

SANDON CAPITAL

Sandon Capital Activist Fund

August 2020 Monthly Report

Entry/Exit Prices: \$1.7598/\$1.7458

Performance Results (calculated net of all fees, assuming reinvestment of distributions and using unit mid-price. Indices are before fees.)

	1 month	1 year	3 years (p.a.)	5 years (p.a.)	10 years (p.a.)	Annualised since Fund inception	Annualised volatility since Fund inception	Total Return since Fund inception
SCAF	12.9%	6.8%	6.2%	8.9%	10.9%	11.0%	13.1%	213.9%
S&P/ASX 200 Accum.	2.8%	-5.1%	6.1%	7.5%	7.8%	7.4%	13.5%	119.1%
Small Ordinaries Accum.	7.2%	2.1%	8.0%	10.5%	4.7%	4.6%	16.8%	64.6%
Cash	0.0%	0.6%	1.4%	1.6%	2.5%	2.7%	4.5%	33.8%

Portfolio Exposures

Net Exposure	95%	Long Positions	34
Net Cash	5%	Short Positions	1

Fund Commentary

The Fund return for August 2020 was 12.9%, bringing total returns (net of all fees and expenses) since inception to the equivalent of 11.0% per annum. Cash levels ended the month at approximately 5%.

Key contributors to the month's returns were Fleetwood Corporation Ltd (FWD) (~2.9%) Coventry Group Ltd (CYG) (~2.0%), Alliance Resources Ltd (AGS) (~1.7%), BCI Minerals Ltd (BCI) (~1.6%) and Consolidated Operations Group Ltd (COG) (~1.3%). Detractors were few and had a minimal impact on the Fund's performance for the month.

Last month we wrote that FWD shares fell on no meaningful news. This month FWD announced its result, which was expectedly poor with another statutory loss, the fifth reported loss in the past six years. The Building Solutions business reported an 18% increase in revenues with a sharp fall in profitability. RV Solutions, which services the caravan and campervan markets saw falls in both revenues and profitability. The company proffered excuses for the poor performance, as it does each time it delivers poor results.

There was a silver lining in the Accommodation Services business, where the occupancy rates at the Searipple accommodation village in Karratha rose in the second half of the year due to changes in staffing rosters as a result of the COVID-19 pandemic. There were also benefits from increased maintenance and shutdown activity on projects in the surrounding areas.

Fleetwood resumed paying dividends, announcing a final ordinary dividend of 5 cents per share as well as a 7 cents per share special dividend, both fully franked. We suspect part of FWD's share price performance was due to investors buying the stock for the dividend. FWD's operating performance remains concerning. In the past 5 years, FWD has incurred impairments of more than \$124 million. Readers should note that the company's market capitalisation is presently \$170 million. We consider the impairment figure a staggering amount, both in absolute dollar terms and even more so when considered relative to the size of the company. Where is the accountability?

COG reported its full year results, which had been largely pre-empted by their earlier trading update. An inaugural fully franked dividend of 0.152 cents per share was declared. After month end, COG announced it had increased its stake in Westlawn Finance Ltd to 51%, giving it control. COG advised that Westlawn's "funding activities would be expanded to include the establishment of a managed investment scheme which will increase funds under management..." We believe this seemingly innocuous statement belies the significant potential this move may bring if it can be successfully executed. In this low interest rate environment, there is significant investor demand for quality yield investments. This initiative should provide COG with an additional funding source to expand its own product offerings to SME borrowers through its broker network. It will also provide a more "capital light" source of funding compared to the current debenture programme.

We continue to accumulate shares in several new companies which we look forward to discussing in the future.

