

# SANDON CAPITAL

## Sandon Capital Activist Fund

May 2020 Monthly Report

Entry/Exit Prices: \$1.5034/\$1.4915

### 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	12.1%	-9.6%	3.1%	4.4%	10.0%	9.6%	12.7%	168.2%
S&P/ASX 200 Accum.	4.4%	-6.7%	4.3%	4.3%	7.2%	7.0%	13.6%	106.6%
Small Ordinaries Accum.	10.6%	-2.9%	7.5%	6.6%	4.4%	4.1%	16.8%	54.4%
Cash	0.0%	1.0%	1.5%	1.7%	2.7%	2.7%	4.3%	33.7%

### Portfolio Exposures

Net Exposure	99%	Long Positions	34
Net Cash	1%	Short Positions	1

### Fund Commentary

The Fund return for May 2020 was +12.1%, bringing total returns (net of all fees and expenses) since inception to the equivalent of 9.6% per annum. Cash levels ended the month at approximately 1%, though we expect to receive cash proceeds imminently from the voluntary winding up of OneMarket Ltd which will boost cash levels by >10%.

The portfolio continued to recover some of its recent mark-to-market losses, although there is still much work to do to recover this drawdown. Gains in the portfolio this month were more concentrated than last month. The main contributors to the positive performance were Coventry Group Ltd (CYG) (+2.9%), Alliance Resources Ltd (AGS) (+2.7%) and Fleetwood Corporation Ltd (FWD) (+2.3%).

CYG's share price continued to recover during May. The only announcement from the company was that it was renewing its on-market share buy-back. CYG provided a trading update in June 2019 prior to the end of the fiscal year and we would expect a similar update this year given the turbulent environment in the Australian & New Zealand economies arising from the COVID-19 pandemic. Since the onset of the pandemic, CYG has noted that sales performance in Australia has been in line with pre-COVID-19 expectations, although the same cannot be said for New Zealand as a result of the mandated suspension of operations in the company. Now that the New Zealand economy has been re-opened, we expect a reasonably quick return of sales and profits. The company's predominant exposure to the industrial economy (commercial construction, infrastructure and mining) should mean that sales have held up reasonably well during the worst of the pandemic in Australia.

AGS rose strongly after announcing an entitlement offer to help fund further exploration, resource definition and feasibility study work at its Weednanna gold deposit in the Gawler Craton in South Australia. The entitlement offer, priced at 8 cents per share, followed earlier announcements of drilling results at Weednanna and soil sampling at its Nepean nickel-gold project near Coolgardie in Western Australia. The share price promptly rose from 8.4 cents to close the month at 18 cents per share. Needless to say, the Fund exercised all its entitlements to shares at the 8 cent subscription price.

The FWD share price continued to rise, though there were no operational or performance updates. Late in the month, FWD announced the appointment of a new COO of the Building Solutions divisions. It also announced the appointment of a new director, Martin Monro. Mr Monro's most recent executive role was as CEO of construction company Watpac Ltd (WTP). WTP had been the focus of a campaign by Sandon Capital due to its poor operating performance and acceptance of a lowball takeover offer from BESIX Group. Our campaign focusing on WTP can be found on our website under the "Campaigns" tab.

COVID-19 restrictions in Australia continue to ease and businesses are resuming activities. There remain some interstate travel restrictions, which will impinge on Australia-wide economic activity, especially tourism. As restrictions are lifted, close attention is being paid to whether any "second wave" of infections emerges.

We continue to accumulate shares in a number of new companies which we look forward to discussing at some point in the future.

