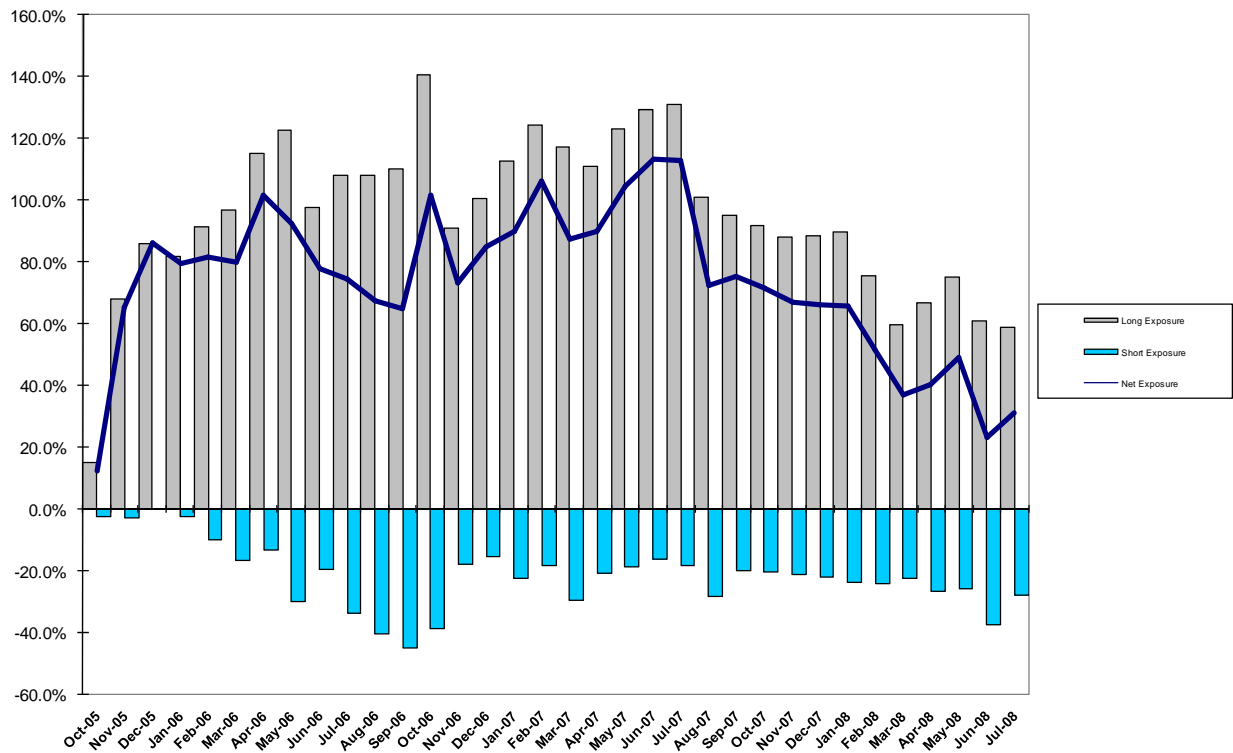


INVESTMENT UPDATE AND NTA - JULY 2008

FUND PERFORMANCE*

| Performance to 31st July 2008 | CDM | All Ords |
|--|---------|----------|
| 1 Month | -3.43% | -5.23% |
| 3 Months | -2.31% | -10.01% |
| 6 Months | -6.87% | -9.47% |
| 1 Year | -20.43% | -15.07% |
| 2 Years (% per Annum) | 9.73% | 4.97% |
| Annualised return since inception | 17.34% | 7.44% |
| Inception to date accumulated return | 57.33% | 22.54% |
| * Before Management and Performance Fees | | |