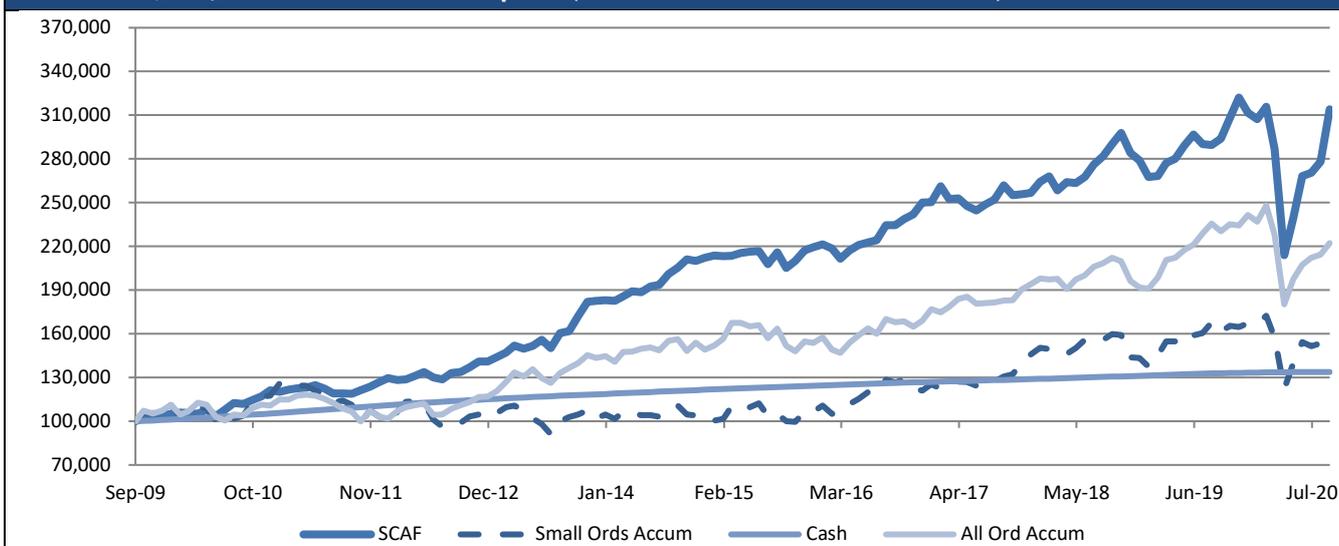
Fund Description

The objective of the Fund is to deliver returns to investors through a combination of capital growth and distributions. The Fund aims to achieve this objective by seeking to invest in opportunities that are considered by Sandon Capital to be trading below their intrinsic value and that offer the potential of being positively influenced by investors taking an active role in proposing changes in the areas of corporate governance, capital management, strategic and operational issues, management arrangements and other related activities. Neither returns nor capital are guaranteed.

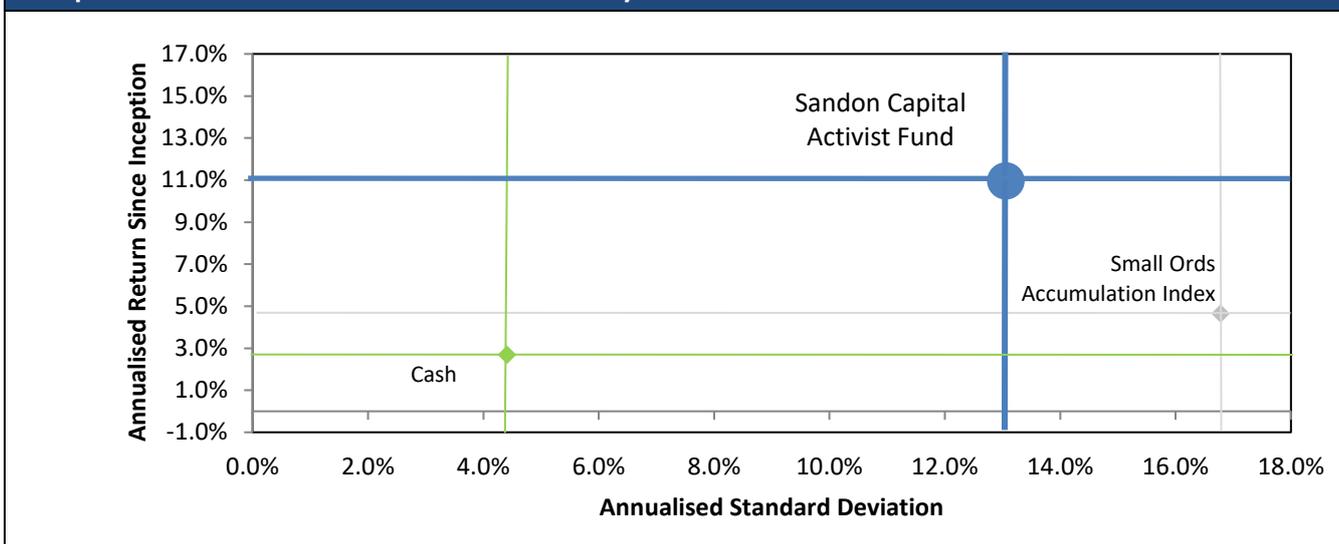
Fund Details

Structure	Wholesale unit trust	Minimum Investment	\$250,000 (or as agreed with trustee)
Trustee	Fundhost Ltd	Trustee Fees	0.21%
Custodian	National Australia Bank	Management Fees	1.33%
Fund Auditor	EY	Performance Fees	15.375% of returns above cash
Investment Manager	Sandon Capital Pty Ltd	Highwater Mark	Yes
Website	www.sandoncapital.com.au	Buy/Sell Spread	±0.40%
Inception	4 Sep 2009	Applications/Withdrawals	Monthly/Quarterly

Growth of \$100,000 invested since inception (assumes reinvestment of distributions)



Comparison of Annualised Return versus Volatility



Source for all charts: Sandon Capital, Bloomberg

Note: SCAF returns are net of all fees and expenses. Fund inception is 4 September 2009.

Fundhost Limited (ABN 69 092 517 087) (AFSL 233045) ("Fundhost") as trustee of, and issuer of units in, the Sandon Capital Activist Fund ("Fund"). Sandon Capital Pty Limited (ABN 98 130 853 691) (AFSL 331 663) ("Sandon Capital") is the Investment Manager of the Fund.

Fund performance is after fees and assumes distributions are reinvested. Past performance is not a reliable guide to future performance. This information has been prepared without taking into account your investment objectives, financial situation, or needs. Before making an investment decision you should consider the appropriateness of the information having regard to these matters. Before you invest it is important that you read and understand the terms set out in the Sandon Capital Activist Fund Information Memorandum ("IM") dated July 2019. In particular, it is important that you understand the risks associated with an investment in the Fund set out on page 5 of the IM.

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