

SANDON CAPITAL

Sandon Capital Activist Fund

April 2019 Monthly Report

Entry/Exit Prices: \$1.8049/\$1.7905

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 yrs (p.a.)	5 yrs (p.a.)	Annualised since Fund inception	Annualised volatility since Fund inception	Total Return since Fund inception
SCAF	3.2%	9.7%	8.8%	8.9%	11.6%	8.0%	189.0%
S&P/ASX 200 Accum.	2.4%	10.4%	11.1%	7.5%	8.4%	11.7%	117.7%
Small Ordinaries Accum.	4.1%	7.2%	11.8%	9.1%	5.1%	14.7%	61.1%

Net Monthly Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2010	1.0%	-0.3%	-0.7%	2.9%	-4.2%	4.2%	4.4%	-0.6%	2.3%	2.4%	3.5%	-0.9%	14.5%
2011	1.3%	0.6%	0.5%	1.3%	-1.9%	-2.7%	-0.1%	-0.1%	1.9%	2.1%	2.5%	2.2%	7.8%
2012	-1.0%	0.4%	1.8%	2.1%	-2.8%	-1.0%	3.3%	0.5%	2.5%	2.8%	0.1%	2.2%	11.1%
2013	2.1%	3.2%	-1.4%	1.3%	2.8%	-3.7%	6.9%	0.7%	6.5%	5.7%	0.3%	0.3%	27.1%
2014	-0.3%	1.6%	1.9%	-0.3%	2.0%	0.5%	3.9%	2.1%	2.8%	-0.5%	1.0%	0.8%	16.7%
2015	-0.2%	0.0%	1.0%	0.3%	0.2%	-4.1%	3.9%	-4.9%	2.3%	3.5%	1.0%	0.9%	3.6%
2016	-1.3%	-3.3%	2.7%	1.8%	0.8%	0.7%	4.6%	0.0%	1.7%	1.5%	3.3%	0.1%	13.1%
2017	4.4%	-3.4%	0.2%	-2.0%	-1.3%	1.7%	1.3%	3.9%	-2.6%	0.2%	0.4%	2.9%	5.5%
2018	1.4%	-3.6%	2.2%	-0.2%	1.6%	3.1%	2.1%	3.0%	2.6%	-4.6%	-1.8%	-4.0%	1.3%
2019	0.2%	3.3%	1.0%	3.2%									8.0%

Portfolio Exposures

Net Exposure	96%	Long Positions	33
Net Cash	4%	Short Positions	2

Fund Commentary

The Fund return for April 2019 was 3.2%, bringing total returns (net of all fees and expenses) since inception to the equivalent of 11.6% per annum. Cash levels ended the month at approximately 4%.

The main contributors to this month's result were OneMarket Ltd (~1.8%), Coventry Group Ltd (~0.6%) and City Chic Collective Ltd (~0.6%), with the main detractor being Consolidated Operations Group Ltd (~-0.7%).

We have discussed in previous monthly reports that our mergers and arbitrage file was bulging. Following the approval of a recent transaction, we are taking the opportunity to provide more insight into such activity. At month end, shareholders of Highlands Pacific Limited (HIG) approved its takeover by Cobalt 27 Capital Corp (KBLT). We first started buying HIG in early January 2019 after the company announced it had entered into a scheme implementation agreement with KBLT. An investment in HIG was offering an annualised rate of return of ~15%. In our estimation, there was a low risk of the deal not proceeding given the Scheme was recommended by the Board and over 30% of shareholders had stated publicly their intention to vote in favour of the Scheme in the absence of a superior proposal. Australia's "truth in takeovers" regulations are useful in such circumstances as shareholders can be held to account for their public statements.

However, a twist in the Scheme existed that allowed us to potentially generate an even better return. KBLT were offering an additional 1c per share in scheme consideration if the closing spot price of nickel exceeds US\$13,220 per tonne for 5 consecutive trading days prior to 31 December 2019. This free option was completely overlooked by the market at the time we bought HIG. Since the Scheme was announced, the nickel price has crossed the \$13,220 per tonne threshold for only 2 consecutive days. Now that the Scheme has been approved, we will receive scheme consideration on 17 May. We also retain our 'free' call option over the nickel price until the end of the year. Should the contingent consideration be eventually triggered and paid, our already attractive annualised return of ~15% will be significantly improved.