PORTFOLIO EXPOSURE ANALYSIS



PORTFOLIO SECTOR ANALYSIS

| Sector | Long | Short | Net |
|----------------------------------|---------------|----------------|---------------|
| Capital Goods | 11.78% | | 11.78% |
| Diversified Financials | 12.43% | -1.82% | 10.62% |
| Software & Services | 7.89% | | 7.89% |
| Telecommunication Services | 5.13% | | 5.13% |
| Materials | 11.74% | -6.85% | 4.89% |
| Real Estate | 1.51% | | 1.51% |
| Automobile & Components | 1.05% | | 1.05% |
| Consumer Services | 0.73% | | 0.73% |
| Health Care Equipment & Services | 0.66% | | 0.66% |
| Media | 1.44% | -0.79% | 0.65% |
| Food Beverage & Tobacco | 1.08% | -1.16% | -0.08% |
| Energy | | -0.65% | -0.65% |
| Banks | 1.41% | -2.47% | -1.05% |
| Retailing | 2.06% | -3.25% | -1.19% |
| Transportation | | -4.54% | -4.54% |
| Insurance | | -6.28% | -6.28% |
| Exposure | 58.92% | -27.79% | 31.13% |
| Cash on Hand | | | 68.87% |

MARKET AND COMMENTARY

Cadence Capital Limited NTA estimates as at 31 July 2008:

| | |
|--------------|-----------|
| Gross NTA | \$1.19481 |
| Pre Tax NTA | \$1.02307 |
| Post Tax NTA | \$1.01292 |

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

For the 34 months to 31st July 2008, Cadence Capital Limited has returned a gross performance of 57.3% compared to a rise in the All Ordinaries Accumulation Index of 22.5%. Cadence Capital Limited has generated an annualized return before fees of 17.3% per annum since inception.

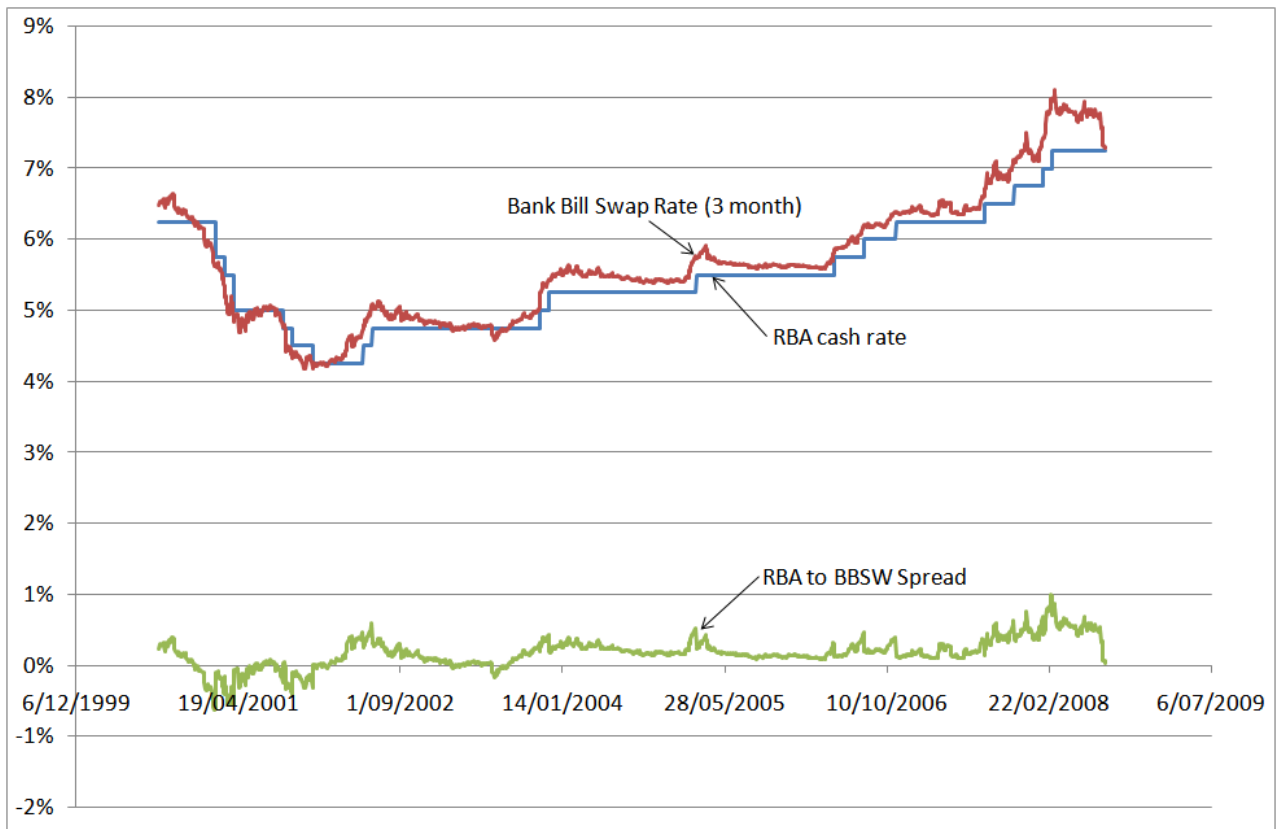
During the month of July, Cadence Capital Limited returned a negative gross performance of -3.43% compared to a decrease in the All Ordinaries Accumulation Index of -5.23% and a decrease in the Small Ordinaries Accumulation Index of -5.48%.

