

# SANDON CAPITAL

Sandon Capital Investments Limited  
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## Monthly Report

As at 30 June 2015

### Net Tangible Assets (NTA)

The net tangible assets per share for Sandon Capital Investments Limited (SNC) as at 30 June 2015 were:

NTA before tax	<b>\$0.9440</b>
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NTA after tax	<b>\$0.9626</b>
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Note: The NTA figures reported above are after the payment of 4.0 cents per share of fully franked dividends.

### Investment Performance

Gross Performance to 30 June 2015 <sup>1</sup>	1 Month	Financial YTD	Rolling 12 month Return
SNC	-3.8%	2.1%	2.1%
Small Ordinaries Accumulation Index	-7.8%	0.4%	0.4%
<b>Outperformance</b>	<b>+4.0%</b>	<b>+1.6%</b>	<b>+1.6%</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 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 21.6 cents per share.

### Portfolio commentary

The portfolio declined by 3.8% (on a gross basis) in June, which compared favourably to falls of 7.8% and 5.3% for the Small Ordinaries and S&P/ASX200 Accumulation indices.

Although price declines were widespread throughout the portfolio, we provide specific comments on three positions: AMP China Growth Fund (AGF) (down ~17%), Alchemia Ltd (ACL) (down ~20%) and BlueScope Steel Ltd (BSL) (down ~15%).

### Sandon Capital Investments Limited

ASX Codes	SNC / SNCO
Listed	<b>23 Dec 2013</b>
Gross assets	<b>\$34.8m</b>
Market capitalisation	<b>\$32.7m</b>
NTA before tax	<b>\$0.94</b>
Share price	<b>\$0.90</b>
Shares on issue	<b>36,210,048</b>
Options on issue	<b>33,927,644</b>
Option Exercise Price	<b>\$1.00</b>
Option Expiry Date	<b>24 July 2015</b>
Fully franked dividends	<b>\$0.04</b>
Dividend yield	<b>4.42%</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 13.4% 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.

AGF tracked the significant, and widely reported, declines in the Chinese share market. This position has been a highly profitable one for SNC. In May, after a significant run-up in the Chinese share market, we took the opportunity to sell down some of the holding, at prices far above current ones. Despite trading at a discount to NTA, we sold down part of the position as we were not hedged against falls in the Chinese market. Our views of the Chinese share market have always been ambivalent, and they continue to be so, even after the recent falls.

ACL declined as investors continued to lose faith in the prospects for the Company, following the announcement of lower than expect profit-share figures from its generic drug. On 18 June, Sandon Capital requisitioned a meeting to remove a number of ACL directors and appoint new directors. On 26 June, one of the new directors proposed by Sandon Capital was appointed to the Board. We and the ACL Board are in continued discussions. On 1 July 2015, ACL announced the conditional sale of its oncology division to a U.S. based company. Subsequent to month end, ACL also announced the effectively sale of the VAST drug development platform for \$100,000 plus royalties on any future revenues. Although in its early days, these transactions appear as small positive steps, and allow ACL to further reduce operating and shutdown expenses and retain some option value for its oncology division and the VAST platform. Also subsequent to month end, Mr Ken Poutakidis, the new director proposed by Sandon Capital, was appointed interim Chairman, following the retirement of the former Chairman.

BSL declined as concerns of falling global steel margins continued to dominate investor near-term perceptions of the company. On 15 June 2015, Sandon Capital released a 46-page presentation outlining five questions for BSL to consider, one of which was the possible closure of the Port Kembla blast furnace. Sandon Capital has been engaging with other shareholders and potential shareholders as well as meeting with the company. By months' end, most of the major brokers covering BSL had issued research reports discussing potential shareholder and financial implications of the closure of the blast furnace. We continue to regard BSL as the cheapest steel company in the world today, and continue to add to the position. As at 30 June, BSL represented approximately 4.2% of the portfolio.

The addition of two new holdings, such as ACL and BSL, means more of the portfolio is in early phases of engagement, hence too soon to yield any meaningful positive contributions. We remain comfortable with the portfolio and its 20% cash weighting. Any further market turmoil will likely provide good opportunities for topping up on existing positions as well as perhaps opening up new opportunities.

## Investment Portfolio

	June 2015	May 2015
Listed Equities	80%	78%
Cash or Cash Equivalents	20%	22%
Number of investments	26	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

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)

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