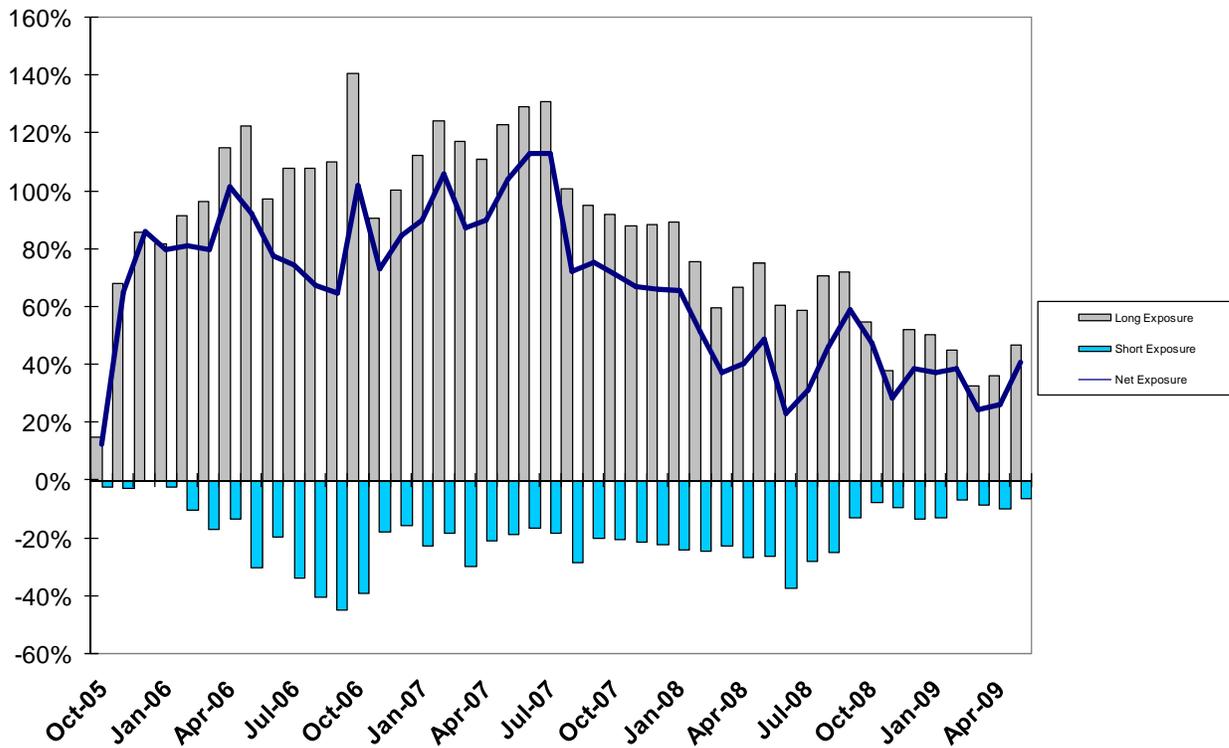


INVESTMENT UPDATE AND NTA – MAY 2009

FUND PERFORMANCE*

Performance to 31st May 2009	CDM	All Ords
1 Month	4.47%	2.15%
3 Months	9.87%	17.07%
6 Months	9.44%	6.46%
1 Year	-19.46%	-30.57%
2 Years (% per Annum)	-16.54%	-18.89%
3 Years (% per Annum)	0.14%	-4.40%
Annualised return since inception	8.74%	-0.86%
Inception to date accumulated return	35.97%	-3.13%
* Before Management and Performance Fees		

PORTFOLIO EXPOSURE ANALYSIS



PORTFOLIO SECTOR ANALYSIS

Sector	Long	Short	Net
Banks	12.48%		12.48%
Software & Services	12.29%		12.29%
Diversified Financials	5.72%		5.72%
Telecommunication Services	4.14%		4.14%
Materials	6.34%	-2.78%	3.56%
Food Beverage & Tobacco	2.10%		2.10%
Energy	1.89%		1.89%
Consumer Services	1.06%		1.06%
Capital Goods	0.59%		0.59%
Health Care Equipment & Services	0.41%		0.41%
Transportation		-3.48%	-3.48%
Exposure	47.03%	-6.26%	40.77%
Cash on hand			59.23%

MARKET AND COMMENTARY

Cadence Capital Limited NTA estimates as at 31st May 2009:

Gross NTA	\$1.03212
Pre Tax NTA	\$0.84493
Post Tax NTA*	\$0.92508

**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 eight months to 31st May 2009, Cadence Capital Limited has returned a gross performance of 36.0% compared to a fall in the All Ordinaries Accumulation Index of -3.1%.