The fund finished the month 58.92% long, 27.79% short and with a net long exposure of 31.13%. The net exposure for June 2008 was 23.30%.

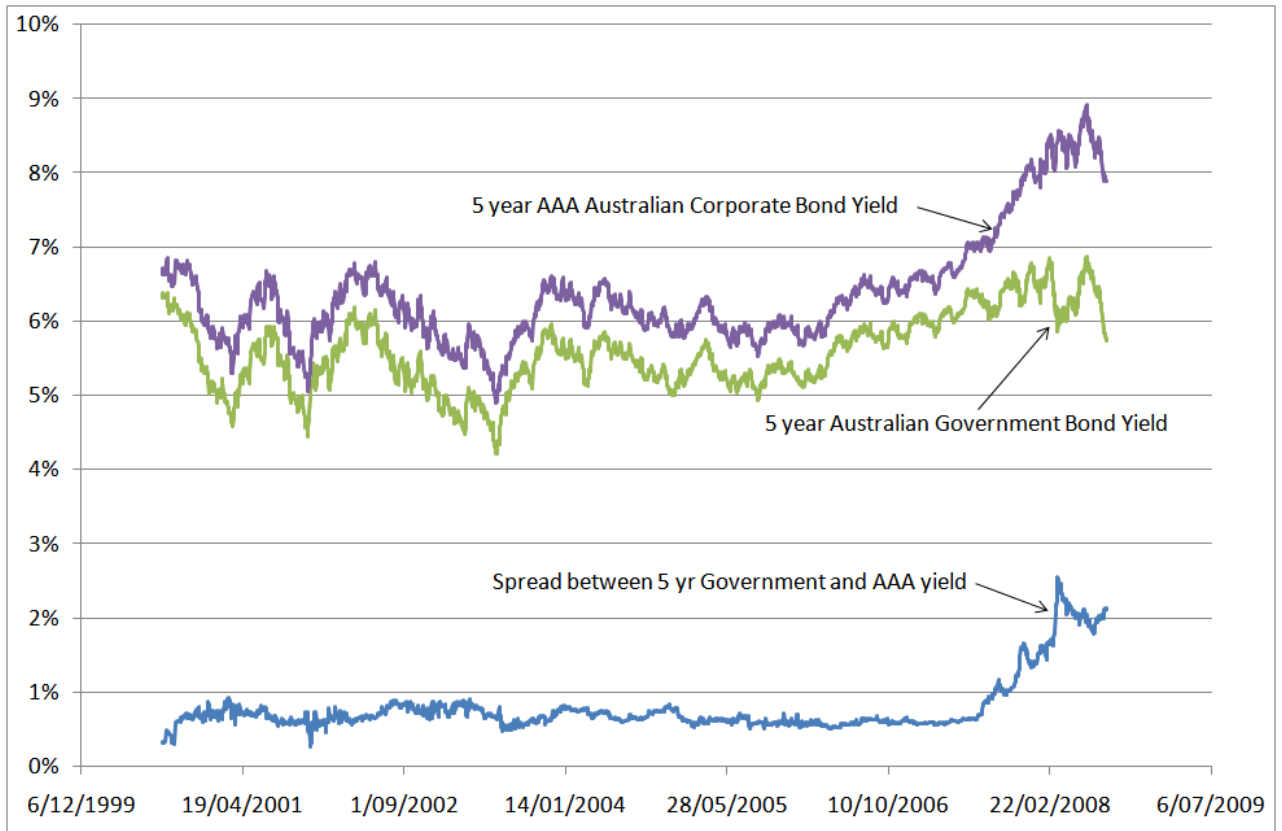
Interest rates, exchange rates and their impact on the Australian stock market