Whilst cash levels are currently at historically low levels, we do expect ~15% of the portfolio to be returned as cash by mid-July, including ~5% in May. We continue to find attractive opportunities to redeploy this cash.

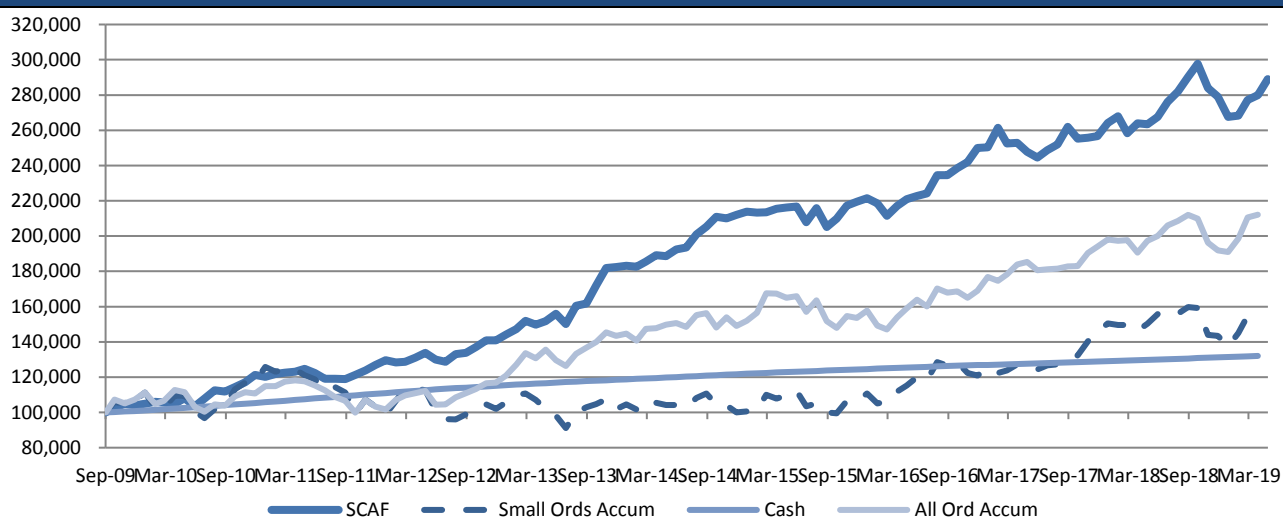
Fund Description

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.

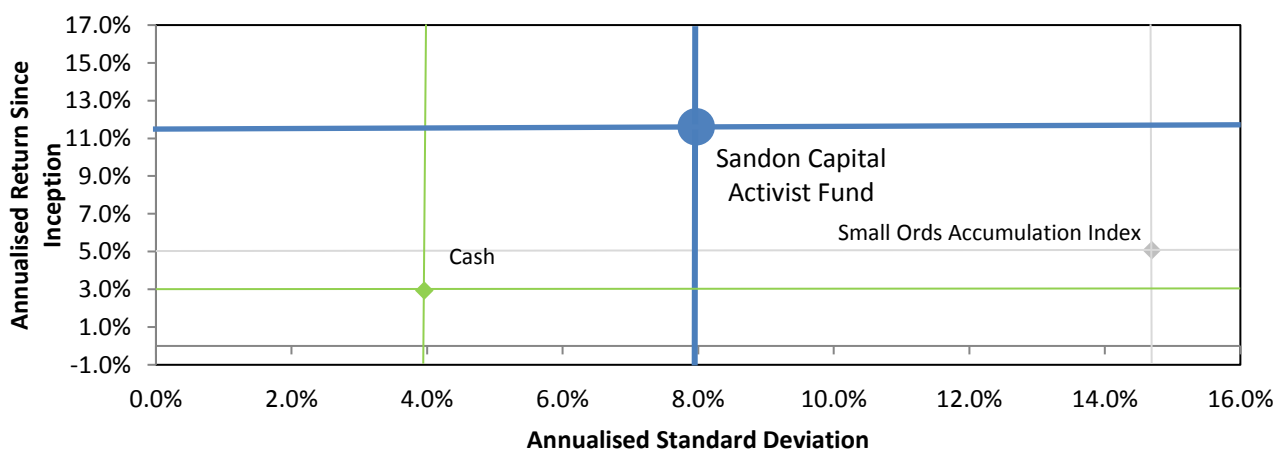
Fund Details

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 25 October 2013. In particular, it is important that you understand the risks associated with an investment in the Fund set out on page 6 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.