

MONTHLY REPORT

Sandon Capital Investments Limited (ASX:SNC)

JULY 2024

NTA Before Tax

NTA After Tax

\$0.8986

\$0.8744

INVESTMENT PERFORMANCE

Gross Performance to 31 July 2024 ¹	1 month	1 year	Since inception (p.a.)
SNC	11.5%	21.7%	9.1%
All Ords Accumulation Index	3.8%	13.4%	9.0%
Outperformance²	7.7%	8.3%	0.1%

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*	\$156.0m
Market capitalisation	\$99.8m
Share price	\$0.700
Fully franked dividends	\$0.055
Dividend yield (annualised)	7.9%
Profits reserve (per share)	35.0cps
Franking (per share)	7.8cps
Loan-to-assets (incl. SNCHA)	16%

*Includes the face value of 4.8% unsecured notes (ASX: SNCHA)

PORTFOLIO COMMENTARY

The Portfolio was up 11.5% 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 3.8% for the All Ordinaries Accumulation Index.

The portfolio had a very strong July, driven by a number of favourable announcements from our investments. The largest positive contributors were Spectra Systems plc (SPSY LN) (+3.6%), Carbon Conscious Investments Ltd (CCIL) (+1.8%), Fleetwood Ltd (FWD) (+1.6%), BCI Minerals Ltd (BCI) (+0.9%), Magellan Financial Group Ltd (MFG) (+0.9%), IDT Australia Ltd (IDT) (+0.7%), Nuix Ltd (NXL) (+0.7%), COG Financial Services Ltd (COG) (+0.7%) and Wellard Ltd (WLD) (+0.6%). There were no negative contributors of note.

SPSY LN announced that it entered into a contract worth US\$37.9m to manufacture sensors for an existing central bank customer. The bulk of the revenues related to the contract are expected to be received from 1Q CY25 through 4Q CY27, with trailing manufacturing contract revenues thereafter until 2029. This contract is expected to be high margin with a large proportion of revenues dropping straight to the bottom line. In addition, the company expects to execute a service agreement relating to the new sensors with this customer in 1Q CY25.

FWD announced that it had secured a contract to design, build, and install 60 homes for the Queensland Department of Housing, Local Government, Planning and Public Works. The contract is expected to deliver approximately \$40 million of revenue in FY25. FWD have been supplying a limited number of houses into the social housing market for a number of years and we expect this market to be a key driver of future growth for the Building Solutions segment.

MFG's latest Funds Under Management announcement demonstrated the continued stabilisation of outflows seen over the past 10 months. The company also announced that it generated \$19 million in performance fees in FY24. We expect the after-tax amount of this performance fee to be passed through to shareholders on top of the regular dividend. Much has been achieved at MFG over the past 12 months and the business today is on a much sounder footing than at any time over the past few years. However, we believe that the new Board continues to fall well short when it comes to capital management. We consider the recent conversion of Closed Class Units in the Magellan Global Fund (Fund) to Open Class Units in the Fund as the perfect catalyst to return excess, non-operating assets to shareholders.

IDT provided a strong operating update with 4Q unaudited revenue rising 87% to \$4.6 million. This brings FY24 revenue to \$13.5 million, a 92% increase on the prior corresponding period (pcp). The important Advanced Therapies and API Manufacturing segments have been the key drivers of the growth. We believe IDT remains well placed to deliver on its target to be free cash flow positive before the end of the calendar year.

COG announced unaudited FY24 results, with NPATA of \$24.1 million increasing ~2% on the pcp. Excluding the TL Commercial operating lease business, which is currently in run-off, NPATA of \$22.7m represented a 12% increase on the pcp. The strong result was driven by the Novated Leasing segment, partly offset by the Finance Broking & Aggregation and Asset Management & Lending segments. A large parcel of shares was traded during the month, later revealed to be sold by a fund that had previously announced it was winding up. The sale of this stake, and the consequent elimination of the overhang may have contributed to the improved share price performance of COG for the month.

WLD signed a binding contract to sell its oldest livestock vessel, the M/V Ocean Ute, for US\$12.0 million in cash, a price that is a premium to book value. The company's Board expects to return the majority of the net sales proceeds to shareholders. WLD also continues to engage with KPMG (Singapore) to seek a commercial resolution that will result in the return to WLD of full, unencumbered legal title to its last remaining ship, the M/V Ocean Drover. We expect to receive an update on these negotiations with the full year result in late August.

There has been a breakout of manic activity in capital markets in the early part of August. 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. We consider the portfolio to be materially undervalued and 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.

Carbon Conscious Takeover Update

The takeover offer for Carbon Conscious Investments Ltd (CCIL) closed on 8 July 2024. At the end of the Offer period, SNC's voting power in CCIL was 91.48%. SNC intends to exercise its right to acquire the remaining CCIL shares under the compulsory acquisition provisions of the Corporations Act 2001 (Cth). The compulsory acquisition will be at the same price as under the Offer (being \$0.0667 cash per CCIL Share).

As part of the takeover process, CCIL was required to commission an independent expert's report to opine on the SNC's offer. The independent expert valued CCIL shares at between 7.82 and 8.61 cents per share. SNC has valued the CCIL shares that have been acquired at 8.22 cents per share, the mid-point of the independent expert's range. The transfer of shares to SNC under the takeover offer occurred in July. The remaining shares to be purchased under the compulsory acquisition process are yet to be transferred.

DIVIDENDS

SNC has declared and paid 59.0 cents per share (cps) of fully franked dividends since listing in December 2013. The profits reserve is 35.0cps and there are 7.8cps of franking credits. These franking credits support the payment of up to 23.4cps of fully franked dividends.

SNC's FY24 interim dividend of 2.75cps was paid on 3 June 2024. The Board anticipates paying a final dividend for FY24 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

Spectra Systems	14%
Fleetwood	10%
COG Financial Services	9%
Carbon Conscious	8%
Coventry	7%

INSTRUMENT EXPOSURE

Listed Australian Equities	65%
Listed International Equities	15%
Unlisted Investments	20%
Cash or Cash Equivalents	0%

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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 10.0% 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.

SANDON CAPITAL

For enquiries about the company or its investments:

Sandon Capital Investments Limited
+61 2 8014 1188
info@sandoncapital.com.au

For enquiries about your shareholding:

Link Market Services
1300 554 474 (Toll free within Australia)
registars@linkmarketservices.com.au