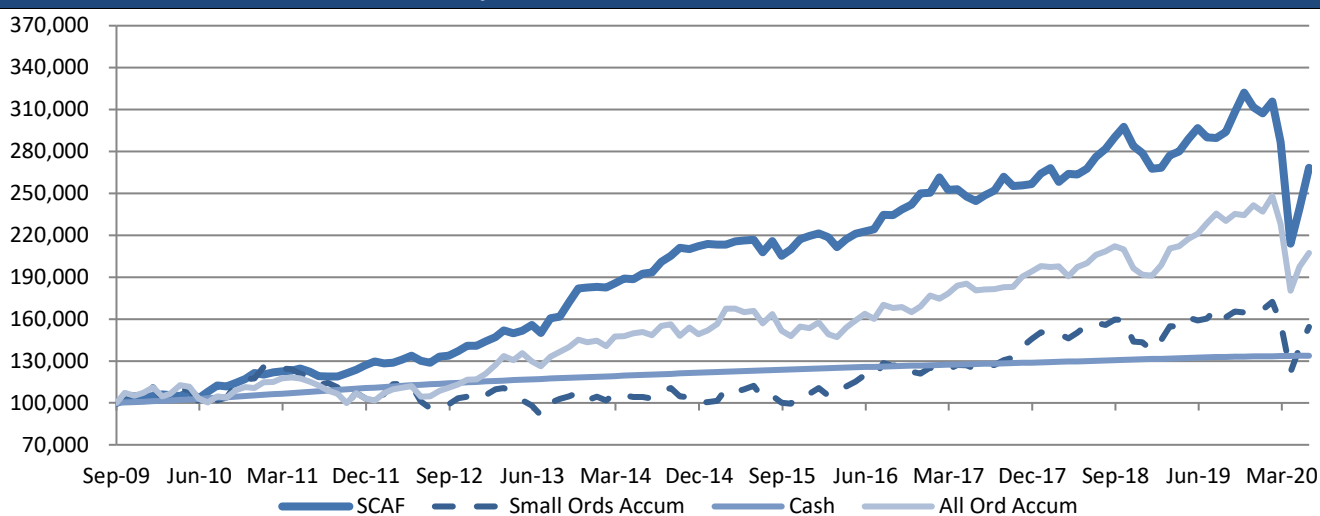
## Fund Description

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.

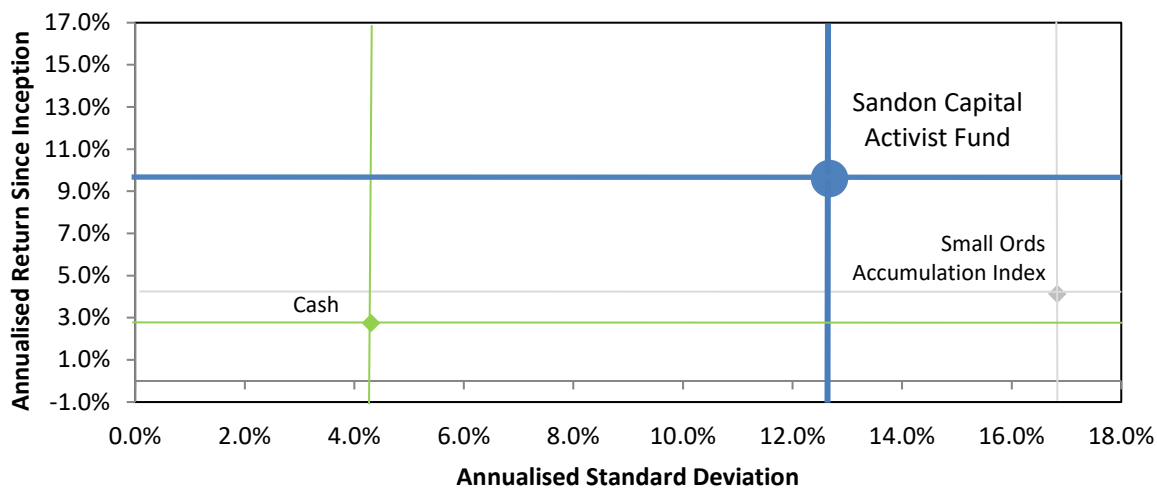
## Fund Details

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.

Information provided by the Investment Manager are views of the Investment Manager only and can be subject to change. While information in this report is given in good faith and is believed to be accurate, Fundhost and Sandon Capital give no warranty as to the reliability or accuracy of the information, nor accept any responsibility for any errors or omissions of third parties. To the extent permitted by law, neither Fundhost nor Sandon Capital, including their employees, consultants, advisors, officers or authorised representatives are liable for any loss or damage arising as a result of reliance placed on the contents of this report.