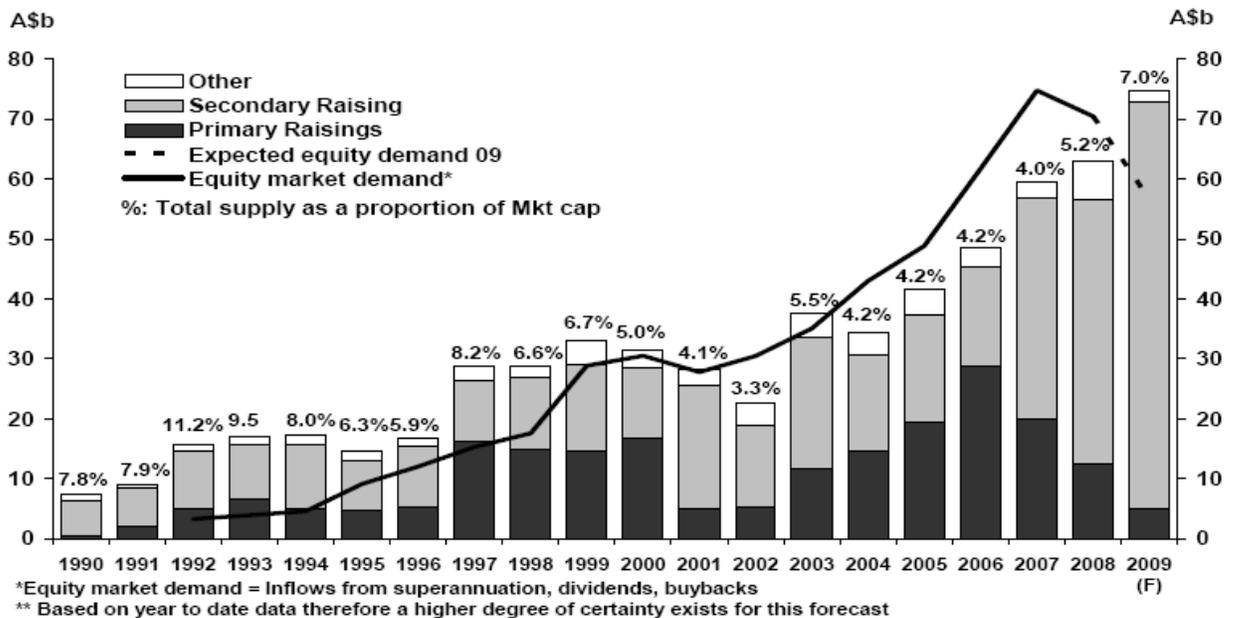
During the month of May, Cadence Capital Limited returned a positive gross performance of +4.47% compared to an increase in the All Ordinaries Accumulation Index of +2.15% and an increase in the Small Ordinaries Accumulation Index of +7.45%.

The fund finished the month 47.0% long, 6.2% short and with a net long exposure of 40.8%. The net exposure for April 2009 was 26.4%.

Capital Raisings

The last twelve months have seen a large number of capital raisings by companies in Australia. Most of these have been secondary capital raisings, which are capital raisings by companies that are already listed on the stock market.

The chart below shows that over the last few years there has been a decrease in IPO activity (primary raisings) and a significant increase in secondary capital raisings, especially in the last twelve months.



