

SANDON CAPITAL

Sandon Capital Investments Limited
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Monthly Report

As at 30 April 2022

Net Tangible Assets (NTA)

The net tangible assets per share for Sandon Capital Investments Limited (SNC) as at 30 April 2022 were:

NTA before tax	\$1.0173	-2.4%
Deferred tax asset	\$0.0004	
Deferred tax liability on unrealised income and gains	(\$0.0414)	
NTA after tax	\$0.9762	-2.2%

Investment Performance

Gross Performance to 30 Apr 2022 ¹	1 Month	1 year	Since inception (p.a.)
SNC	-2.4%	4.6%	10.7%
All Ordinaries Accumulation Index	-0.8%	10.2%	9.4%
Outperformance²	-1.6%	-5.7%	1.3%

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*	\$166.6m
Market capitalisation	\$119.7m
NTA before tax	\$1.0173
Share price	\$0.8900
Shares on issue	134,512,848
Options on issue	nil
Fully franked dividends	\$0.055
Dividend yield (annualised)	6.2%
Profits reserve (per share)	29.5cps
Franking (per share)	7.4cps
Loan-to-assets (incl. MVTHA)	18%

*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 12.2% 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 2.4% for the month, on a gross basis, after investment management fees and brokerage but before performance fees and corporate expenses, compared to a decrease of 0.8% for the All Ordinaries Accumulation Index.

The largest contributors for the month were COG Financial Services Ltd (**COG**), Fleetwood Ltd (**FWD**) and Spectra Systems PLC (**SPSY LN**), however these were more than offset by A2B Australia Ltd (**A2B**), Yellow Brick Road Holdings Ltd (**YBR**), IDT Australia Ltd (**IDT**), Coventry Group Ltd (**CYG**) and City Chic Collective Ltd (**CCX**).

The COG share price rose 18% for the month after the company provided a very strong trading update. March quarter profits (unaudited NPATA) improved 49% over the same period last year. Profits for the first nine months of FY22 are now 33% ahead of the same period for FY21. Both of the company's divisions – Finance Broking & Aggregation and Funds Management & Lending – performed strongly in what is typically the company's weakest trading period. The building blocks that have been put in place for COG over the past five years are now starting to demonstrate their strong earnings and cash flow potential.

Two of our larger negative contributors for the month – CCX and CYG – both provided solid trading updates. CCX announced in late April that sales growth to date in 2HFY22 was 25%, despite ongoing volatility in demand and supply chains. Pleasingly, this strong sales growth is not coming at the expense of profitability, with trading margins remaining consistent with the prior period. The company's strategy to build inventory is looking more prescient by the day, with China's COVID Zero strategy resulting in port closures and increased supply chain disruption. Whilst the inventory build has impinged on FY22 cash flow, CCX has meaningfully improved its competitive position within the industry, and we expect strong cash flows to result in FY23 as supply chains start to recover and inventory levels are reduced towards somewhat more normal levels.

CYG announced that strong sales growth seen in the first half of the year continued. 3Q sales increased ~8%, predominantly driven by the Trade Distribution business. Top line growth in the Fluid Systems business is currently being negatively impacted by a lack of qualified labour and we do not expect this to be alleviated in the short term. Whilst wage and raw material inflation are currently running at high levels for both businesses, we expect this to be offset by price increases, with profitability growing faster than sales.

Capital markets globally continue to exhibit heightened volatility as central bankers start wringing the excesses of the past decade from the system. High growth equities trading on nose bleed valuations have borne the brunt of the volatility. We believe significant downside remains in many of these names as the market (finally) comes to the realisation that their business fundamentals do not support the valuations being ascribed. Many of the smaller cap names in our portfolio have been caught up in this volatility and have been unduly punished, often on thin volumes. The business fundamentals underpinning many of our investments continue to remain solid and valuations remain undemanding. We believe these ingredients position the portfolio to perform well over the medium to long term. In the short term, we continue to expect significant volatility in markets, however this also provides opportunity. We are taking advantage of this by steadily deploying capital into attractive investments.

Investment Portfolio

	April 2022
Listed Australian Equities	84%
Listed International Equities	10%
Unlisted investments	6%
Cash or Cash Equivalents	0%

Contact

If you have any questions regarding the Company or its investments, please call Gabriel Radzysinski on 02 8014 1188. If you have questions regarding your shareholding, please contact Link, whose details appear below.

Further information:

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Share registry:

Link Market Services

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