

SANDON CAPITAL

Sandon Capital Investments Limited
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Monthly Report

As at 30 June 2022

Net Tangible Assets (NTA)

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

NTA before tax (ex-dividend)	\$0.7998	-11.6%
Deferred tax asset	\$0.0063	
Deferred tax liability on unrealised income and gains	(\$0.0002)	
NTA after tax (ex-dividend)	\$0.8059	-8.9%

Investment Performance

Gross Performance to 30 Jun 2022 ¹	1 Month	1 year	Since inception (p.a.)
SNC	-10.6%	-20.4%	8.0%
All Ordinaries Accumulation Index	-9.4%	-7.4%	7.6%
Outperformance ²	-1.2%	-13.0%	0.4%

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 paid 48 cents per share of fully franked dividends since listing in December 2013. The profits reserve is 26.5 cents per share and there are 6.5 cents per share of franking credits.

SNC's FY22 interim dividend of 2.75cps was 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*	\$141.4m
Market capitalisation	\$99.1m
NTA before tax	\$0.7998
Share price	\$0.7300
Shares on issue	135,764,627
Options on issue	nil
Fully franked dividends	\$0.055
Dividend yield (annualised)	7.5%
Profits reserve (per share)	26.5cps
Franking (per share)	6.5cps
Loan-to-assets (incl. MVTHA)	22%

*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 10.4% 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 down 10.6% 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 9.4% for the All Ordinaries Accumulation Index.

Equity markets were punished in June with inflation, rising interest rates and recession at the top of a long list of investor concerns. The Fund's portfolio did not escape the carnage with many positions down 10-30% despite a dearth of company specific news that would usually justify such share price movements. Positive contributors were few and far between.

The largest detractor for the month was Fleetwood Ltd (FWD) who provided FY22 earnings guidance that was slightly below market expectations. The major cause of concern for FWD in FY22 has been the Ti-Tree Camp project, a contract for Rio Tinto that was tendered for, and ultimately approved by, personnel who are no longer at FWD. This contract had significant civil engineering works that are well outside FWD's area of core expertise (modular building construction and installation). The share price reaction to this news (a fall in market capitalisation of nearly \$50m) was far in excess of its economic impact (approximately \$3-4m). We are confident that the changes at Board and management level over the past 18 months should ensure such projects are avoided in future. Subsequent to month end, FWD announced that it had signed a five-year agreement with Rio Tinto to provide accommodation services at Searipple Village in Karratha. Rio will have exclusive use of 250 rooms for the term of the contract, with the agreement expected to provide a minimum of \$52m of revenue (at what we estimate to be very good margins). We expect this to be the first of a number of agreements signed over the next 6-9 months for accommodation at Searipple. Woodside Energy, Perdam and Yara International all have significant projects around Karratha that are likely to enter construction very soon. Current room availability (including the additional >1,000 rooms that FWD has at Searipple) is likely to fall well short of demand for worker accommodation.

Over the next few weeks, we expect ~2% of the portfolio's holdings to convert to cash as we receive the proceeds from the takeover of Alliance Resources Ltd (AGS) as well as the special dividend and capital return from Ardent Leisure Group Ltd (ALG). Earlier this year, ALG announced the sale of their Main Event business. Following completion of the sale, ALG has \$1.27 per share of net cash, with the shares trading below this level through parts of May and June. In addition to the cash, ALG also owns the Dreamworld theme park in Queensland and the land upon which it sits. We conservatively value the land and operating business at \$300m (48 cents per share), and we were getting this for free at the prices ALG was trading at. Some degree of rationality has since returned to the ALG share price with implied value of the theme park business/land currently around 22 cents per share.

The current market volatility has thrown up a number of investment opportunities. Many good companies have seen their share prices decimated and a number of stocks that have been on our watch list are now approaching attractive buying levels. As mentioned in our recent investor update, our patient, long-term investors provide us with significant advantages, allowing us to take advantage of market turmoil when it presents itself. We thank all of our investors for their continued support. We are as excited about the portfolio and the opportunity set as we have been for many years and believe this will translate to very satisfactory returns for investors over time.

Investment Portfolio

	June 2022
Listed Australian Equities	82%
Listed International Equities	10%
Unlisted investments	8%
Cash or Cash Equivalents	0%

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:

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Share registry:

Link Market Services

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