SANDON CAPITAL

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MONTHLY REPORT

Sandon Capital Investments Limited (ASX:SNC)

FEBRUARY 2025

NTA Before Tax	NTA After Tax
$0.8998	$0.8806

INVESTMENT PERFORMANCE

Gross Performance to 28 February 2025[1]	1 month	1 year	Since inception (p.a.)
SNC	0.4%	16.2%	9.2%
All Ords Accumulation Index	-4.0%	9.3%	8.8%
Outperformance[2]	**4.3%**	**6.9%**	**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 SIN's gross investment performance.
2. Figures may not tally due to rounding,

SANDON CAPITAL INVESTMENTS LIMITED

ASX Code	SNC
Gross assets*	$161.5m
Market capitalisation	$110.0m
Share price	$0.760
Annual fully franked dividend (paid quarterly)	$0.056
Dividend yield (annualised)	7.2%
Profits reserve (per share)	37.5cps
Franking (per share)	7.6cps
Loan-to-assets (incl. SNCHA)	19%

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

PORTFOLIO COMMENTARY

The portfolio was up 0.4% 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 4.0% for the All Ordinaries Accumulation Index.

The largest positive contributors were Fleetwood Ltd (FWD) (+3.3%), Spectra Systems plc (SPSY LN) (+1.1%), Coventry Group Ltd (CYG) (+0.4%), Ignite Ltd (+0.4%) and an undisclosed position (+0.4%). These were partially offset by Magellan Financial Group Ltd (MFG) (-1.0%), Nuix Ltd (-1.0%), Foundation Life (unlisted) (-1.0%), IDT Australia Ltd (IDT) (-0.8%), BCI Minerals Ltd (BCI) (-0.6%) and an undisclosed position (-0.4%).

In a volatile month for global capital markets, the positive performance of the portfolio was pleasing. By and large our portfolio companies delivered very good results during the February reporting season. Most encouraging was the significant improvement in the operating and financial performance of the largest position, FWD. Also of note was some shareholder friendly capital management from KAR & IGN, whilst an 'own goal' on capital management by MFG was punished by the market. These are discussed in more detail below.

FWD delivered a stunning result with operating Earnings Before Interest and Tax (EBIT) of $18.3 million an improvement of 190% on the previous year and 50% ahead of market expectations. The strong growth was driven by the Community Solutions segment, underpinned by multi-year contracts at the Searipple accommodation village, as well as rapid improvement in the Building Solutions (manufactured accommodation) segment. It has been evident for some time that the operational turnaround in the Building Solutions business has been gaining traction, and this is now starting to translate into strong financial results. We expect continued improvement over the medium term and this should lead to strong cash flows given the capital light nature of the business. The 11.5 cents per share fully franked interim dividend represented more than 5.5% yield on FWD's share price prior to the announcement of the result.

Whilst it was not a significant contributor to performance for the month, KAR's newfound focus delivering shareholder returns by improving operating performance and growing via organic means (rather than M&A) was very pleasing. The company also announced the acquisition of the *Cidade de Itajaí* Floating Production, Storage and Offloading vessel (FPSO) for US$115 million, a price that we believe is very attractive given an expected rate of return in the high teens. KAR's Board and management should be applauded for listening to the concerns that investors had around M&A ambitions and subsequently adopting a strategy that is much more shareholder friendly. We look forward to reaping the benefits that this pivot should deliver shareholders over time.

One of the portfolio's smallest positions, IGN, announced its first dividend in 13 years, a pleasant surprise. Since the appointment of recruitment industry doyen, Cameron Judson, as an executive director almost two years ago, IGN has undergone an improvement in fortunes. It has transformed from a business that delivered losses in 12 of the previous 13 years, to one that is now sustainably profitable and generating attractive free cash flows. We expect to be the recipients of increased dividends going forward as profitability continues to improve.

Whilst MFG delivered a better-than-expected 1HFY25 financial result, this was more than overshadowed by an about face on capital management. The company had previously signalled that it was conducting an "*active review of capital management*" with an update to be provided with the 1HFY25 results. We consider they kicked an own goal by halting the existing buyback and writing of their turn towards evaluating "*strategic growth opportunities across investment management and specialist financial services*". The market's response was savage, with MFG shares falling ~20%. To the company's credit, the existing buyback was reinstated in early March. We're not yet convinced the company understands the pitfalls of its strategy and we will continue to actively encourage the company to focus on its existing business and to return capital to shareholders rather than spending it on potentially value destructive acquisitions.

IDT's revenues have been growing strongly since the Board and management changes instituted approximately two years ago, however the 1HFY25 result demonstrated that profitability is yet to be achieved. IDT tells us that profits and cash flow are a key focus for the company. We are expecting an improvement in these measures in the second half of the financial year as continued revenue growth should outpace the costs from investments in infrastructure and personnel. There is also the possibility of higher margins as revenue shifts towards Advanced Therapies products.

An indicative timetable has finally been determined for the scheme that will allow for the winding down of the investment in Foundation Life. This indicates a large proportion of the proceeds by the end of September 2025, subject to policyholder and then court approvals. This process has also triggered the calculation by Foundation Life of a number of adjustments pertaining to the eventual wind-up, resulting in a decrease in the carrying value.

The proceeds from the Midway Ltd Scheme of Arrangement were received during the month. With heightened volatility in the market, we have deployed this capital into some new investments and look forward to updating our investors in future newsletters.

DIVIDENDS

SNC has declared and paid 63.15 cents per share (cps) of fully franked dividends since listing in December 2013. The profits reserve is 37.5cps and there are 7.6cps of franking credits. These franking credits support the payment of up to 22.8cps of fully franked dividends.

The Board recently resolved to increase the annualised rate of dividends to 5.6cps and to pay quarterly dividends. SNC's inaugural quarterly dividend of 1.4cps was paid on 7 March 2025.

A full list of SNC dividends since the IPO in December 2013 can be found here.

TOP 5 POSITIONS

Fleetwood	13%
Spectra Systems	12%
Carbon Conscious	8%
COG Financial Services	7%
Coventry Group	6%

INSTRUMENT EXPOSURE

Listed Australian Equities	72%
Listed International Equities	11%
Unlisted Investments	17%
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 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.

SANDON CAPITAL

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