

SANDON CAPITAL

Sandon Capital Investments Limited
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Monthly Report

As at 29 February 2016

Net Tangible Assets (NTA)

The net tangible assets per share for Sandon Capital Investments Limited (SNC) as at 29 February 2016 were:

NTA before tax	\$0.9182
Deferred tax asset	\$0.0310
Deferred tax liability on unrealised income and gains	(\$0.0206)
NTA after tax	\$0.9286

Note: The NTA figures reported above are after the payment of 7.0 cents per share of fully franked dividends. The deferred tax asset reported above includes 2.5 cents per share of losses carried forward from previous years.

Investment Performance

Gross Performance to 29 February 2016 ¹	1 Month	Financial YTD	Since inception ¹
SNC	-3.5%	5.0%	4.9%
Small Ordinaries Accumulation Index	0.9%	2.5%	3.1%
Outperformance	-4.4%	2.5%	1.8%

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.
2. Annualised

Dividends

The SNC Board declared a fully franked interim dividend of 2.0 cps payable on 26 April 2016 (ex date 18 April 2016).

The table below shows the SNC dividend history.

Ex-date	Dividend Amount	Franking	Type
18 April 2016	2.0 cps	100%	Interim
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

Sandon Capital Investments Limited

ASX Code	SNC
Listed	23 Dec 2013
Gross assets	\$41.3m
Market capitalisation	\$37.6m
NTA before tax	\$0.9182
Share price	\$0.85
Shares on issue	44,260,206
Options on issue	nil
Fully franked dividends	\$0.07
Dividend yield	7.1%

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 12.2% 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 -3.5% in February.

The main detractor to the Fund's performance was RNY Property Trust (RNY), whose share price fell sharply following a reduction in the valuation of the various properties in which it has an interest. RNY holds interests in suburban office properties in the New York tri-state area. Demand for such properties – both in terms of leasing and sales – has been adversely affected in the past few years as demographic and economic trends have resulted in companies favouring city and urban properties over suburban ones. This trend has been evident for several years, and we invested being well aware of it. We were surprised by the extent of the reduction in value reported in the full year results, especially as values reported 6 months earlier cited similar market conditions, yet valuations at that time only declined 2.3%. These are some things for us to ponder. The diminution in NTA per share is disappointing, but if NTA can be realised, RNY should still deliver a tidy profit to the Fund. We seized the opportunity of the fallen unit price to add to our position, increasing our potential return.

The Onthehouse Holdings Ltd (OTH) share price also fell during the month, as investors likely questioned whether a revised bid would emerge from the Macquarie/CoreLogic/Dempsey consortium, which had earlier had its indicative non-binding 75.5 cents per share proposal rejected by the OTH Board. Subsequent to month end, the consortium submitted a revised indicative, non-binding takeover proposal for OTH at 85 cents per share. Interestingly, the proposal was described as being final as to price, subject to there being no alternative proposal. Such wording could suggest they are perhaps not completely certain of being the only party interested in OTH... We will observe with great interest how this situation develops in coming weeks.

During the month we received significant cash inflows including the Alchemia Ltd return of capital and the proceeds from a number of merger arbitrage positions, including the Vocus – M2 Communications merger, as well as the Coffey International, iProperty and UXC takeovers. Subsequent to month end, we dispose of the Fund's entire 19.9% holding in Alchemia Ltd.

Other fluctuations in the portfolio were minor in quantum.

Investment Portfolio

	February 2016	January 2016
Listed Equities	84%	94%
Cash or Cash Equivalents	16%	6%
Number of investments	31	34

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
29 Feb 16	ACL	Alchemia Ltd – ceasing to be a substantial shareholder
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:

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Share registry:

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