

# 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](mailto:info@sandoncapital.com.au)

## Monthly Report

As at 31 March 2016

### Net Tangible Assets (NTA)

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

NTA before tax	<b>\$0.9380</b>
Deferred tax asset	<b>\$0.0305</b>
Deferred tax liability on unrealised income and gains	<b>(\$0.0255)</b>
NTA after tax	<b>\$0.9430</b>

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 31 March 2016 <sup>1</sup>	1 Month	Financial YTD	Since inception <sup>1,2</sup>
SNC	2.8%	7.9%	6.0%
Small Ordinaries Accumulation Index	5.5%	8.1%	5.4%
<b>Outperformance</b>	<b>-2.6%</b>	<b>-0.2%</b>	<b>0.6%</b>

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	<b>SNC</b>
Listed	<b>23 Dec 2013</b>
Gross assets	<b>\$41.9m</b>
Market capitalisation	<b>\$37.6m</b>
NTA before tax	<b>\$0.9380</b>
Share price	<b>\$0.85</b>
Shares on issue	<b>44,260,206</b>
Options on issue	<b>nil</b>
Fully franked dividends	<b>\$0.07</b>
Dividend yield	<b>5.9%</b>

### 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 12.5% 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 2.8% in March.

The main contributor to the month's return was Onthehouse Holdings Limited (OTH), whose share price rose closer to the indicative non-binding offer of 85 cents per share made by the Dempsey/Macquarie/CoreLogic consortium. The four week non-exclusive due diligence period ends shortly, so shareholders will soon learn whether the indicative proposal becomes a binding offer. BlueScope Steel Ltd (BSL) also made a positive contribution as the share price continued to rise following better than expected half year results and growing expectations of further upside in BSL's operating performance as a result of improving regional steel spreads.

During the month, the SNC disposed of its 19.9% rump stake in Alchemia Ltd, following the 9.3 cents per share return of capital during February. This brought to an end a very successful investment for the Fund, which resulted in a total return of approximately 10.1 cents per share for shares that were largely acquired at approximately 5.3 cents per share a little over nine months ago.

In early March, Tatts Group Ltd (TTS) found itself on the losing side of the long-running Victorian pokies compensation case, when the High Court upheld the Victorian Governments appeal against the \$540 million settlement. Financial markets had considered a win almost a certainty, so the loss was a surprise to most. We had considered the probability a 50/50 proposition. Despite the financial significance of this loss, the effect on our valuation thesis is minimal. When we consider the renewal of the NSW Gaming Monitoring license announced in February 2016 (which in our valuation we assumed would not be renewed) and an improvement in the net cash position at the half year reporting date, the effect of these positives offset against the negative of the High Court outcome led to a reduction in our valuation of approximately 15 cents per share, which we do not consider significant.

Cash holdings provide a great deal of flexibility to take advantage of a number of investment opportunities. Continued volatility in financial markets has provided a number of opportunities for the fund, including a number of merger-arbitrage opportunities and the building of a stake in an activist opportunity. We expect to disclose this opportunity in the next 4-8 weeks.

## Investment Portfolio

	March 2016	February 2016
Listed Equities	88%	84%
Cash or Cash Equivalents	12%	16%
Number of investments	33	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
4 Dec 15	SCY NZ	Smiths City Group Ltd
30 Dec 15	OTH	Onthehouse Holdings Ltd
5 Jan 16	AIK	Armidale Investment Corporation Limited
29 Feb 16	ACL	Alchemia Ltd – ceasing to be a substantial shareholder
23 Mar 16	CYG	Coventry 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:

Sandon Capital Investments Limited

Tel: 02 8014 1188

Fax: 02 8084 9918

Website: [www.sandoncapital.com.au](http://www.sandoncapital.com.au)

Share registry:

Link Market Services

Tel: 1300 554 474 (toll free within Australia)

Email: [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)

Fax: +61 2 9287 0303

Postal Locked Bag A14, Sydney

Address: South NSW 1235