction, we believe the structure we describe above would yield superior result for most Australian investors. So far, our approach has fallen on deaf ears at TOL, so it would seem this is simply another in a long line of corporate transactions with foreign acquirers where boards and their advisers deal with franking as an afterthought or place it in the "too hard" basket (viz IDL, WCB, DJS, OAK). We believe franking should be an integral consideration when negotiating the structure of corporate transactions. We expect to exit the position profitably.

Investment Portfolio

| | February 2015 | January 2015 |
|--------------------------|---------------|--------------|
| Listed Equities | 68% | 59% |
| Cash or Cash Equivalents | 32% | 41% |
| Number of investments | 28 | 25 |

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 |
| 22 Dec 14 | CHZ | Chesser Resources Limited |
| 27 Jan 15 | CND | Clarius Group Limited |

Note: Shares in companies were held by SNC as at 10 March 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:

Sandon Capital Investments Limited

Tel: 02 8014 1188

Fax: 02 8084 9918

Website: www.sandoncapital.com.au

Share registry:

Link Market Services

Tel: 1300 554 474 (toll free within Australia)

Email: registrars@linkmarketservices.com.au

Fax: +61 2 9287 0303

Postal Locked Bag A14, Sydney

Address: South NSW 1235