

SANDON CAPITAL

Sandon Capital Activist Fund

September 2017 Monthly Report

Entry/Exit Prices: \$1.5938/\$1.5811

Performance Results (calculated net of all fees, assuming reinvestment of distributions and using unit mid-price. Indices are before fees.)

| | 1 month | 1 year | 3 yrs (p.a.) | 5 yrs (p.a.) | Annualised since Fund inception | Annualised volatility since Fund inception | Total Return since Fund inception |
|-------------------------|---------|--------|--------------|--------------|---------------------------------|--|-----------------------------------|
| SCAF | -2.6% | 7.0% | 6.5% | 13.2% | 12.3% | 7.8% | 155.2% |
| S&P/ASX 200 Accum. | 0.0% | 9.2% | 7.1% | 10.1% | 7.8% | 12.1% | 83.4% |
| Small Ordinaries Accum. | 1.3% | 3.0% | 8.1% | 5.1% | 3.5% | 14.9% | 32.3% |

Net Monthly Returns

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 2009 | | | | | | | | | 2.5% | 2.4% | -0.9% | 1.0% | 5.0% |
| 2010 | 1.0% | -0.3% | -0.7% | 2.9% | -4.2% | 4.2% | 4.4% | -0.6% | 2.3% | 2.4% | 3.5% | -0.9% | 14.5% |
| 2011 | 1.3% | 0.6% | 0.5% | 1.3% | -1.9% | -2.7% | -0.1% | -0.1% | 1.9% | 2.1% | 2.5% | 2.2% | 7.8% |
| 2012 | -1.0% | 0.4% | 1.8% | 2.1% | -2.8% | -1.0% | 3.3% | 0.5% | 2.5% | 2.8% | 0.1% | 2.2% | 11.1% |
| 2013 | 2.1% | 3.2% | -1.4% | 1.3% | 2.8% | -3.7% | 6.9% | 0.7% | 6.5% | 5.7% | 0.3% | 0.3% | 27.1% |
| 2014 | -0.3% | 1.6% | 1.9% | -0.3% | 2.0% | 0.5% | 3.9% | 2.1% | 2.8% | -0.5% | 1.0% | 0.8% | 16.7% |
| 2015 | -0.2% | 0.0% | 1.0% | 0.3% | 0.2% | -4.1% | 3.9% | -4.9% | 2.3% | 3.5% | 1.0% | 0.9% | 3.6% |
| 2016 | -1.3% | -3.3% | 2.7% | 1.8% | 0.8% | 0.7% | 4.6% | 0.0% | 1.7% | 1.5% | 3.3% | 0.1% | 13.1% |
| 2017 | 4.4% | -3.4% | 0.2% | -2.0% | -1.3% | 1.7% | 1.3% | 3.9% | -2.6% | | | | 1.9% |

Portfolio Exposures

| | | | |
|--------------|-----|-----------------|----|
| Net Exposure | 87% | Long Positions | 27 |
| Net Cash | 13% | Short Positions | 1 |

Fund Commentary

The Fund delivered a -2.6% return for September, bringing total returns (net of all fees and expenses) since inception to the equivalent of 12.3% per annum. Cash levels ended the month at approximately 13%.

The two main contributors to last month's return were this month's main detractors. Fleetwood Corporation Ltd (FWD) shares fell by 14% (~-1.5% attribution). Although there were no announcements from the company, we suspect more investors may have also concluded, like we have, that RV Manufacturing remains a cause for concern and that working capital management is less than optimal. We look forward to any updates to these issues the company can provide at this year's AGM.

Consolidated Operations Group Ltd (COG) also detracted from this month's performance following the announcement that it would not proceed with two of its prospective acquisitions. In both instances, we believe COG management demonstrated a discipline that is often lacking in roll-up strategies. Although we are disappointed the acquisitions did not proceed, there will be others and we remain excited by the opportunity that COG presents. Management have improved their communication with the market, although we would continue to rate it as "could do better." We expect that time will prove a useful teacher.