There have been some significant moves in interest rates and exchange rates recently and we thought it would be a good time to review these moves and the impact that they have had on the Australian stock market.

As can be seen from the chart below the Reserve Bank of Australia has increased the cash rate from 4.25% in early 2002 to 7.25% currently. In the last few weeks a view has been forming that interest rates will start to decline soon due to inflation being under control, and the economy slowing. This is reflected in the chart below by the sharp decrease in the RBA to BBSW Spread line from 60 basis points two months ago to only 4 basis points now.



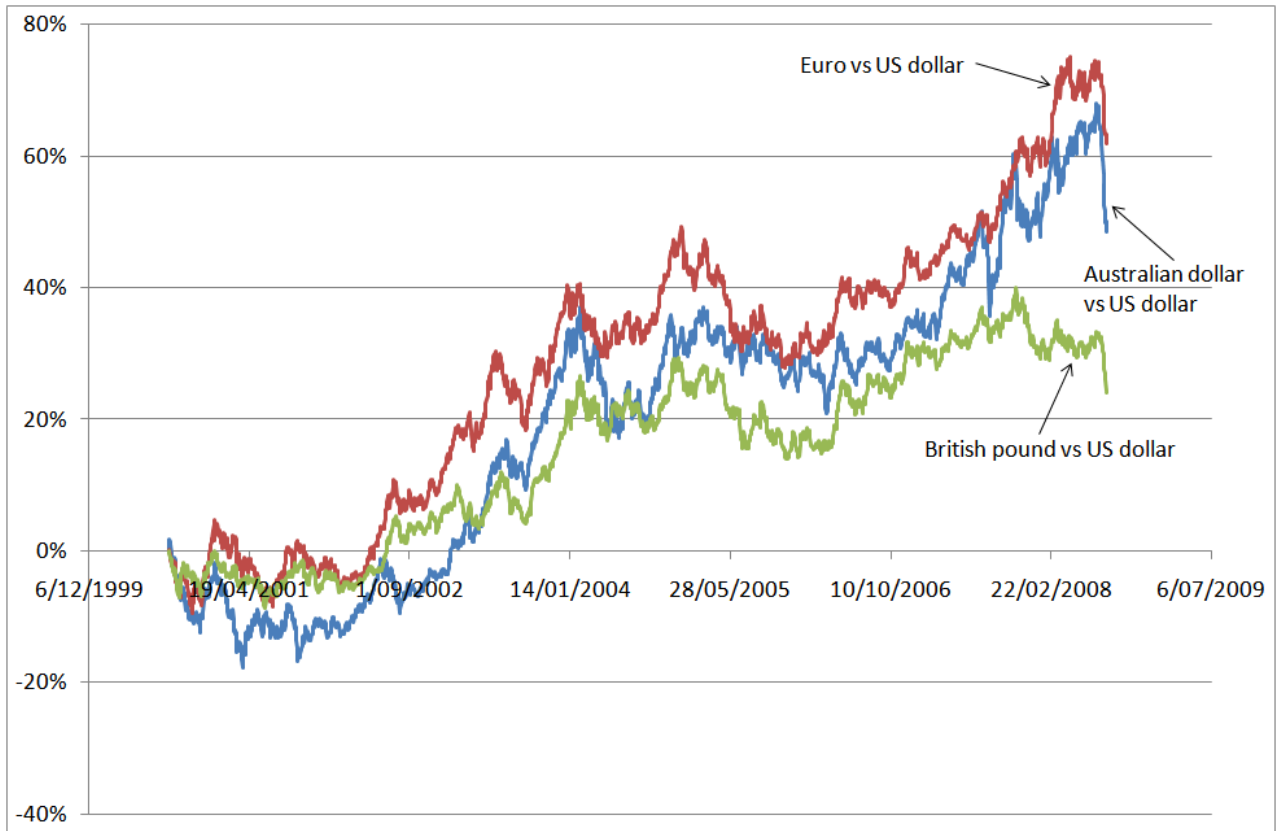
The chart below shows that 5 year interest rates have also fallen significantly recently, indicating that the anticipated decrease in interest rates is expected to last for a significant amount of time. Both AAA Australian corporate bond yields and Australian government bond yields are down by approximately 1% over a very short period of time.



