CADENCE CAPITAL LIMITED

JANUARY 2006 INVESTOR REPORT

FUND PERFORMANCE*

	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	YTD
Cadence Capital Limited	0.10%	1.41%	6.39%	7.57%									16.18%
All Ordinaries Acc Index	-3.83%	4.35%	3.09%	3.65%									7.23%
Small Ordinaries Acc Index	-3.74%	2.98%	1.45%	3.76%									4.35%

*Before Management Fees

PORTFOLIO EXPOSURE ANALYSIS %

	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06
Equity Long	14.9%	68.0%	85.9%	81.9%								
Equity Short	2.5%	2.7%	0.0%	2.3%								
Gross Exposure	17.4%	70.8%	85.9%	84.3%								
Net Exposure	12.4%	65.3%	85.9%	79.6%								

PORTFOLIO SECTOR ANALYSIS

	LONG	SHORT	TOTAL
Materials	26.50%		26.50%
Commercial Services & Supplies	13.77%		13.77%
Energy	10.00%		10.00%
Capital Goods	9.53%		9.53%
Unspecified	6.68%	-2.34%	4.34%
Consumer Services	4.60%		4.60%
Insurance	3.41%		3.41%
Software & Services	2.82%		2.82%
Health Care Equipment & Services	2.61%		2.61%
Consumer Durables & Apparel	2.01%		2.01%
Gross Exposure	**81.92%**	**-2.34%**	**79.58%**
Net Cash / (Debt)			**20.42%**

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MARKET AND COMMENTARY

Cadence Capital Limited closed on the 31st January 2006 with a Net Tangible Asset Backing (NTA) of $1.1134 pre tax and fees and $1.0668 post tax and fees.

During the month of January, Cadence Capital Limited returned a gross performance of 7.57% compared to a rise in the All Ordinaries Accumulation Index of 3.65% and a rise in the Small Ordinaries Accumulation Index of 3.76%. The fund finished the month 81.9% long, 2.3% short and with a Net Long Exposure of 79.6%.The net exposure of the fund for December was 85.9%.

Following on from December's newsletter concerning Australian property prices, we have had a number of interesting developments on this topic in the current reporting season. The first insight into the property sector this year comes from the Housing Industry Association (HIA) predicting that housing starts will ease 4% in the 2005/06 year. In addition the HIA have predicted spending on home renovations is also expected to fall. Renovation spending is expected to fall 4% in 2005/06 and 2% in 2006/07. Early indications from the major banks, that have reported this month, are that loan defaults are a risk in the future and that the housing loan market has become very competitive.

In addition the listed company Australand commented on particular sectors of the property market. Australand indicated that the apartment division in New South Wales was at break-even profitability, this could signal overall weakness in the apartment market as well as raising concerns for investors with exposure, either directly or indirectly, to the apartment market. It will be interesting to see whether comments by Australand are borne out by other listed property companies as they report their half and full year results.

Commodities and consequently resource stocks have continued to track higher in January, although with higher volatility than we experienced in late 2005. Initial commentary from resource companies this reporting season is that revenue is expected to rise dramatically in the second half of the financial year due to record commodity prices. In addition many resource companies are experiencing cost pressures on energy, wages and equipment. These comments on increased revenue and cost pressures are a clear indication of 'bottom up' inflation.

During the January period the United States raised interest rates for the fourteenth time in a row. The consensus when the Reserve Bank of Australia (RBA) announces monetary policy on Wednesday 8th February 2005 is that interest rates will remain stable in Australia at this stage. Our view is that there is a high probability of interest rate increases in 2006. As we outlined in the December 2005 newsletter we consider inflationary pressure a real risk for asset prices.

DISCLAIMER

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