

SANDON CAPITAL

Sandon Capital Investments Limited
ACN 107 772 467

Level 11, 139 Macquarie Street, Sydney
Telephone: (02) 8014 1188
Email: info@sandoncapital.com.au

Monthly Report

As at 31 December 2015

Net Tangible Assets (NTA)

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

NTA before tax	\$0.9796
----------------	-----------------

NTA after tax	\$0.9679
---------------	-----------------

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 December 2015 ¹	1 Month	Financial YTD	Since inception
SNC	0.9%	9.5%	7.5%
Small Ordinaries Accumulation Index	3.9%	7.0%	5.6%
Outperformance	-3.0%	2.5%	1.9%

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 4.0 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	\$44.1m
Market capitalisation	\$37.6m
NTA before tax	\$0.979
Share price	\$0.85
Shares on issue	44,260,206
Options on issue	nil
Fully franked dividends	\$0.07
Dividend yield	8.2%

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.

Portfolio commentary

The Fund delivered a gross return of 0.9% in December.

Volatility in the market continued to provide good opportunities for adding to existing positions as well as providing new opportunities. Our current cash balance of 12% appears low, however we expect ~15% of the investment portfolio to be converted to cash in the next 6-8 weeks as capital returns and takeovers are completed. Thus, we have significant firepower to take advantage of the current volatility in the market.

The main contributor to this month's performance was Onthehouse Holdings Ltd (OTH), which announced on Christmas eve that it had received an unsolicited, indicative non-binding 75.5 cents per share takeover proposal from a Macquarie-lead consortium, which included OTH Directors Michael and Daniel Dempsey and CoreLogic. It is worth reminding readers of our OTH investment thesis: there are two core businesses, Real Estate Solutions (RES) and Consumer Online (CO). The RES business provides mission critical software to real estate agents and delivered \$11.3 million of EBITDA in FY15, representing a margin of 53%. We believe this is a robust, high cash generative software business. Consumer Online, which had aspirations of disrupting the dominance of Realestate.com.au and Domain in real estate listings, has distracted investors from the significant value that exists in the RES business. While it is still far from certain that a proposal will emerge from the consortium, we remain confident of the future prospects for OTH. Funds managed by Sandon recently increased their ownership of OTH to 6.1%.

Armidale Investment Corporation Ltd (AIK) completed its rights issue in late December. Funds managed by Sandon exercised all their rights and applied for additional shares in the rights shortfall and now own 13.2% of AIK.

Also during December, Alchemia Ltd (ACL) announced details of plans to return cash of 9.3 cents per share. If approved by shareholders in late January 2016, the return of capital will represent a substantial return on the Fund's investment in ACL. The Funds will remain invested in the rump of ACL.

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

	December 2015	November 2015
Listed Equities	88%	84%
Cash or Cash Equivalents	12%	16%
Number of investments	30	31

Sandon Capital does not habitually disclose the companies held in its investment portfolios or investment weighting within portfolios. Below is a list of recent substantial shareholder notices filed by Sandon Capital. Copies of the notices are available on the ASX website.

Latest ASX filing date	ASX Code	Company
16 Nov 15	ACL	Alchemia Ltd
4 Dec 15	SCY NZ	Smiths City Group Ltd
30 Dec 15	OTH	Onthehouse Holdings Ltd
5 Jan 16	AIK	Armidale Investment Corporation Limited

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

Tel: 02 8014 1188

Fax: 02 8084 9918

Website: www.sandoncapital.com.au

Share registry:

Link Market Services

Tel: 1300 554 474 (toll free within Australia)

Email: registrars@linkmarketservices.com.au

Fax: +61 2 9287 0303

Postal Locked Bag A14, Sydney

Address: South NSW 1235