

SANDON CAPITAL

Sandon Capital Investments Limited
ACN 107 772 467

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Monthly Report

As at 31 August 2015

Net Tangible Assets (NTA)

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

NTA before tax	\$0.9385
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NTA after tax	\$0.9701
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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 31 July 2015 ¹	1 Month	Financial YTD	Rolling 12 month Return
SNC	-4.9%	-0.1%	-2.5%
Small Ordinaries Accumulation Index	-4.9%	-3.4%	-9.6%
Outperformance	0.0%	+3.3%	+7.2%

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 SNC Board has declared a final fully franked dividend of 2.0 cps and a special fully franked dividend of 1.0 cps in respect of the financial year ended 30 June 2015.

The table below shows the SNC dividend history.

Ex-date	Dividend Amount	Franking	Type
21 October 2015	1.0 cps	100%	Special
21 October 2015	2.0 cps	100%	Final
1 June 2015	2.0 cps	100%	Interim
14 October 2014	2.0 cps	100%	Special

After the payment of the declared 3.0 cents per share dividends, the Company will have 3.0 cents per share available in current financial year profit reserves available for future dividends as well as franking credits of 8.0 cents per share.

SNC has declared 7.0 cents per share of fully franked dividends since 30 June 2014 and the Board anticipates declaring an interim dividend in respect of the half year ending 31 December 2015, subject to the availability of profits.

Sandon Capital Investments Limited

ASX Code	SNC
Listed	23 Dec 2013
Gross assets	\$36.0m
Market capitalisation	\$31.1m
NTA before tax	\$0.9385
Share price	\$0.855
Shares on issue	36,210,048
Options on issue	nil
Option Exercise Price	n.a.
Option Expiry Date	n.a.
Fully franked dividends	\$0.07
Dividend yield	8.19%

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 12.7% 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.

Portfolio commentary

The Fund delivered a return of -4.9% in August. August is best described as a month of financial market turmoil. At the low point of the month, the Australian share market, measured by the S&P/ASX200 index was down 11.8%. It ended the month down 7.8%. The Small Ordinaries was down 8.8% at its low point, ending the month down 4.9%. Against this background, the Fund took advantage of price weakness to add to existing positions, as well as initiating some new positions at prices we considered attractive.

One such investment was a holding in New Zealand based retailer, Smiths City Group Ltd (SCY). SCY operates in two main segments: retailing of consumer lifestyle products (one of its main competitors is Harvey Norman) and consumer finance. SCY has been a poor share market performer for quite some time, and we have been able to establish SNC's holding at a price that represents just over half the net tangible asset value of the firm and a still considerable discount to our estimates of its liquidation value. A new CEO has recently been appointed and he has been charged with turning SCY around. We believe the core Smiths City brand has a strong presence in the South Island. The new CEO has outlined plans to expand into the Auckland market. We are also attracted to the consumer finance business. Although it has been declining for some years, we believe it retains significant potential.

BlueScope Steel Ltd (BSL) was the major positive contributor (~1%) to the result as its share price rose on the back of the company pursuing \$200 million of cost savings at its Port Kembla operations. Management have clearly outlined the consequences of failing to achieve these full savings; the closure of the blast furnace, resulting in an end to steel-making at Port Kembla. Although both alternatives represent difficult choices, we are supportive of BSL's apparent willingness to adapt to the structural changes that have occurred in the steel industry.

The main detractor to the overall result was Armidale Investment Corporation Ltd (AIK), (~-1.5%). AIK's share price fell during the month, despite the release of what we considered a good financial result for the 2015 financial year. In particular, it reported continued significant growth in its leasing operations, with new lease originations more than doubling to \$25.2 million. We believe the leasing business is now back onto a growth trajectory and expect to see further growth during FY16 underpinning further increases in the value of this business.

During the month, we realised our investment in iiNet Ltd. We expect further cash realisations in coming months from takeovers completing and capital returns.

The broader share market continues to swing wildly as global and local factors continue to drive sentiment. We remain comfortable with the portfolio and its ~14% cash weighting. Any market turmoil will likely provide good opportunities for adding to existing positions as well as providing new opportunities.

Investment Portfolio

	August 2015	July 2015
Listed Equities	86%	83%
Cash or Cash Equivalents	14%	17%
Number of investments	28	29

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.

Latest 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
28 Aug 15	SCY NZ	Smiths City Group Ltd

Note: Shares in companies were held by SNC as at the 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:

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