

SANDON CAPITAL

Sandon Capital Investments Limited
ACN 107 772 467

Level 5, 139 Macquarie Street, Sydney
Telephone: (02) 8014 1188
Email: info@sandoncapital.com.au

Monthly Report

As at 31 December 2018

Net Tangible Assets (NTA)

The net tangible assets per share for Sandon Capital Investments Limited (SNC) as at 31 December 2018 were:

NTA before tax	\$0.9192	-4.6%
Deferred tax asset	\$0.0009	
Deferred tax liability on unrealised income and gains	(\$0.0281)	
NTA after tax	\$0.8920	-3.4%

Investment Performance

Gross Performance to 31 December 2018 ¹	1 Month	Financial YTD	Since inception ²
SNC	-4.5%	-4.1%	+8.4%
All Ordinaries Accumulation Index	-0.4%	-7.3%	+6.7%
Outperformance³	-4.1%	+3.2%	+1.7%

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.

3. Note figures may not tally due to rounding.

Dividends

SNC has declared and paid 26.0 cents per share of fully franked dividends since listing in December 2013. The Board anticipates declaring an interim dividend of a similar amount to the final dividend paid in November 2018, provided the Company has sufficient profit reserves, franking credits and it is within prudent business practice.

The table below shows the SNC dividend history.

Ex-date	Dividend Amount	Franking	Corporate Tax Rate	Type
23 October 2018	3.5 cps	100%	27.5%	Final
8 May 2018	3.5 cps	100%	27.5%	Interim
23 October 2017	3.5 cps	100%	27.5%	Final
18 May 2017	3.5 cps	100%	30.0%	Interim
21 October 2016	3.0 cps	100%	30.0%	Final
18 April 2016	2.0 cps	100%	30.0%	Interim
22 October 2015	1.0 cps	100%	30.0%	Special
22 October 2015	2.0 cps	100%	30.0%	Final
1 June 2015	2.0 cps	100%	30.0%	Interim
14 October 2014	2.0 cps	100%	30.0%	Special

Sandon Capital Investments Limited

ASX Code	SNC
Listed	23 Dec 2013
Gross assets	\$44.7m
Market capitalisation	\$40.0m
NTA before tax	\$0.9192
Share price	\$0.825
Shares on issue	48,435,427
Options on issue	nil
Fully franked dividends	\$0.07
Dividend yield	8.5%

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 11.1% 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 was down 4.5% in December. Gross portfolio returns since inception are the equivalent of 8.4% per annum, compared to 6.7% per annum for the All Ordinaries Accumulation Index.

The main detractors this month were Fleetwood Corporation Ltd (FWD), City Chic Collective Ltd (CCX), AIMS Property Securities Fund (APW), Consolidated Operations Group Ltd (COG) and Coventry Group Ltd (CYG). These share price falls were mostly on very low volumes, suggesting most shareholders, like us, are content to sit out the price volatility. Disappointingly, there were very few positive contributors to performance during the month.

Although general market malaise probably contributed in part to FWD's decline, we note that the Company arranged an investor tour of its newly acquired MBS business, and released an accompanying presentation to the market. We continue to have concerns about the current Board and senior management's ability to best exploit the opportunities FWD has before it. As we have written before, we believe the incumbents continue to be reluctant to accept responsibility for a number of self-enforced errors that have contributed to the poor performance of the company over many years. The share price has fallen more than 40% since September 2017 and over the longer term, has fallen 90% since mid-2012. We expect more and more shareholders will come to the same conclusions we have: FWD needs real functional changes to thrive.

CCX's share price fell during the month, likely as some investors anticipated soft Christmas trading conditions. Christmas trading has been mixed, as evidenced by some reports from retail companies early in the new year. Kathmandu Holdings Ltd reported disappointing sales and earnings, however Noni B Ltd reported sales and earnings at the top end of market expectations. We believe CCX's omni-channel sales model (bricks and mortar as well as online) and well-defined customer focus places it in good stead to weather any short-term challenges.

During the month, we closed out our two remaining short positions. Both were very profitable. We continue to look for new short opportunities (as well as revisiting old favourites).

Markets have continued to fall globally, though Australia has fared better than the US and Europe. We have previously made brief comments about the factors we believe have contributed to these declines (including rising interest rates, US/China uncertainties and expensive asset prices). We believe these continue to be well and truly at play. The Hayne Royal Commission in Australia appears to be having an impact on the economy, with bank property lending significantly curtailed, and it seems many sectors of the economy are on hiatus from any meaningful decisions pending the outcome of the Federal Election (due by May this year).

The pendulum of "community expectations" continue to swing in the anti-business direction. While the actions of executives (and the directors supposed to be overseeing them) of some businesses deserve the heat they are receiving, we believe there are risks the pendulum may swing too far. Moves to increased government regulation and penalties will ultimately serve to penalise shareholders more than any others. This is why we believe shareholders should take more active interest in what companies are actually doing, rather than just accepting the spin. Where there is a dissonant shareholder voice raising issues, more passive shareholders should be more willing to listen and act accordingly. We believe well-engaged shareholders (the owners of a company) are best placed to reign in corporate malfeasance and excesses, far better than government or the community.

We have taken the opportunity of falling markets to selectively add to some existing positions, though some of the shares we would have most liked to buy did not fall by much. We are also evaluating a number of new opportunities, some of which may make it into the portfolio. On both counts, we remain patient.

Investment Portfolio

	December 2018	November 2018
Listed Equities	93%	99%
Cash or Cash Equivalents	7%	1%
Number of investments	32	34

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

Share registry:

Link Market Services

Tel: 1300 554 474 (toll free within Australia)

Email: registrars@linkmarketservices.com.au