Although having little price impact, the Tabcorp Ltd (TAH) scheme proposal with Tatts Group Ltd (TTS) was dealt a small blow when the scheme meeting was delayed following a successful challenge by the ACCC in the Federal Court to the Australian Competition Tribunal's (ACT) clearance of the merger proposal. In simple terms, the ACT must reconsider and determine the TAH application. The TTS share price remains well below the indicative price mooted by the Pacific Consortium (\$4.21), which seems to us indicative that the TTS Directors erred when they deemed that the Pacific Consortium's proposal was not superior to the TAH merger proposal.

During the month, Iluka Resources Ltd (ILU) announced a US\$130/t (12%) increase in the contract price of zircon covering 4Q17 and 1Q18. Whilst this was a positive surprise for ourselves and the market, the share prices of the zircon producers that we own (ILU & Mineral Deposits (MDL)) were largely unchanged. Nevertheless, the outlook for 2018

earnings continues to improve. Given the current tightness in the zircon market, we expect prices to continue to move higher in 2018. We also expect further momentum in titanium dioxide feedstock prices throughout 2018. ILU's titanium dioxide feedstock earnings should also benefit as legacy fixed price rutile contracts are repriced higher in 2018.

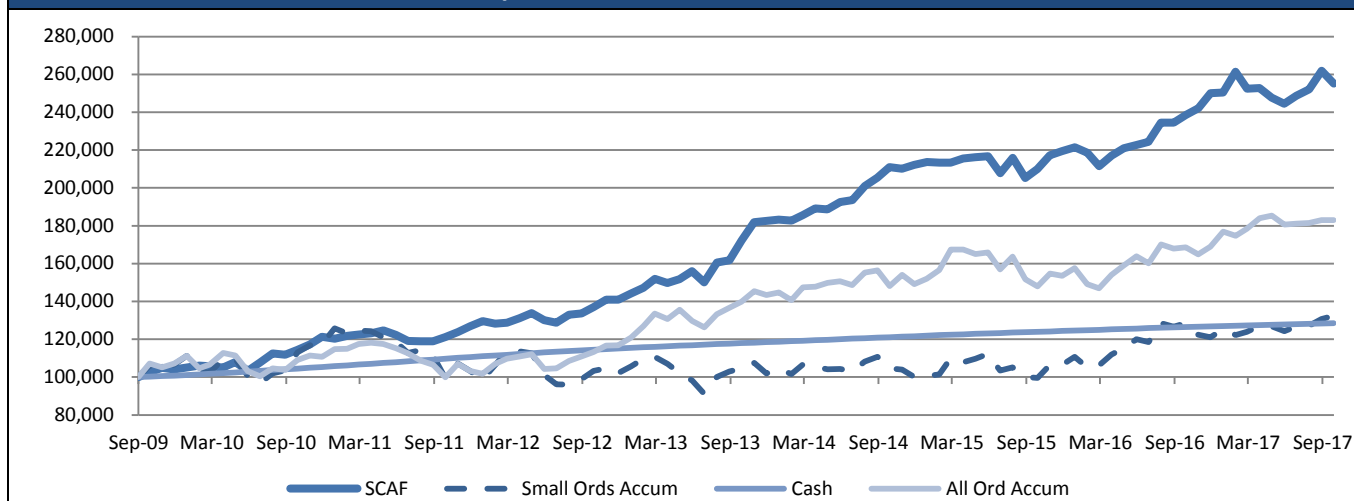
Fund Description

The objective of the Fund is to deliver returns to investors through a combination of capital growth and distributions. The Fund aims to achieve this objective by seeking to invest in opportunities that are considered by Sandon Capital to be trading below their intrinsic value and that offer the potential of being positively influenced by investors taking an active role in proposing changes in the areas of corporate governance, capital management, strategic and operational issues, management arrangements and other related activities. Neither returns nor capital are guaranteed.

