

SANDON CAPITAL

Sandon Capital Investments Limited
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Monthly Report

As at 31 July 2022

Net Tangible Assets (NTA)

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

NTA before tax (ex-dividend)	\$0.8501	6.5%
Deferred tax asset	\$0.0006	
Deferred tax liability on unrealised income and gains	(\$0.0101)	
NTA after tax (ex-dividend)	\$0.8406	4.5%

Investment Performance

Gross Performance to 31 Jul 2022 ¹	1 Month	1 year	Since inception (p.a.)
SNC	5.6%	-17.9%	8.6%
All Ordinaries Accumulation Index	6.3%	-2.6%	8.2%
Outperformance²	-0.7%	-15.3%	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 30.1 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*	\$147.1m
Market capitalisation	\$105.2m
NTA before tax	\$0.8501
Share price	\$0.7750
Shares on issue	135,764,627
Options on issue	nil
Fully franked dividends	\$0.055
Dividend yield (annualised)	7.1%
Profits reserve (per share)	30.1cps
Franking (per share)	6.5cps
Loan-to-assets (incl. MVTHA)	20%

*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 11.0% 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 5.6% 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 6.3% for the All Ordinaries Accumulation Index.

The largest contributors for the month were Fleetwood Ltd (**FWD**), COG Financial Services Ltd (**COG**) and City Chic Collective Ltd (**CCX**). As a result of a strong market, there were few negative contributors, the largest being BCI Minerals Ltd (**BCI**).

As noted in last month's report, FWD announced that it had signed a five-year agreement with Rio Tinto to provide accommodation services at Searipple Village. We expect this to be the first of a number of accommodation agreements signed at Searipple over the next 6-9 months given the strong development pipeline of new projects in the oil and gas, fertiliser, and green energy sectors in the Karratha region over the next 5+ years.

COG announced unaudited FY22 results, with NPATA (excluding Government subsidies) of \$25 million, a 41% increase on the prior corresponding period. The company guided to an estimated final dividend of 4.8 cents per share, resulting in a full year dividend of 8.3 cents per share, a 15% increase on last year. Encouragingly, COG noted that "*activity in the markets in which we operate remains strong*" which augurs well for continued growth in profits and dividends in FY23. We expect the company to use its very strong balance sheet to supplement organic growth with expansion of its burgeoning credit asset management business.

BCI announced that it is seeing significant cost increases in some parts of the Mardi salt & potash project and now expects first salt to be shipped in 2H2025 (compared to previous guidance of 1H25). The company has alluded to these pressures in a number of previous releases. Whilst disappointing, the update is not a complete surprise given the current inflationary environment for large project development in Western Australia. Long standing Managing Director and CEO, Alwyn Vorster, also announced his decision to step down from the role by the end of CY22. We congratulate Alwyn on his achievement in transitioning BCI from a high cost, capital intensive iron ore producer to a company with an exciting long term future in the salt and potash industries.

The schizophrenic activity seen in capital markets in late FY22 has continued into FY23. Many market participants continue to react to short term data points, attempting to divine the near-term outlook for stocks, an exercise we believe is both futile and counterproductive to generating long term outperformance. Our long-term fundamental investment process remains unchanged, and we see the current volatility as friend rather than foe. Our like-minded investor base allows us to profit from market dislocations and the current environment is no different. As discussed in our recent shareholder update, valuation metrics for the portfolio are historically cheap and we have seen a number of investments take strategic actions to liberate this value through asset sales and/or meaningful capital management decisions. The majority of our holdings are in a net cash position, allowing them to capitalise on attractive growth opportunities, or if these aren't available, return cash to shareholders. We continue to uncover new opportunities and look forward to reporting on them in future updates.

Investment Portfolio

	July 2022
Listed Australian Equities	83%
Listed International Equities	10%
Unlisted investments	7%
Cash or Cash Equivalents	0%

Contact

If you have any questions regarding the Company or its investments, please call Gabriel Radzyminski 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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