

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 30 September 2016

Net Tangible Assets (NTA)

The net tangible assets per share for Sandon Capital Investments Limited (SNC) as at 30 September 2016 were:

NTA before tax	\$1.0203
Deferred tax asset	\$0.0059
Deferred tax liability on unrealised income and gains	(\$0.0266)
NTA after tax	\$0.9996

Note: The NTA figures reported above are after the payment of 9.0 cents per share of fully franked dividends but before the payment of the 3 cents per share fully franked final dividend declared on 18 August 2016. Shares will go ex-dividend on 21 October 2016.

Investment Performance

Gross Performance to 30 September 2016 ¹	1 Month	Financial YTD	Since inception ²
SNC	2.3%	10.0%	10.2%
All Ordinaries Accumulation Index	0.5%	5.1%	7.2%
Outperformance	1.8%	4.8%	3.1%

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 table below shows the SNC dividend history.

Ex-date	Dividend Amount	Franking	Type
21 October 2016	3.0 cps	100%	Final
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	\$46.1m
Market capitalisation	\$40.2m
NTA before tax	\$1.0203
Share price	\$0.91
Shares on issue	44,260,206
Options on issue	nil
Fully franked dividends	\$0.05
Dividend yield	5.5%

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 13.0% 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 Portfolio delivered a 2.3% return for September.

The main positive contribution came from Armidale Investment Corporation Ltd (AIK) whose share price ended the month at 14 cents following the completion of a 1-for-5 rights issue and placement at 11 cents per share. AIK now has to deliver on expectations, something we believe they will achieve. In time, we believe investors will come to better understand the growth potential offered by AIK as it creates a consolidation platform with the asset finance broking space, a \$42 billion market of which it already accounts for \$2 billion in financing.

Fleetwood Corporation Limited (FWD) made a positive contribution to returns in September (~0.6%). We continue to advocate for changes at FWD and have released an update to our analysis that incorporates some key issues that we believe require addressing post the release of the FY2016 annual report and full financial statements. This analysis is available on the Sandon Capital website.

Our investment in Acorn Capital Investment Fund Ltd (ACQ) also delivered a solid return (~0.4%) as its investment performance continued to deliver strong results, though the shares continue to trade at a meaningful discount to NTA (approximately 14%).

Detractors to the month's performance included BlueScope Steel Ltd (~-0.5%) and Coventry Group Ltd (CYG) (~-0.6%). Although CYG has been one of our poorest performing investments, we remain supportive of the strategy being pursued by new Chairman Neil Cathie and MD Peter Caughey. We believe they are laying a solid foundation for CYG's recovery, though it may be some time before the share market is prepared to reward them. We'd encourage readers to take a few minutes to read Mr Cathie's Chairman's report. It is one of the most unvarnished, forthright, and informative (and hence best) Chairman's reports your investment team has read in a long time. Readers will understand what the company is trying to achieve, appreciate the challenges it faces, and be a little wiser about the company. Unfortunately, most companies in CYG's condition would succumb to the temptation to "accentuate the positive" and obfuscate the challenges.

Onthehouse Holdings Ltd (OTH) shareholders have now voted in favour of the scheme proposal at 85 cents per share. Although this represents a substantial gain for the Fund, which began acquiring OTH shares below 50 cents per share, we believe the 85 cents per share undervalued the company. Indeed, we could not bring even ourselves to vote for the proposal, but in recognition of the significant gain we did not go as far as voting against it. We fully expect OTH to re-emerge as a listed company in years to come, perhaps under a different name, but at prices that will astound most shareholders who gratefully accepted 85 cents. OTH has a unique, irreplaceable competitive position that we expect its new owners will fully capitalise upon. The sale of OTH will bolster the Fund's cash levels by around 8%. Cash levels ended the month at approximately 2%.

We have continued to accumulate shares in new activist prospects but remain quite inactive in M&A arbitrage opportunities.

Investment Portfolio

	September 2016	August 2016
Listed Equities	98%	95%
Cash or Cash Equivalents	2%	5%
Number of investments	33	36

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
23 Mar 16	CYG	Coventry Group Ltd
27 Apr 2016	RNY	RNY Property Trust
12 May 2016	FWD	Fleetwood Corporation Ltd
13 Jul 16	OTH	Onthehouse Holdings Ltd
2 Aug 16	SCY NZ	Smiths City Group Ltd
5 Aug 16	CND	Clarius Group Ltd
29 Aug 16	AGS	Alliance Resources Ltd
30 Sep 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