

SANDON CAPITAL

Sandon Capital Investments Limited
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Monthly Report

As at 31 January 2016

Net Tangible Assets (NTA)

The net tangible assets per share for Sandon Capital Investments Limited (SNC) as at 31 January 2016 were:

NTA before tax	\$0.9650
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NTA after tax	\$0.9382
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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 January 2016 ¹	1 Month	Financial YTD	Since inception ²
SNC	-0.7%	8.8%	6.8%
Small Ordinaries Accumulation Index	-5.1%	1.5%	2.8%
Outperformance	4.4%	7.3%	4.0%

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.
2. Annualised

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 3.0 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	\$43.8m
Market capitalisation	\$37.6m
NTA before tax	\$0.965
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 -0.7% in January.

January provided another rollercoaster for global markets. Australia was not spared, with the S&P/ASX200 Accumulation Index falling 5.5% and the Small Ords Accumulation Index falling 5.1%. The commentary from the December 2015 report remains largely current, and is repeated here: *Volatility in the market continued to provide good opportunities for adding to existing positions as well as providing new opportunities.*

Several investments provided positive returns during the month, including Alchemia Ltd (ACL), BlueScope Steel Ltd (BSL), Centrepont Alliance Ltd (CAF) and Coventry Group Ltd (CGF). Negative movements for the month were mainly further down the alphabet, including companies such as RNY Property Trust (RNY), Tatts Group Ltd (TTS) and Warrnambool Cheese and Butter Factory Ltd (WCB). Most other price moves were immaterial. There was scant news flow regarding companies in the portfolio, although ACL shareholders approved a 9.3 cents per share return of capital in late January and there were press reports regarding permanent capacity closures in the Chinese steel industry, which positively impacted the BSL share price.

There were continued press reports regarding the possibility of TTS and Tabcorp Ltd (TAH) renewing discussions of a nil-premium merger, something we believe is not in the best interests of TTS shareholders. We have publicly stated a preference for a demerger of the TTS wagering business from its other businesses, including lotteries. We believe this would provide a clearer picture of the true worth of the jewel in the crown, lotteries, whilst still allowing a future merger of the wagering operations with those of TAH (or another party).

During the month Onthehouse Holdings Ltd (OTH) rejected the overtures from the Macquarie/CoreLogic/Dempsey consortium that had delivered a pre-Christmas indicative non-binding merger proposal. We believe the OTH Board were right in rejecting this overture, given the low-ball indicated price. OTH also announced it was in discussions to spin its loss-making consumer online division (COD) into a joint venture with the real estate agent-owned RealestateView business. If this proposal can be consummated, it is expected to staunch the cash drain from the loss-making COD division. We eagerly await further disclosure from the Company on this, and whether the consortium decides to revisit its proposal at a higher price.

Investment Portfolio

	January 2016	December 2015
Listed Equities	94%	88%
Cash or Cash Equivalents	6%	12%
Number of investments	34	30

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
4 Dec 15	SCY NZ	Smiths City Group Ltd
30 Dec 15	OTH	Onthehouse Holdings Ltd
5 Jan 16	AIK	Armidale Investment Corporation Limited
3 Feb 16	ACL	Alchemia 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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