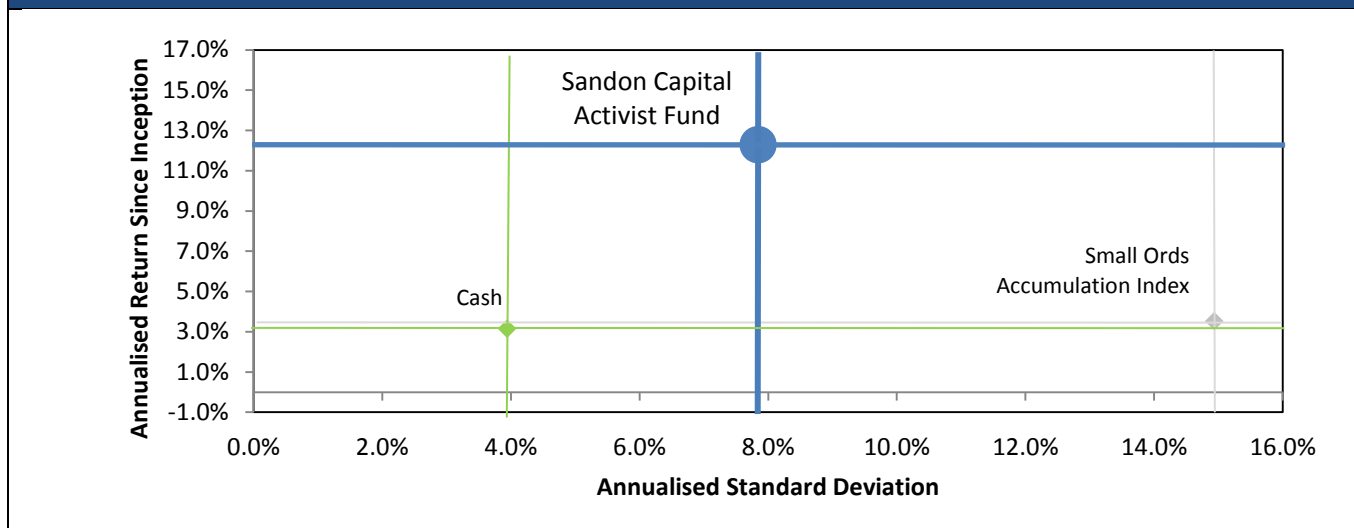
Fund Details

| | | | |
|--------------------|--------------------------|--------------------------|---------------------------------------|
| Structure | Wholesale unit trust | Minimum Investment | \$250,000 (or as agreed with trustee) |
| Trustee | Fundhost Ltd | Trustee Fees | 0.21% |
| Custodian | National Australia Bank | Management Fees | 1.33% |
| Fund Auditor | EY | Performance Fees | 15.375% of returns above cash |
| Investment Manager | Sandon Capital Pty Ltd | Highwater Mark | Yes |
| Website | www.sandoncapital.com.au | Buy/Sell Spread | ±0.40% |
| Inception | 4 Sep 2009 | Applications/Withdrawals | Monthly/Quarterly |

Growth of \$100,000 invested since inception (assumes reinvestment of distributions)



Comparison of Annualised Return versus Volatility



Source for all charts: Sandon Capital, Bloomberg

Note: SCAF returns are net of all fees and expenses. Fund inception is 4 September 2009.

Fundhost Limited (ABN 69 092 517 087) (AFSL 233045) ("Fundhost") as trustee of, and issuer of units in, the Sandon Capital Activist Fund ("Fund"). Sandon Capital Pty Limited (ABN 98 130 853 691) (AFSL 331 663) ("Sandon Capital") is the Investment Manager of the Fund.

Fund performance is after fees and assumes distributions are reinvested. Past performance is not a reliable guide to future performance. This information has been prepared without taking into account your investment objectives, financial situation, or needs. Before making an investment decision you should consider the appropriateness of the information having regard to these matters. Before you invest it is important that you read and understand the terms set out in the Sandon Capital Activist Fund Information Memorandum ("IM") dated 25 October 2013. In particular, it is important that you understand the risks associated with an investment in the Fund set out on page 6 of the IM.

Information provided by the Investment Manager are views of the Investment Manager only and can be subject to change. While information in this report is given in good faith and is believed to be accurate, Fundhost and Sandon Capital give no warranty as to the reliability or accuracy of the information, nor accept any responsibility for any errors or omissions of third parties. To the extent permitted by law, neither Fundhost nor Sandon Capital, including their employees, consultants, advisors, officers or authorised representatives are liable for any loss or damage arising as a result of reliance placed on the contents of this report.