It is also interesting to note on the above chart that Australian government bond yields are not significantly higher now than they have been over the last eight years. The average Australian government bond yield over the last eight years is 5.6%, and the current yield is 5.75%. This indicates that the cost of money on a risk free basis is not the major driving factor behind the current movements we are seeing in markets at the moment.

The spread line at the bottom of the chart shows that bond investors now receive a greater premium for investing in riskier assets, and the rising spread indicates that tolerance for risk has decreased significantly recently. This is due to the credit crisis we are currently experiencing. The spread has started to narrow recently, but is still more than double the spread over the last eight years.

The chart below shows that exchange rates have also moved significantly recently, with the Australian dollar dropping from 98 US cents one month ago, to 87 US cents at the moment. This is partially due to changed inflation and interest rate expectations in Australia as discussed above and partially due to non Australian specific factors, since the Euro and the British pound have also fallen recently against the US dollar, but not by as much as the Australian dollar. There is speculation that the US government may have intervened in currency markets to support the US dollar.



While debt costs for Australian companies are now off their peak, they are still higher than they have been for the last eight years. The spread between government bonds and corporate bonds has reduced slightly, but is still well above recent historical values. There should be some relief in the market that debt costs are now starting to come down, but interest rates on corporate debt are still high enough that high debt levels are viewed unfavorably by investors.

One group of stocks that may benefit from the falling Bank Bill Swap Rate spread are the Australian Banks. They have increased rates on residential mortgages recently beyond the RBA cash rate increases because they have argued that their wholesale funding costs have been increasing. Now that the Bank Bill Swap Rate spread is falling there is significant pressure for the banks to reduce their rates, and it will be interesting to see if they bow to the pressure, and reduce residential mortgage rates, or are able to use the drop in funding costs to increase their net interest margin.

The falling Australian dollar helps Australian exporters. Most Australian resource stocks are exporters, so we would expect that they would benefit from the falling dollar, but the price of resources such as copper, oil and gold have also been falling recently with expectations that western economies are slowing, and the possibility that China's high rate of growth may begin to fall.

In summary, Australian interest rates and the exchange rate have both risen significantly over the last few years, and especially in the last year or so due to the credit crisis. We are now starting to see drops in both interest rates and the exchange rate, which if they continue, should lead to better business conditions for Australian companies in the future.

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