

# 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 July 2016

### Net Tangible Assets (NTA)

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

NTA before tax	<b>\$0.9937</b>
Deferred tax asset	<b>\$0.0059</b>
Deferred tax liability on unrealised income and gains	<b>(\$0.0231)</b>
NTA after tax	<b>\$0.9765</b>

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 31 July 2016 <sup>1</sup>	1 Month	Financial YTD	Since inception <sup>2</sup>
SNC	6.3%	6.3%	9.5%
Small Ordinaries Accumulation Index	8.6%	8.6%	10.4%
<b>Outperformance</b>	<b>-2.3%</b>	<b>-2.3%</b>	<b>-0.9%</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 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>\$45.3m</b>
Market capitalisation	<b>\$36.7m</b>
NTA before tax	<b>\$0.9937</b>
Share price	<b>\$0.86</b>
Shares on issue	<b>44,260,206</b>
Options on issue	<b>nil</b>
Fully franked dividends	<b>\$0.05</b>
Dividend yield	<b>5.8%</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 12.6% 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 Portfolio delivered a return of 6.3% in July. We have continued to handily outperform the large cap index over the last twelve months, however the small cap index has been far stronger. The returns of that index have predominantly been driven by a handful of stocks whose share prices have risen spectacularly as some investors are prepared to pay almost anything for growth, real or perceived. We believe investors buying some of those companies at these prices will likely face permanent losses of capital in the near future or at best will experience far lower returns than expected. Needless to say, we've not been invested in these companies, as they do not meet our activist value investing criteria. We've had periods before where the market has raced ahead of our slow-and-steady approach yet we remain faithful to our tried and trusted methodology. Some of you may have read comments in the press by one of the world's most successful investors, Howard Marks of Oaktree Capital, who speaks of sticking with the 'creed' – well, we are professed and committed to our particular activist value creed.

The main contributor (~2.5%) to this month's return was BlueScope Steel Ltd (BSL), whose shares rose 33% following a 26% upgrade to second half FY16 EBIT guidance, less than two months after the previous increase in guidance. The BSL share price has now more than doubled since we first purchased shares in early 2015. Importantly, this performance has been driven by significant fundamental improvements in the performance of the company and a very deft strategic move to acquire full ownership of the US-based Northstar asset. We commend the Board and Management.

Another strong contributor (~0.9%) to the month's result was Fleetwood Corporation Ltd (FWD), whose shares rose 11% during the month. We made mention in the last monthly report that we had released a presentation in June detailing our investment thesis for FWD. We are eagerly awaiting the release of FWD's full year results for a further update on how the company intends to turn around its underperforming businesses, of which there are several. We expect the full year result to be released towards the end of August.

Onthehouse Holdings Ltd (OTH) also made a positive contribution to the month's result (~0.9%) following the announcement of the Scheme of Arrangement at 85 cents per share. As noted in last month's report, we have increased our position in OTH and will consider our position in respect of the scheme proposal closer to the time of the meeting.

The main detractor for the month was Warrnambool Cheese & Butter Factory Holdings Ltd (WCB) (~-0.9%), whose shares fell following the completion of the entitlement offer (that we had objected to by way of a Takeovers Panel application). We exercised all the Funds entitlements and applied for some shortfall shares. We believe that in time – possibly, quite some time – Saputo will move to take 100% ownership of WCB.

Changes in the prices of the Fund's other holdings were immaterial to overall performance. Cash levels ended the month at approximately 3%.

## Investment Portfolio

	July 2016	June 2016
Listed Equities	97%	95%
Cash or Cash Equivalents	3%	5%
Number of investments	35	35

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
5 Jan 16	AIK	Armidale Investment Corporation Limited
23 Mar 16	CYG	Coventry Group Ltd
27 April 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

*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