

SANDON CAPITAL

Sandon Capital Investments Limited
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Monthly Report

As at 31 March 2022

Net Tangible Assets (NTA)

The net tangible assets per share for Sandon Capital Investments Limited (SNC) as at 31 March 2022 were:

NTA before tax	\$1.0418	+3.0%
Deferred tax asset	\$0.0003	
Deferred tax liability on unrealised income and gains	(\$0.0443)	
NTA after tax	\$0.9978	+2.6%

Investment Performance

Gross Performance to 31 Mar 2022 ¹	1 Month	1 year	Since inception (p.a.)
SNC	3.0%	11.7%	11.1%
All Ordinaries Accumulation Index	6.9%	15.5%	9.6%
Outperformance ²	-3.9%	-3.7%	1.5%

1. The SNC gross returns are after investment management fees and brokerage expenses but before performance fees and corporate expenses. Index returns are before all fees and expenses and before any taxes. Dividends paid during the period are included when calculating SNC's gross investment performance.

2. Figures may not tally due to rounding.

Dividends

SNC has declared 48 cents per share of fully franked dividends since listing in December 2013. The profits reserve is 29.5 cents per share and there are 7.4 cents per share of franking credits.

SNC's FY22 interim dividend of 2.75cps was declared on 22 February 2022 and will be paid on 1 June 2022. The Board anticipates paying a final dividend for FY22 of 2.75cps, provided the Company has sufficient profit reserves, franking credits and it is within prudent business practice.

The table below shows the most recent SNC dividends. A full list of SNC dividends since the IPO in December 2013 can be found [here](#).

Ex-date	Dividend Amount	Franking	Corporate Tax Rate	Type
16 May 2022	2.75 cps	100%	25.0%	Interim
30 November 2021	1.00 cps	100%	25.0%	Special
19 October 2021	2.75 cps	100%	25.0%	Final
17 May 2021	2.50 cps	100%	26.0%	Interim
21 October 2020	2.50 cps	100%	26.0%	Final
5 May 2020	3.50 cps	100%	27.5%	Interim
21 October 2019	3.50 cps	100%	27.5%	Final
16 May 2019	3.50 cps	100%	27.5%	Interim
23 October 2018	3.50 cps	100%	27.5%	Final
8 May 2018	3.50 cps	100%	27.5%	Interim

Sandon Capital Investments Limited

ASX Code	SNC
Listed	23 Dec 2013
Gross assets*	\$169.8m
Market capitalisation	\$122.4m
NTA before tax	\$1.0418
Share price	\$0.9100
Shares on issue	134,512,848
Options on issue	nil
Fully franked dividends	\$0.055
Dividend yield (annualised)	6.0%
Profits reserve (per share)	29.5cps
Franking (per share)	7.4cps
Loan-to-assets (incl. MVTHA)	17%

*includes the face value of Mercantile 4.8% unsecured notes.

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 12.4% 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 up 3.0% for the month, on a gross basis, after investment management fees and brokerage but before performance fees and corporate expenses, compared to an increase of 6.9% for the All Ordinaries Accumulation Index.

The largest contributors for the month were BCI Minerals Ltd (**BCI**), A2B Australia Ltd (**A2B**) and COG Financial Services Ltd (**COG**). The main detractors were Fleetwood Ltd (**FWD**) and City Chic Collective Ltd (**CCX**).

The spectre of rising interest rates and inflation is well and truly taking hold of financial markets, particularly in the US and Australia. The sources of inflationary pressures are numerous. Last year, central banks described inflationary pressures as transitory, meaning they were not convinced inflation was anything more than a hangover from the pandemic. Today, the US and Australian central banks have abandoned such thinking and are poised to raise rates. In Australia, whatever the root cause, the prices of most inputs into production are rising, labour costs are rising (and indeed in some sectors, there are clear labour shortages) and with longer dated interest rates rising, the cost of capital is rising too.

Although, our investment approach is not predicated in heroic macro-economic predictions, we are not ignorant of the environment in which our companies operate. Our companies are reporting such cost pressures. Our focus is whether these can be mitigated, for example, by those costs being passed on to customers.

BCI, for example, has flagged significant capital cost increases at its flagship Mardie salt and potash project. Fortunately, for now, these increased costs are being more than offset by increases in the market prices for the commodities it will produce.

Geopolitical turmoil, which we think will persist, probably underpins these commodity prices for some time, especially for production in Australia, which is for now considered geopolitically stable.

FWD is another company exposed to increased costs. For example, the costs of steel and timber used in its modular construction have increased substantially. FWD has also been affected by increasing labour costs, particularly in WA. For its recent Centres for National Resilience contract, it was able to mitigate those labour costs to some extent by manufacturing modules in Victoria and Queensland for shipment to Perth. A more disciplined approach to contracting should also help FWD mitigate cost pressures.

Rising commodity prices should also help underpin increased spending on major resources projects around Karratha, where FWD's Searipple accommodation village is located. We expect to see earnings from Searipple grow substantially in coming years with major projects like Woodside's Scarborough LNG expansion, the new Perdaman urea plant and other large scale maintenance work ensuring strong demand for worker accommodation.

Roughly half the portfolio is exposed directly to various rising commodity prices (for example, Iluka Resources Ltd, Deterra Royalties Ltd and Karoon Energy Ltd) and indirectly (though companies like FWD and Coventry Group Ltd, which have operations that service the resources industries). Commodity prices are usually expected to benefit in inflationary conditions.

The portfolio comprises companies we consider represent good value and have potential to improve through careful application of our activist techniques. Today, much of the portfolio has undergone the changes we've sought, so now we look to reap the rewards of those improvements. We continue to look at new opportunities and remain disciplined.

Investment Portfolio

	March 2022
Listed Australian Equities	84%
Listed International Equities	9%
Unlisted investments	6%
Cash or Cash Equivalents	1%

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.

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Share registry:

Link Market Services

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