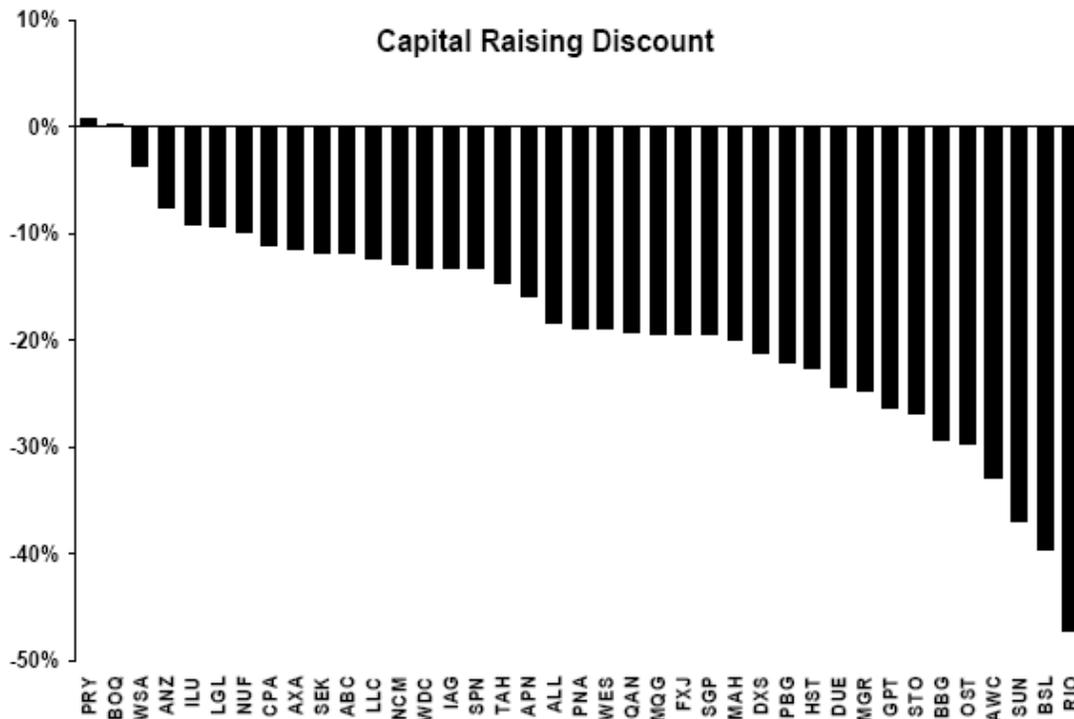
Source: Macquarie

After taking part in only a few capital raisings in the first half of 2008, we have taken part in over 40 capital raisings in the last twelve months, and all of them have been secondary capital raisings.

It has been common recently to see a company's share price fall significantly due to a perception that it has too much debt on the balance sheet. To reduce debt, a company may conduct a capital raising at a discount to its current share price. If a capital raising is not possible the company may need to sell assets at depressed prices or enter administration, which is generally not a good outcome for shareholders.

Secondary capital raisings are often done at a significant discount to the current share price. The large discounts on offer ensure that there is demand for all of the shares available, so the announcement of an underwritten capital raising is often seen as the solution to a company's debt problems.

The chart below shows the discount to the last traded price prior to the capital raising of recent secondary capital raisings.



Source: Macquarie

In most of the recent capital raisings debt problems were depressing the share price of the company, and companies that have raised capital have generally performed well relative to the issue price in the 30 days following the capital raising as shown in the chart below.



Source: Macquarie

As mentioned earlier we have taken part in over 40 capital raisings in the last twelve months, which in general have performed well. We are ahead on most of the raisings

that we were involved in, and our main problem has been that in some of the capital raisings we have not been allocated as many shares as we wanted. This is understandable though, as in some cases we have not been a shareholder in the company, and existing shareholders are generally allocated more shares than non-shareholders.

There are more secondary capital raisings happening at the moment. Asciano has just announced a capital raising at \$1.10, versus its last share price of \$1.83. Asciano has had difficulty selling assets at a reasonable price, and a recovery in its share price has enabled it to raise enough capital to significantly reduce debt. The capital raising will significantly reduce the pressure on Asciano to sell assets at depressed prices, and the shares are likely to trade above \$1.10 when they resume trading.

Rio Tinto has also recently announced a capital raising at a large discount to its share price as an alternative to the Chinalco deal which was announced in February. To take part in the Rio capital raising investors need to either be an existing Rio shareholder on the record date, or buy the right to placement shares off an investor who was a Rio shareholder on the record date.

We will continue to evaluate all capital raising opportunities as they arise and believe that there should be more good opportunities in the near future.

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