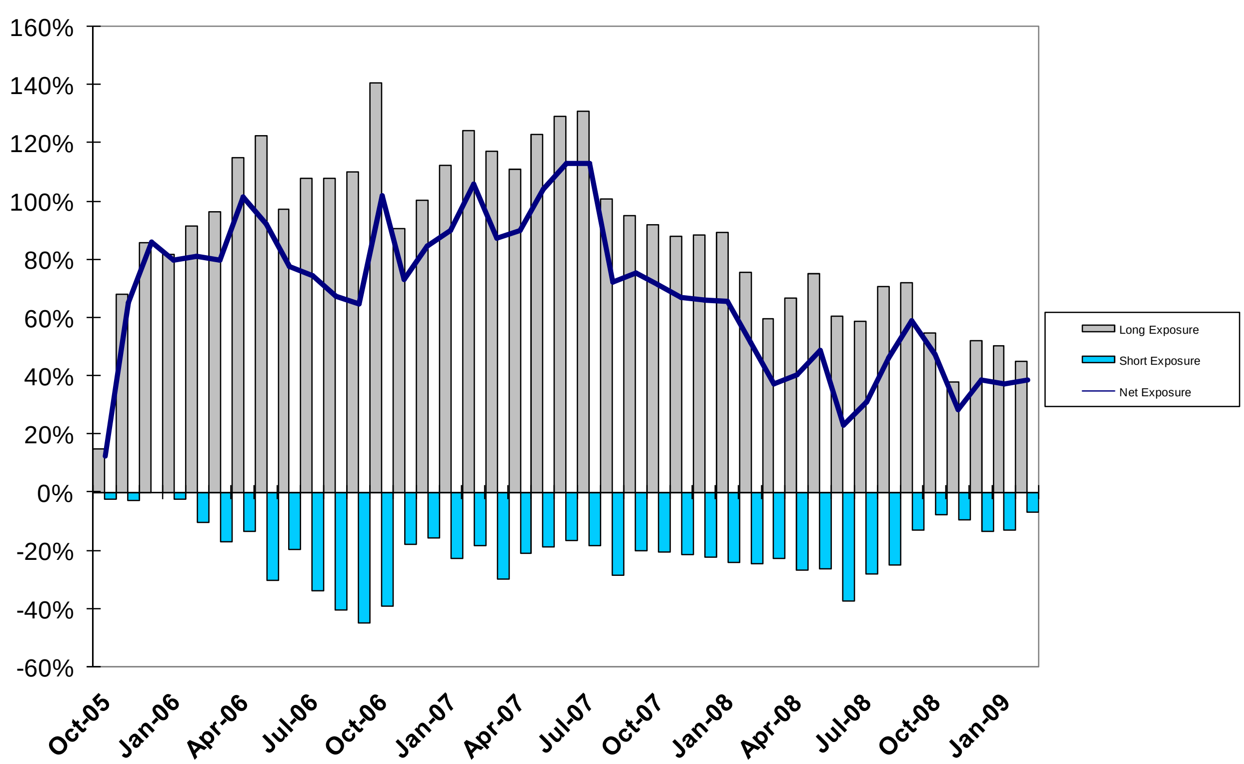
INVESTMENT UPDATE AND NTA – FEBRUARY 2009

FUND PERFORMANCE*

Performance to 28th February 2009	CDM	All Ords
1 Month	1.40%	-4.26%
3 Months	-0.39%	-9.07%
6 Months	-23.86%	-35.09%
1 Year	-26.55%	-39.03%
2 Years (% per Annum)	-16.86%	-21.42%
3 Years (% per Annum)	1.25%	-8.49%
Annualised return since inception	6.44%	-5.39%
Inception to date accumulated return	23.76%	-17.26%
* Before Management and Performance Fees		

