CADENCE CAPITAL LIMITED

APRIL 2006 INVESTOR REPORT

FUND PERFORMANCE*

	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	YTD
Cadence Capital Limited	0.10%	1.41%	6.39%	7.57%	4.23%	5.04%	5.60%	**34.32%**
All Ordinaries Acc Index	-3.83%	4.35%	3.09%	3.65%	0.70%	6.51%	0.77%	**15.89%**
Small Ordinaries Acc Index	-3.74%	2.98%	1.45%	3.76%	2.13%	6.32%	1.02%	**14.46%**

*Before Performance Fees and Tax

PORTFOLIO SECTOR ANALYSIS

Sector	Long	Short	Total
Materials	40.06%	-3.22%	36.84%
Commercial Services & Supplies	13.37%		13.37%
Software & Services	9.17%	-4.15%	5.02%
Insurance	6.70%	-1.83%	4.87%
Media	5.73%		5.73%
Unspecified	5.70%		5.70%
Health Care Equipment & Services	5.35%		5.35%
Capital Goods	5.00%		5.00%
Energy	4.53%	-0.83%	3.70%
Diversified Financials	4.05%		4.05%
Consumer Services	3.91%	-2.46%	1.45%
Banks	3.89%		3.89%
Pharmaceuticals & Biotechnology	2.91%		2.91%
Real Estate	2.09%	-0.62%	1.48%
Retailing	1.69%		1.69%
Telecommunication Services	0.76%	-0.27%	0.50%
Gross Exposure	**114.92%**	**-13.38%**	**101.54%**
Net Cash / (Debt)			**-1.54%**

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PORTFOLIO EXPOSURE ANALYSIS %

	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06
Equity Long	14.9%	68.0%	85.9%	81.9%	91.5%	96.6%	114.9%
Equity Short	2.5%	2.7%	0.0%	2.3%	10.1%	16.8%	13.4%
Gross Exposure	17.4%	70.8%	85.9%	84.3%	101.6%	113.4%	128.3%
Net Exposure	12.4%	65.3%	85.9%	79.6%	81.3%	79.8%	101.5%

MARKET AND COMMENTARY

Cadence Capital Limited closed on the 28th April 2006 with a Net Tangible Asset Backing (NTA) of $1.28991 pre tax and fees and $1.17433 post tax and fees.

During the month of March, Cadence Capital Limited returned a gross performance of 5.6% compared to a rise in the All Ordinaries Accumulation Index of 0.77% and a rise in the Small Ordinaries Accumulation Index of 1.02%. The fund finished the month 114.92% long, 13.38% short and with a Net Long Exposure of 101.54%.The net exposure of the fund for February was 79.8%.

Over the past three months much talk has focused on the view that, ‘the market is looking toppy’ or some variation on this theme.

There are two points in this statement that we find problematic. The first is the use of the word ‘toppy’. The All ordinaries Index has been reaching new highs now for many months and by definition every time the index reaches a new high, it establishes a new ‘top’. The issue is not whether the market is looking ‘toppy’ or not, but where we expect the index to go from here.

The second issue in this statement is the reference to ‘the market’. The Australian Stock Exchange and the All Ordinaries Accumulation Index comprise of many different companies and sectors which are by no means correlated. This is particularly important to consider at the moment. In our analysis we tend to focus on three major segments of ‘the market’; resource securities, industrial securities and financial services and related securities.

These sectors make up a significant proportion of ‘the market’ and are all experiencing very different dynamics at the moment. Commodity prices, and as a consequence resource securities, are currently very strong (more on this below). Industrial securities, in general, have experienced strong earnings growth in a falling interest rate environment (up until now) and a fairly benign input cost environment. As a result industrial securities have experienced strong price growth over the past two to three years, as well as a significant valuation expansion. Similarly, financial service securities have benefited greatly from nearly 20 years of falling interest rates. This environment is slowly changing with input costs rising and more recently a change in the long term trend of falling interest rates. The combination of rising inflation and higher resource prices tend ultimately to act as an anchor on industrial sector profitability, whilst higher interest rates tend to detract from financial services profitability.

In trying to analyse where 'the market' is going from here, it is necessary for us to form views on each of the resource, industrial and financial services sectors. This is a very difficult task except to say that we are still seeing many buying opportunities with resource securities, and at the same time we are seeing many selling opportunities in both industrial and financial services securities.

Following the significant increase in commodity prices, much attention has turned to where we are in the commodities cycle, and how long the bull-run can last? According to recent research by Goldman Sachs, the relative significance of the resource sector today is 23% of the All Ordinaries Index by market capitalization, compared to 48% in the period 1978-1980 and 55% in the period 1967-1969. Whilst resources represent a smaller component of the market overall now, they are currently a major driver of the overall market. Given resources 23% weighting in the Index, this contribution to the markets performance is all the more significant.
We note with interest an article in the Economist magazine dated the 15th of April 2006 highlighting the fact that, in real terms, commodity prices are still approximately 40% below their 1976 peak. Whilst we are not suggesting that real commodity prices will rise to the peaks experienced in 1976, it is worth noting that we have experienced real commodity prices at these levels in the reasonably recent past. Commodity prices, in real terms, are not at 'never experienced before' levels.

Last week the Central Bank of China ordered a moderate 0.27% rise in base lending rates to 5.87%. This was the first interest rate rise in more than nine years and was targeted at reigning in business lending. The rate rise caused volatility in the market which resulted in a temporary sell off in commodities, and subsequently resource stocks, and a switch into more defensive stocks. The concern was that the Chinese Central Bank may act more aggressively in the coming months in an attempt to slow Chinese economic growth, which is now 10.2% per annum. Our view, given longer term demand for commodities, is that this is a temporary pullback in commodity prices and, given the significant structural shifts occurring in the Chinese economy, and the slow response on the supply side, commodity prices will continue to rise. There has been a significant period of underinvestment in exploration and development over a lengthy period and these supply side imbalances will take time to reach equilibrium.

In Australia, the measures of underlying inflation showed significant rises in the first quarter of this year. This has lead to a 25 basis point rise in interest rates. The headline CPI rate is now running at an annualized rate of 3%, the upper end of the Reserve Banks target range.

Finally the US Federal Reserve has indicated that it may delay interest rate increases in the near future. A rise in interest rates in Australia with no similar bias in the US has put upward pressure on the Australian dollar in the past week. A high Australian dollar is positive for importers but negative for exporters.

The Australian dollar appreciation in itself may be a self-fulfilling mechanism in serving to slow domestic consumption without having to raise interest rates further. However, should this prove not to be the case, we believe there is a high probability that The Reserve Bank of Australia will raise interest rates a further 25 basis points.

DISCLAIMER

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