

SANDON CAPITAL

Sandon Capital Investments Limited
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Monthly Report

As at 30 April 2016

Net Tangible Assets (NTA)

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

NTA before tax	\$0.9326
Deferred tax asset	\$0.0321
Deferred tax liability on unrealised income and gains	(\$0.0320)
NTA after tax	\$0.9327

Note: The NTA figures reported above are after the payment of 9.0 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 30 April 2016 ¹	1 Month	Financial YTD	Since inception ^{1,2}
SNC	2.0%	10.1%	6.7%
Small Ordinaries Accumulation Index	3.0%	11.4%	6.6%
Outperformance	-1.0%	-1.3%	0.1%

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 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	\$41.8m
Market capitalisation	\$36.3m
NTA before tax	\$0.9326
Share price	\$0.82
Shares on issue	44,260,206
Options on issue	nil
Fully franked dividends	\$0.05
Dividend yield	6.1%

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 12.6% 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 return of 2.0% in April.

The main contributor (~1.7%) to this month's return was Fleetwood Corporation (FWD). We have been acquiring shares since September 2015 and recently lodged a substantial shareholder notice in the company after forming an association with Mercantile Investment Company. Despite the recent increase in share price, we believe FWD continues to trade at a substantial discount to our assessment of its intrinsic value, and indeed at a discount to our assessment of fire sale value. We believe FWD has the potential to become a significant contributor to returns over the medium term.

Detractors included Onthehouse Holdings Limited (OTH), whose share price declined as there were no updates regarding the progress of the Dempsey/Macquarie/CoreLogic consortium takeover proposal. Subsequent to month end, OTH announced the sale of its consumer online division for \$3 million cash to CoreLogic. We see this sale as being positive for the value of OTH as it now ends the cash bleed from this business unit, and crystallises value (>\$3m, or ~4cps) for an asset that was otherwise going to be shut down. All things being equal, we see this as improving the overall value of OTH. The strong cash-generative nature of the real estate solutions business should now become even more apparent. OTH shareholders will surely be asking, as we are, how this improvement in value can be delivered to shareholders in any corporate transaction.

The other main detractor (~0.5%) during the month was Antares Energy Ltd (AZZ) where administrators were appointed to the company. Although we could wax lyrical about how the company failed in complying with its continuous disclosure obligations (which is why ASX suspended it) and make all sorts of other criticisms of its corporate governance, the end result is that we made a dud investment and did not act quickly enough to exit the position while we had the opportunity. Such lessons are ideally learned vicariously, but as this was first hand, it is learned all the better.

We have a few merger arbitrage positions that are expected to come to fruition before 30 June.

Investment Portfolio

	April 2016	March 2016
Listed Equities	93%	88%
Cash or Cash Equivalents	7%	12%
Number of investments	32	33

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
27 April 2016	RNY	RNY Property Trust
12 May 2016	FWD	Fleetwood Corporation 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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Website: www.sandoncapital.com.au

Share registry:

Link Market Services

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