

# Sandon Capital Investments Limited

*'If you want to have...better performance than the crowd,  
you must do things differently from the crowd'*

*John Templeton*

## Full Year Broker/Adviser Presentation

*25 August 2015*

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*This presentation has been prepared for use in conjunction with a verbal presentation and should be read in that context.*

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*Any quoted performance is post fees and expenses but before tax and assumes distributions were reinvested. Dollars are AUD, unless otherwise stated. We are not responsible for the statements made by or attributed to others in this report. Past performance is no guarantee or does not provide any indication of future returns.*

## Result highlights

- NPAT up 74% to \$521,188
- Declared dividends totalling 3.0 cents per share fully franked, comprising:
  - 2.0 cents per share fully franked final dividend
  - 1.0 cent per share fully franked special dividend
- Dividend yield of **8.3%** (11.9% grossed up) with 7.0 cents per share of fully franked dividends paid in FY 2015<sup>1</sup>
- Capacity to pay further fully franked dividends<sup>2</sup>
  - Profit reserves allowing for the payment of a further 3.0 cents per share and
  - Franking credits of 8.0 per share<sup>3</sup>

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1. Assumes closing market price of \$0.84 on 25 Aug 2015. Dividends include 2.0 cps special dividend paid in November 2014, 2.0 cps interim dividend paid in June 2015 plus the 2.0 cps final dividend and 1.0 cps special dividend declared in this result.

2. The Company current has sufficient profit reserves to pay up to 3.0 cents per share fully franked based on the current ordinary shares on issue. Any payment of dividends will be subject to the Company having sufficient profit reserves and the Directors being satisfied it is within prudent business practices.

3. Following the payment of the 2.0 cps final dividend and 1.0 cps special dividend. Refer to Note 6 of the Appendix 4E for details.

## Key Dates for Final and Special Dividends

Announcement date	<b>25 August 2015</b>
Ex date	21 October 2015
Record date	23 October 2015
Date payable	30 October 2015

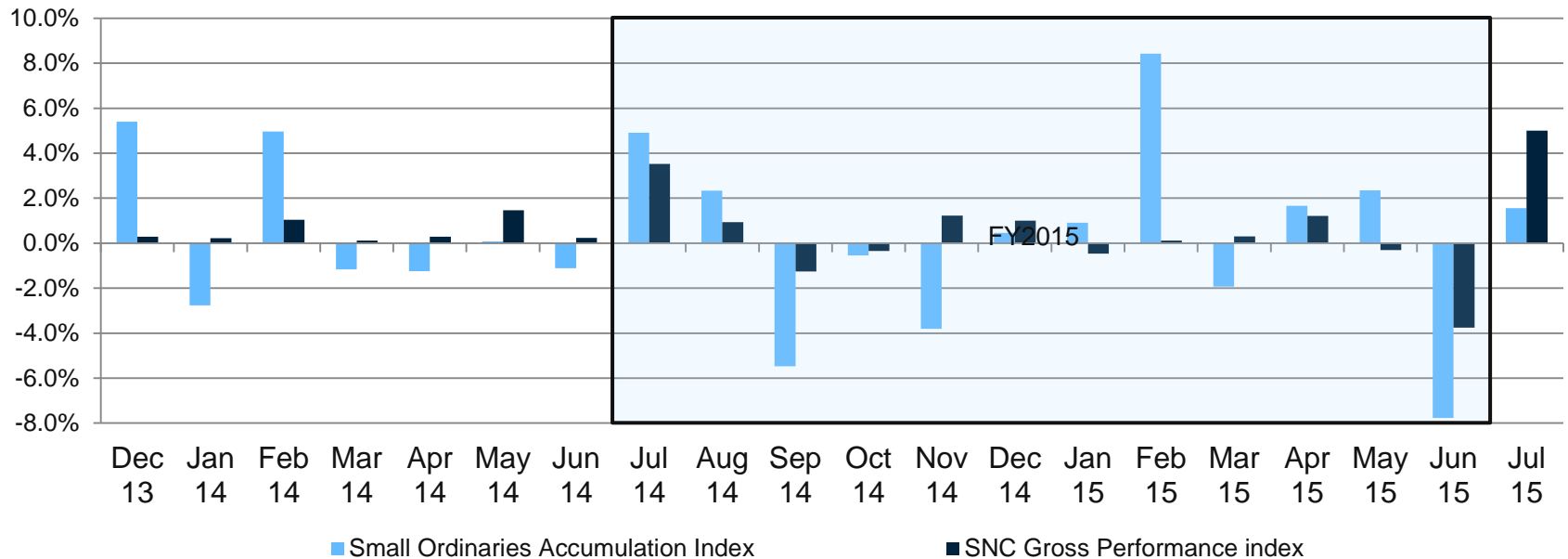
### Per Share Data

NTA Pre-tax (cum div) <sup>1</sup>	\$0.9867
NTA Post-tax (cum div) <sup>1</sup>	\$1.0022
Current Market Price <sup>2</sup>	\$0.84
Discount to NTA	16.2%
YTD Dividend Yield <sup>2</sup>	8.6%

#### Notes:

1. NTA figures are as at 31 July 2015.
2. Based on closing share price of \$0.84 on 25 August 2015, assuming FY2015 interim and final dividends and two special dividends.

