

MONTHLY REPORT

Sandon Capital Investments Limited (ASX:SNC)

DECEMBER 2022

NTA Before Tax

NTA After Tax

\$0.7428

\$0.7659

INVESTMENT PERFORMANCE

Gross Performance to 31 Dec 2022 ¹	1 month	1 year	Since inception (p.a.)
SNC	-2.0%	-26.8%	7.1%
All Ordinaries Accum. Index	-3.3%	-3.0%	8.2%
Outperformance²	1.3%	-23.9%	-1.1%

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 SIN's gross investment performance.

2. Figures may not tally due to rounding.

SANDON CAPITAL INVESTMENTS LIMITED

ASX Code	SNC
Gross assets*	\$134.3m
Market capitalization	\$86.5m
Share price	\$0.63
Fully franked dividends	\$0.055
Dividend yield (annualised)	8.7%
Profits reserve (per share)	27.0cps
Franking (per share)	5.9cps
Loan-to-assets (incl. MVTHA)	18%

*Includes the face value of Mercantile 4.8% unsecured notes

PORTFOLIO COMMENTARY

The Portfolio was down 2.0% for the month, on a gross basis, after investment management fees and brokerage but before performance fees and corporate expenses, compared to a decline of 3.3% for the All Ordinaries Accumulation Index.

The largest contributors to the performance were COG Financial Services Ltd (COG) (-0.7%), Fleetwood Ltd (FWD) (-0.7%), Earlypay Ltd (EPY) (-0.6%) and City Chic Collective Ltd (CCX) (-0.5%). These were partially offset by Spectra Systems PLC (SPSY LN) (+1.0%), BCI Minerals Ltd (BCI) (+0.6%) and Fitzroy River Corporation Ltd (FZR) (+0.5%).

During the month, two investments in the portfolio – A2B Ltd (A2B) and Global Data Centres (GDC) – released material announcements that highlight the long-term value inherent in their stocks. Despite these positive announcements, the share prices of both finished down for the month.

A2B announced that it had exchanged contracts for the sale of its property at Bourke Road, Alexandria for \$19m with StorHub, a Singapore-based, pan-Asian self-storage property investor. Settlement is expected to occur in April 2023. With A2B's core operating business returning to profitably and its balance sheet expected to have net cash in excess of \$15m following the sale of the Bourke Road property, we expect A2B to be in a position to announce the resumption of dividend payments with its full year result in August 2023.

GDC announced that its subsidiary, Etix Everywhere (Etix), completed the acquisition of CIV France (CIV), which comprises two data centres in Lille, France. This acquisition is complementary to Etix's existing French data centres and now make it the leading regional data centre player in the country.

Furthermore, Etix has implemented power price increases from 1 January which will recoup the increases seen over the past ~6 months. Following these initiatives, GDC expects to grow operating earnings by 70-75% in FY23 and should see further growth in the future due to a full year's contribution from CIV as well as the scaling up of latent capacity across the data centre portfolio.

CCX provided a 1H23 trading update, disclosing that demand had been weaker than expected since the AGM. In the 24 weeks to 18 December, global revenue was down 7% with increased promotional activity resulting in further gross margin compression. Combined with the higher fulfilment costs noted at the AGM, the company is now expecting to report a small underlying EBITDA loss for the for 1H23. Inventory is expected to be at the lower end of the range provided at the AGM (\$168-174m).

EPY announced that its largest customer, RevRoof Pty Ltd (RevRoof), had appointed PKF as a voluntary administrator. Shortly thereafter, EPY appointed Grant Thornton as Receiver and Manager over the assets of RevRoof to protect its position. EPY is RevRoof's major secured creditor with an outstanding exposure of \$29m. At this point, it is too early to determine how much of this amount will be recovered. As a result of the RevRoof administration, EPY is in the process of enhancing its approach to credit provisioning and has subsequently withdrawn the earnings and dividend guidance provided at its AGM in November. Changes were made at Board and management level at EPY throughout 2022. We would expect further changes to be announced following this disappointing update.

DIVIDENDS

SNC has paid 50.75 cents per share of fully franked dividends since listing in December 2013. The profits reserve is 27.0 cents per share and there are 5.9 cents per share of franking credits. These franking credits support the payment of 17.7 cents per share of fully franked dividends.

SNC's FY22 final dividend of 2.75cps was paid on 7 November 2022. The Board anticipates paying an interim dividend for FY23 of 2.75cps, provided the Company has sufficient profit reserves, franking credits and it is within prudent business practice.

A full list of SNC dividends since the IPO in December 2013 can be found [here](#).

TOP 5 POSITIONS

COG Financial Services	13%
Spectra Systems PLC	10%
Fleetwood	9%
A2B	8%
BCI Minerals	7%

INSTRUMENT EXPOSURE

Listed Australian Equities	80%
Listed International Equities	13%
Unlisted Investments	7%
Cash or Cash Equivalents	0%

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 9.3% 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.

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SANDON CAPITAL

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