PORTFOLIO EXPOSURE ANALYSIS



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PORTFOLIO SECTOR ANALYSIS

Sector	Long	Short	Net
Software & Services	10.60%		10.60%
Telecommunication Services	9.73%		9.73%
Insurance	5.69%		5.69%
Banks	5.54%		5.54%
Materials	5.65%	-1.11%	4.53%
Diversified Financials	3.30%		3.30%
Consumer Services	1.02%		1.02%
Retailing	0.67%		0.67%
Health Care Equipment & Services	0.54%		0.54%
Capital Goods	0.37%		0.37%
Media	0.14%		0.14%
Food Beverage & Tobacco	0.11%		0.11%
Real Estate	0.10%		0.10%
Energy	1.64%	-2.22%	-0.58%
Transportation		-3.28%	-3.28%
Exposure	**45.12%**	**-6.61%**	**38.50%**
Cash on hand			**61.50%**

MARKET AND COMMENTARY

Cadence Capital Limited NTA estimates as at 28th February 2009:

Gross NTA	$0.93943
Pre Tax NTA	$0.75370
Post Tax NTA*	$0.86036

**Including net deferred taxed assets (deferred taxed assets less deferred tax liabilities)*

To get weekly estimates of the NTA for Cadence Capital Limited please visit www.cadencecapital.com.au

For the three years and five months to 28th February 2009, Cadence Capital Limited has returned a gross performance of 23.8% compared to a fall in the All Ordinaries Accumulation Index of -17.3%.

During the month of February, Cadence Capital Limited returned a positive gross performance of +1.40% compared to a decrease in the All Ordinaries Accumulation Index of -4.26% and a decrease in the Small Ordinaries Accumulation Index of -6.70%.

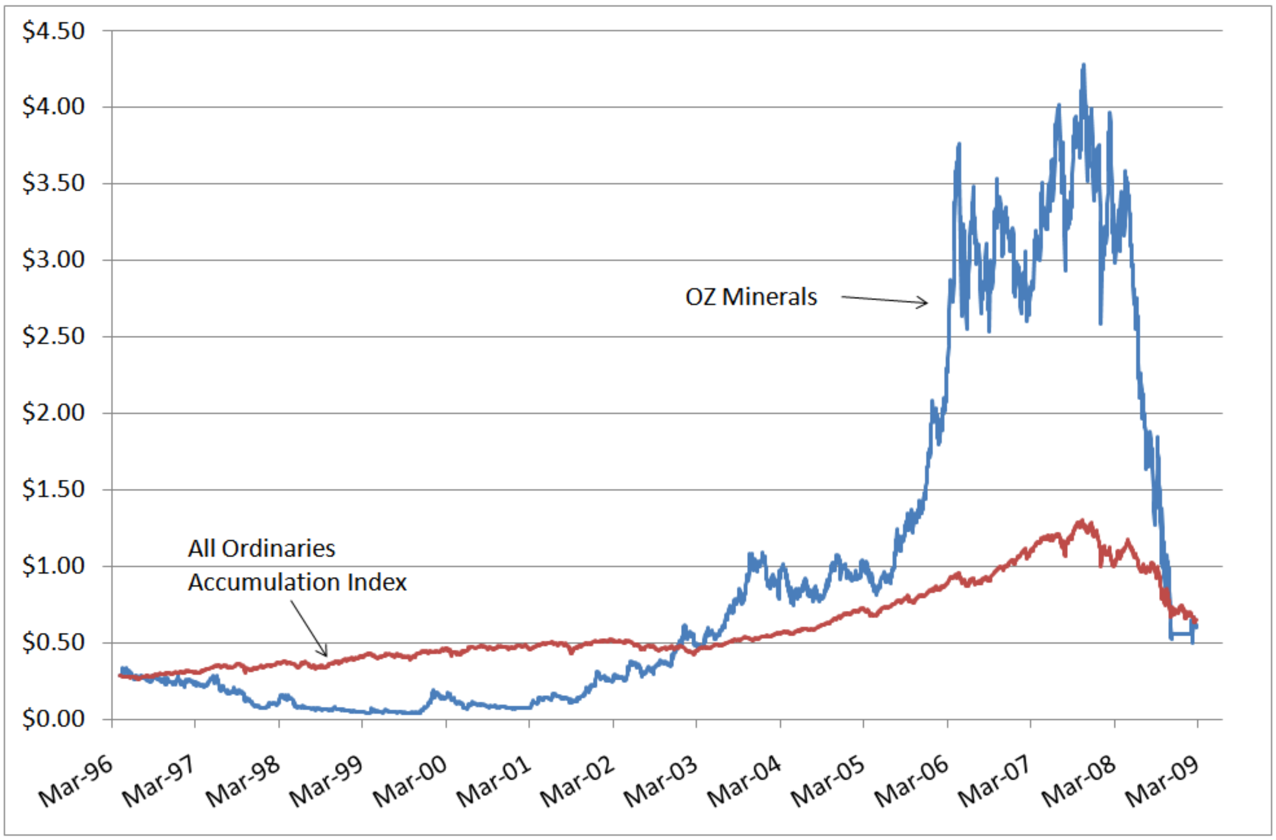
The fund finished the month 45.1% long, 6.6% short and with a net long exposure of 38.5%. The net exposure for January 2009 was 37.2%.

