

PORTFOLIO SECTOR ANALYSIS

Sector	Long	Short	Net
Materials	34.28%		34.28%
Banks	32.30%		32.30%
Software & Services	17.49%		17.49%
Commercial Services & Supplies	6.15%		6.15%
Insurance	4.50%		4.50%
Diversified Financials	2.19%		2.19%
Capital Goods	1.29%		1.29%
Health Care Equipment & Services	1.24%		1.24%
Technology Hardware & Equipment	0.85%		0.85%
Telecommunication Services	0.58%		0.58%
Food Beverage & Tobacco	0.48%		0.48%
Consumer Services	0.47%		0.47%
Energy	0.38%		0.38%
Exposure	102.20%	0.00%	102.20%
Cash borrowings			-2.20%

TOP 20 PORTFOLIO POSITIONS

ASX Code	Position	Direction	% Holding
RHG	RHG Ltd	Long	23.5%
BVA	Bravura Solutions Ltd	Long	9.7%
STB	South Boulder Mines Ltd	Long	7.5%
RKN	Reckon Ltd	Long	7.3%
MMS	McMillan Shakespeare Limited	Long	6.1%
CFE	Cape Lambert Iron Ore Ltd	Long	4.7%
TAL	Tower Australia Group Ltd	Long	4.5%
AWC	Alumina Limited	Long	4.1%
RIO	Rio Tinto Ltd	Long	3.8%
MCC	MacArthur Coal Ltd	Long	3.5%
ANZ	Australia & New Zealand Banking Group	Long	3.3%
AVO	Avoca Resources Limited	Long	3.3%
NAB	National Australia Bank Ltd	Long	2.8%
FFF	Firstfolio Limited	Long	2.6%
AGO	Atlas Iron Ltd	Long	1.7%
BTU	Bathurst Resources Limited	Long	1.6%
HSKG	Heemskirk Consolidated Convertible Note	Long	1.6%
FSA	FSA Group Ltd	Long	1.5%
VMG	VDM Group Limited	Long	1.3%
RVA	Reva Medical Inc.	Long	1.2%
Top Twenty Portfolio Holdings			95.7%

MARKET AND COMMENTARY

We are pleased to report that the fund has had a good start to the year and for the half year ended 31st December 2010 the fund is up 40.86% (Gross) outperforming the All Ordinaries Accumulation Index by 26.40%. During the month of December, Cadence Capital Fund returned a positive gross performance of +13.63% compared to an increase in the All Ordinaries Accumulation Index of +3.80% and an increase in the Small Ordinaries Accumulation Index of +7.07%.

For the seven years and two months to 31st December, Cadence Capital Fund has returned a gross performance of 171.34% compared to an increase in the All Ordinaries Accumulation Index of 98.65%.

The fund finished the month 102.20% long and with no shorts, i.e. net long exposure of 102.20%. The net exposure for November 2010 was 101.12%.

CADENCE CAPITAL NEWS

On Friday the 17th December 2010, Cadence Capital was quoted in the Australian Financial Review in an article titled; 'Big Winnings from Small Share Raisings'. This article addressed, in some detail, the recapitalisation of small market capitalisation stocks. The performance of the small market capitalisation resource stocks were analysed in some detail, and it is fair to say that this sector has greatly assisted the performance of the Small Ordinaries Index, over the last few months of the calendar year. Late in 2010 there was a clear indication that fresh capital was being employed at the riskier end of the investment spectrum. To read this article in detail please visit the 'News' section of the Cadence Capital website at www.cadencecapital.com.au

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