

SANDON CAPITAL

Sandon Capital Investments Limited
ACN 107 772 467

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Monthly Report

As at 31 October 2015

Net Tangible Assets (NTA)

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

NTA before tax	\$0.9567
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NTA after tax	\$0.9578
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Note: The NTA figures reported above are after the payment of 7.0 cents per share of fully franked dividends.

Investment Performance

Gross Performance to 31 October 2015 ¹	1 Month	Financial YTD	Rolling 12 month Return
SNC	4.6%	7.1%	6.3%
Small Ordinaries Accumulation Index	7.1%	2.9%	2.4%
Outperformance	-2.5%	4.1%	3.8%

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 declared a fully franked final dividend of 2.0 cps and a fully franked special dividend of 1.0 cps in respect of the financial year ended 30 June 2015. These dividends were paid on 30 October 2015.

The table below shows the SNC dividend history.

Ex-date	Dividend Amount	Franking	Type
22 October 2015	1.0 cps	100%	Special
22 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 recent payment of the 3.0 cents per share final and special dividends, the Company has a further 2.4 cents per share available in current financial year profit reserves available for future dividends as well as franking credits of 6.0 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	\$42.3m
Market capitalisation	\$38.9m
NTA before tax	\$0.9567
Share price	\$0.88
Shares on issue	44,260,206
Options on issue	nil
Fully franked dividends	\$0.07
Dividend yield	7.95%

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.

Share Purchase Plan & Placement

The Share Purchase Plan was completed during the month raising \$3.2m from the issue of 3,629,251 new shares at 88 cents per share (cum-dividend). A further \$3.7m was raised in a placement of 4,204,164 new shares, also at 88 cents per share (cum-dividend). The Board would like to thank shareholders for their participation and continued support.

Portfolio commentary

The Fund delivered a gross return of 4.6% in October. 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 ~24% cash weighting. Last month we noted that any turmoil will likely provide good opportunities for adding to existing positions as well as providing new opportunities. Following recent volatility, we have taken the opportunity to establish new positions in two companies as well as adding to existing holdings.

The main contributor to this month's performance was BlueScope Steel Ltd (BSL), which rose 24% for the month. BSL announced on 26 October that it had achieved its cost reduction target of \$200 million that was to underpin the continued operation of the Port Kembla Blast Furnace (PKBF). Some of these cost saving measures remain subject to final ratification by union members.

In conjunction with the PKBF cost savings release, BSL also announced that it had exercised its "Right of Last Refusal" to purchase Cargill Inc.'s 50% share of the North Star joint venture. This followed an unnamed bidder offering US\$720m for the 50% stake and provides third party validation of the inherent value in this asset. North Star is rated one of the best, if not the best, mini-mills in the US, something we have contended was lost on many in the Australian investment community. Owning 100% of this world-class asset will provide BSL with access to all of North Star's cash flows and will provide complete flexibility to deal with the asset in future. Furthermore, writing the North Star asset up to fair value following the acquisition will provide significant tax benefits to BlueScope over the next 10+ years. We estimate these benefits to be well in excess of \$100m in cash tax savings.

If BSL continues to meet shareholders' expectations in respect of the cost savings and efficiency improvements, we believe more will come to believe, as we do, that BlueScope offers exposure to a portfolio of some of the highest quality steel assets in the world. We also believe there are opportunities to further rationalise the BSL portfolio, including for example, the sale of excess land at Westernport in Victoria.

During the month, one of the portfolio's event driven investments was brought to a close: the arbitrage of the Skilled Group and Programmed Maintenance Services merger. This transaction yielded an arbitrage profit of 2.4% over the holding period of less than 3 months, providing an annualised rate of return in excess of 12%.

The remainder of the portfolio reported small rises and declines in price for the month. We do not consider any of these noteworthy.

Investment Portfolio

	October 2015	September 2015
Listed Equities	76%	88%
Cash or Cash Equivalents	24%	12%
Number of investments	27	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	Armida Investment Corporation Limited
1 Jun 15	ACL	Alchemia Ltd
28 Aug 15	SCY NZ	Smiths City Group Ltd
8 Oct 15	OTH	Onthehouse Holdings 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:

Sandon Capital Investments Limited

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Share registry:

Link Market Services

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