

# SANDON CAPITAL

Sandon Capital Investments Limited  
ACN 107 772 467

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## Monthly Report

As at 31 May 2015

### Net Tangible Assets (NTA)

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

NTA before tax	<b>\$1.0021</b>
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NTA after tax	<b>\$1.0099</b>
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Note: SNC declared a 2.0 cents per share fully franked interim dividend on 25 February 2015.

### Investment Performance

Gross Performance to 31 May 2015 <sup>1</sup>	1 Month	Financial YTD	Rolling 12 month Return
SNC	-0.3%	6.0%	6.3%
Small Ordinaries Accumulation Index	1.7%	6.4%	5.3%
<b>Outperformance</b>	<b>-2.0%</b>	<b>-0.4%</b>	<b>1.0%</b>

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 main contributor to the month's result was Warrnambool Cheese & Butter Factory Company Ltd (WCB), whose share price continued to rise. The only recent news in respect of WCB was the completion of its acquisition of the Lion "Every Day Cheese" business, which included the iconic "Coon" brand. We continue to hold the view that WCB remaining a listed entity, with Saputo Inc. as the 87.9% majority shareholder, is not a sustainable long term proposition.

### Sandon Capital Investments Limited

ASX Codes	SNC / SNCO
Listed	<b>23 Dec 2013</b>
Gross assets	<b>\$36.5m</b>
Market capitalisation	<b>\$33.3m</b>
NTA before tax	<b>\$1.00</b>
Share price	<b>\$0.92</b>
Shares on issue	<b>36,200,048</b>
Options on issue	<b>33,937,644</b>
Option Exercise Price	<b>\$1.00</b>
Option Expiry Date	<b>24 July 2015</b>
Fully franked dividends (declared FYTD)	<b>\$0.04</b>
Dividend yield (paid & declared)	<b>4.35%</b>

### 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 14.8% 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.

This month also saw the disclosure of two new portfolio positions, Alchemia Ltd (ACL) and BlueScope Steel Ltd (BSL), as foreshadowed in last month's report.

ACL last year reported the failure of Phase III trials for a new drug delivery platform. The value of the company was severely reduced as a result. ACL first came to our attention earlier this year when the share price was much higher than now. After having secured a 10% holding in ACL over two days in late May, Sandon Capital entities now own 13% of ACL. We believe the ACL Board has not moved quickly enough to reduce cash burn, especially since the Phase III trials failed in October 2014. Cash is a major asset to the company, and its preservation should have been a long-standing priority.

The other main asset is a profit-share agreement with drug company Dr Reddy's Laboratories for the manufacture and sale of a drug known as fondaparinux. ACL recently announced that the March quarter profit share was \$1.25 million, lower than had been anticipated. It also announced there was a dispute regarding the calculation of the profit share.

We wrote to the former Chairman on 29 May 2015, outlining our initial concerns. This letter will be made available on our website. The latest announcements from ACL released on 10 June 2015, in which two directors resigned and some cost cutting was outlined, have not allayed our concerns.

During May, we also established a position in BSL. At current market prices we believe BSL may well be the cheapest steel company in the world. Our shareholder update contains a brief outline of our investment thesis, and a more comprehensive presentation will be released shortly. The presentation will be published in our website [www.sandoncapital.com.au](http://www.sandoncapital.com.au)

## Investment Portfolio

	May 2015	April 2015
Listed Equities	78%	74%
Cash or Cash Equivalents	22%	26%
Number of investments	28	28

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
19 Jun 14	CYG	Coventry Group Limited
22 Dec 14	CHZ	Chesser Resources Limited
27 Jan 15	CND	Clarius Group Limited
27 Apr 15	AIK	Armidale Investment Corporation Limited
1 Jun 15	ACL	Alchemia Ltd

*Note: Shares in companies were held by SNC as at 12 June 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

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Website: [www.sandoncapital.com.au](http://www.sandoncapital.com.au)

Share registry:

Link Market Services

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