The proposed takeover of OZ Minerals

In our newsletter last month we discussed the fact that some Chinese investors were still willing to pay good prices (relative to share prices) for mining assets. We discussed Chinalco's investment in Rio Tinto and also mentioned that OZ Minerals was seeking to sell assets in the short term.

OZ Minerals has since received a takeover offer from China Minmetals, who is proposing to buy all of OZ Minerals shares at 82.5 cents each.

The chart below shows the OZ Minerals share price compared to the All Ordinaries Accumulation Index. The company was called Oxiana prior to merging with Zinifex in mid 2008 and changing its name to OZ Minerals. The chart tracks the company as both Oxiana and OZ Minerals.



It can be seen that OZ Minerals underperformed the All Ordinaries in its early days. An uptrend began in 2000 when it acquired 80% of the Sepon project in Laos from Rio Tinto. In the years that followed it also acquired Golden Grove, Prominent Hill and Martabe.

The company's share price then rose from $1 in 2005 to almost $4 in 2006 as the resources boom took hold, and the company's management started using the phrase 'Stronger Forever', which was a way of saying that they expected the resources boom

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to go on forever. The boom ended in 2008, and the share price fell from over $4 to back below $1 in less than one year.

During the peak of the boom the construction of the Prominent Hill project required $1.1 billion of capital. This was financed using short term loans which expired in November 2008. Global financial markets, including metals markets, fell heavily leading up to the end of November, which impacted on OZ Minerals ability to refinance the debt.

By the end of November OZ Minerals shares had fallen to a five year low of 55 cents, and were placed in a trading halt pending the outcome of the debt refinancing. The shares were in a trading halt for almost three months. In the middle of February OZ Minerals announced that China Minmetals had made an all cash takeover offer at 82.5 cents per share. Part of the offer included paying out the $1.1 billion of debt that OZ Minerals was having difficulty refinancing.

As with the Chinalco investment in Rio Tinto that we discussed in our newsletter last month, investors from China appear to be willing to pay a significant premium to what other investors are prepared to pay for mining assets in the current environment.

The deal is expected to be completed in June 2009. The main hurdles to completion of the deal are Australian Foreign Investment Review Board approval, extension of the $1.1 billion debt facilities until completion of the deal, and shareholder approval.

If completion of the deal does not occur then the most likely outcome for OZ Minerals is administration due to an inability to refinance the $1.1 billion of debt. The administrators would most likely attempt to sell assets to reduce debt, and also potentially shut unprofitable operations to improve cash flow.

OZ Minerals shares resumed trading in the middle of February at 71 cents, a 14% discount to the Minmetals offer price. In the week that followed they fell to a low of 40 cents as speculation increased that the lenders would not extend the debt, which could derail the Minmetals offer. We believed that it was in the lenders best interests to extend the debt and allow the Minmetals deal to progress, and we bought some OZ Minerals shares on the 25th of February. The debt was then extended until the end of March, and the share price has since increased by about 20% to 61 cents. The share price is still well below the 82.5 cents offered by Minmetals.

It will be interesting to see if there are more twists and turns in the next few months, but we believe that there is a very good chance that the deal will go ahead, and that shareholders will receive the 82.5 cents per share cash payment around June 2009.

DISCLAIMER

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