## Investment Performance to 31 July 2015



*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.*

## Investment Performance to 31 July 2015

<b>Gross Performance to 31 July 2015<sup>1</sup></b>	<b>Financial YTD</b>	<b>1 yr return</b>	<b>Year to 30 June 2015</b>	<b>Since inception (annualised)</b>
<b>SNC</b>	<b>5.0%</b>	<b>3.5%</b>	<b>2.1%</b>	<b>6.7%</b>
Small Ordinaries Accumulation Index	1.6%	-2.8%	0.4%	3.7%
<b>Outperformance</b> (figures do not tally due to rounding)	<b>+3.5%</b>	<b>+6.3%</b>	<b>+1.6%</b>	<b>+3.1%</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.*

## Investment objectives and outcomes

### ➤ Sandon Capital Investments Limited's objectives are to:

- Provide an absolute positive return over the medium- to long-term
- Preserve shareholder capital
- Deliver regular and growing dividends, franked to the fullest extent possible<sup>1</sup>

### ➤ Sandon Capital Investments Limited has:

- Provided an absolute positive return of 6.7% per annum since inception during challenging market conditions<sup>2</sup>
- Preserved shareholder capital since inception
  - (Pre-tax/Post-tax NTA up 1.7%/3.6% respectively)<sup>3</sup>
- 7.0 cents per share in fully franked dividends since inception
- 8.3% yield (11.9% incl. imputation credits) based on market price<sup>4</sup>
- Has the capacity to pay further fully franked dividends<sup>5</sup>.

1. This is not intended to be a forecast. It is merely an indication of what SNC aims to achieve over the medium to long term (that is, 3 to 5 years). SNC may not be successful in meeting its objective. Any financial market turmoil or an inability by the Manager, Sandon Capital Pty Ltd, to find and make profitable investments will likely have an adverse impact on achieving this objective. Returns are not guaranteed.

2. Gross returns

3. Pre- and Post-tax NTA from 31 Dec 2013 to 30 June 15, including dividends paid.

4. Assumes \$0.84 cents per share closing price on 25 August 2015, and includes dividend declared but not yet paid.

5. The Company current has sufficient profit reserves to pay up to 3.0 cents per share fully franked based on the current ordinary shares on issue. Any payment of dividends will be subject to the Company having sufficient profit reserves and the Directors being satisfied it is within prudent business practices.

## Activist highlights during FY15

- Sandon Capital Investments Limited (SNC) has been engaging companies throughout 2015, both behind closed doors and publicly.
- Public engagements include:

Name	Thesis/value outline	Engagement
BlueScope Steel Ltd	Discount to sum-of-parts, need for significant business changes to deal with industry changes	Public release of Sandon Capital analysis, engagement with company and shareholders. Work in progress.
Onthefhouse Holdings Ltd	Discount to intrinsic value of core business, need for board change	Campaigned for substantial board changes, including appointment of Sandon Capital (and other) nominees (since resigned). New board has the support of Sandon Capital. Work in progress.
Coventry Group Ltd	Discount to liquidation value, need to restructure and cost cuts	Sandon Capital led campaign for removal of Executive Chairman. New board has the support of Sandon Capital. Work in progress.
Alchemia Ltd	Discount to intrinsic value, need for board changes.	Campaigned for substantial board change, Sandon Capital nominee now Chairman. New board has the support of Sandon Capital. Work in progress.
Chesser Resources Ltd	Discount to cash, need for change in strategy	Campaigned for substantial board change, Sandon Capital nominee appointed. Equal access buy-back now under way. Work in progress.



## Our Shareholder Activist Approach

- We are a 'Value Investor'
- We seek to purchase investments:
  - At prices below our assessment of their intrinsic value and
  - Where we believe we can apply our activist techniques
- When we invest our intention is to actively engage with the company
  - We don't try to passively predict the future, by engaging we are actively trying to shape future
- Our investors capital is precious, we will not put it at risk for the sake of being fully invested
  - We typically hold a significant amount of cash in our portfolios
  - Cash allows us to take advantage of opportunities

## Outlook

- We expect volatility and uncertainty in global financial markets to continue
- Key themes driving volatility:
  - China – boom or bust?
  - US – rising interest rates?
  - Europe – Germany vs the rest of EU?
  - Australia – residential property bubble/resources/commodity prices?
- This will provide Sandon Capital Investments with significant investment opportunities
- We will continue to invest at prices below intrinsic value and apply our activist techniques.
- We believe shareholder activism will continue to uncover attractive opportunities

## About us

### ➤ Contacting us:

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