

# SANDON CAPITAL

## Sandon Capital Activist Fund

February 2019 Monthly Report

Entry/Exit Prices: \$1.7309/\$1.7171

**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	3.3%	7.3%	9.4%	8.3%	11.3%	8.0%	177.1%
S&P/ASX 200 Accum.	6.0%	7.1%	12.9%	7.3%	8.2%	11.8%	111.1%
Small Ordinaries Accum.	6.8%	3.5%	13.4%	7.7%	4.7%	14.8%	54.9%

### 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%											3.5%

### Portfolio Exposures

Net Exposure	92%	Long Positions	38
Net Cash	8%	Short Positions	2

### Fund Commentary

The Fund return for February 2019 was 3.3%, bringing total returns (net of all fees and expenses) since inception to the equivalent of 11.3% per annum. Cash levels ended the month at approximately 8%.

The main contributor to this month's results was City Chic Collective Ltd (CCX), formerly known as Specialty Fashion Group Ltd, which contributed approximately 2.7%. It would appear that CCX has completed its "make-over" in the eyes of investors. The focus is now on wholly on CCX's growth profile. We remain excited by the company's prospects.

Consolidated Operations Group Ltd (COG) was the next largest contributor (~0.7%). COG's result for the half year were satisfactory. The results, and the accompanying presentation, provided further insight into the opportunity that exists in the broker/aggregator business. COG now estimates that it has a 17% share of the broker originated net asset financing market in Australia (it last estimated a 14% share). If COG can be successful in developing in-house products and competitive new funding sources, we anticipate returns could, in time, be significant. There is also strategic value in the distribution network to those who might already have such products or sources of funding. COG also confirmed in its results presentation that "*enquiries are received from time to time, however to date they have been informal and preliminary in nature.*" We remain wary of the risk of COG being acquired for well below what we consider its true worth.

Fleetwood Corporation Ltd (FWD) was the main detractor (~-1.1%). We were disappointed by the result and the Company's perennially upbeat view in the face of underperforming operations.

Corporate activity seems to be increasing with our mergers and arbitrage files bulging. Not all such deals make it into the portfolio, but a few recent ones have. These are announced and agreed deals, with expected internal rates of return in excess of 10% (and some well in excess of this rate).

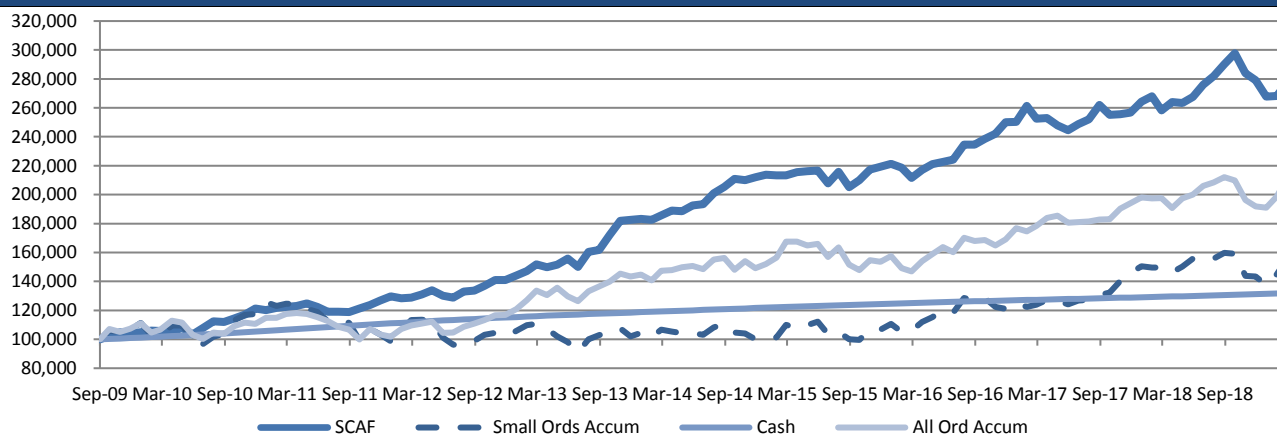
### Fund Description

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.

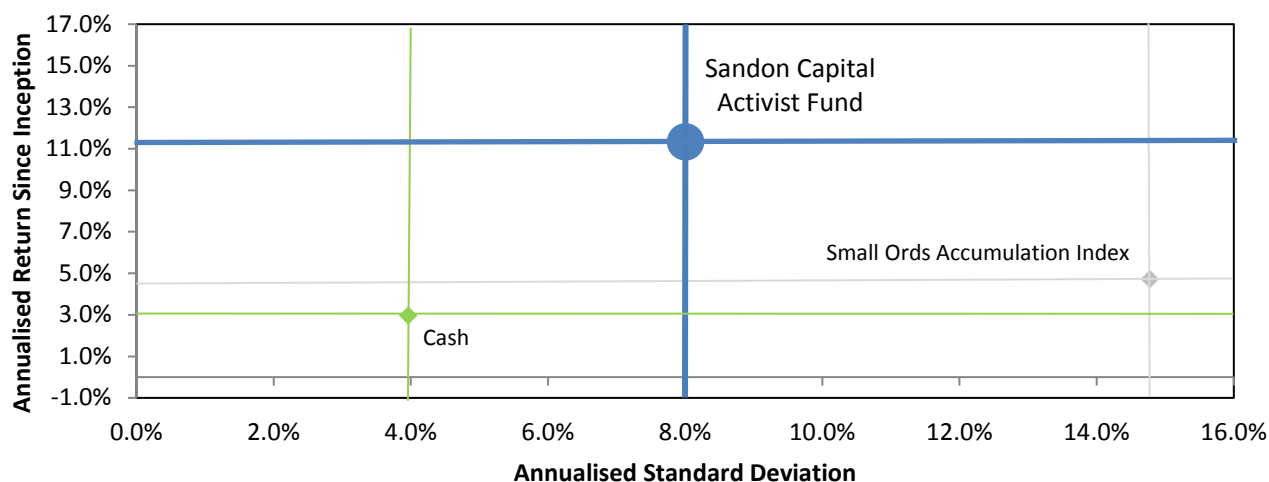
#### Fund Details

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.