

INVESTMENT UPDATE AND NTA – MAY 2011

FUND NTA

Cadence Capital Limited NTA estimates as at 31st May 2011:

Pre Tax NTA*	\$1.40062
Post Tax NTA*	\$1.46104

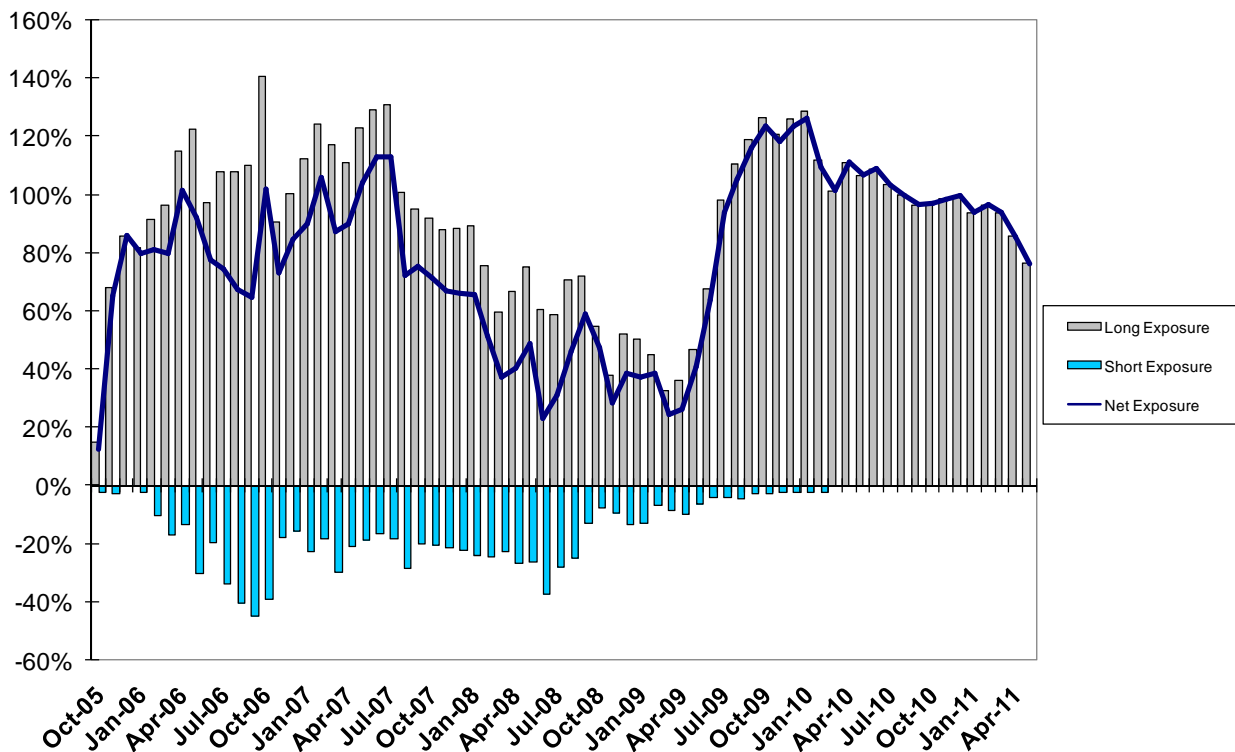
(These NTA's are post a 3.0c fully franked dividend that was paid on the 14th March 2011 and post receiving a 79.0c per share fully franked dividend on RHG shares – See commentary below.)

FUND PERFORMANCE*

Performance to 31st May 2011 *	CDM	All Ords	Outperformance
1 Month **	8.00%	-1.89%	
1 Year	78.13%	11.92%	+66.21%
2 Years	122.91%	35.88%	+87.03%
3 Years	79.53%	-5.65%	+85.18%
4 Years	55.27%	-10.60%	+65.87%
5 Years	123.82%	18.73%	+105.09%
Inception to date accumulated return (68 months)	203.09%	31.63%	+171.46%
Annualised return since inception (68 months)	21.61%	4.97%	+16.64%

* Gross Performance: before Management and Performance Fees
** Percentage increase in Post Tax NTA

PORTFOLIO EXPOSURE ANALYSIS



PORTFOLIO SECTOR ANALYSIS

Sector	Long	Short	Net
Banks	33.50%		33.50%
Software & Services	13.97%		13.97%
Materials	13.78%		13.78%
Commercial Services & Supplies	8.28%		8.28%
Diversified Financials	3.04%		3.04%
Telecommunication Services	0.86%		0.86%
Energy	0.78%		0.78%
Technology Hardware & Equipment	0.76%		0.76%
Consumer Services	0.69%		0.69%
Pharmaceuticals, Biotechnology & Life Sciences	0.64%		0.64%
Exposure	76.31%	0.00%	76.31%
Cash on hand			23.69%

TOP 20 PORTFOLIO POSITIONS

ASX Code	Position	Direction	% Holding
RHG	RHG Ltd	Long	25.3%
MMS	McMillan Shakespeare Limited	Long	7.9%
RKN	Reckon Ltd	Long	7.2%
BVA	Bravura Solutions Ltd	Long	6.5%
RIO	Rio Tinto Ltd	Long	4.2%
AQG	Alacer Gold Corp.	Long	3.4%
NAB	National Australia Bank Ltd	Long	3.3%
ANZ	Australia & New Zealand Banking Group	Long	3.3%
BTU	Bathurst Resources Limited	Long	3.2%
FXL	Flexigroup Limited	Long	3.0%
FFF	Firstfolio Limited	Long	1.7%
AWC	Alumina Limited	Long	1.4%
CVR	Central Asia Resources Limited	Long	1.2%
HOG	Hawkey Oil and Gas Limited	Long	0.8%
ZYL	ZYL limited	Long	0.8%
RFG	Retail Food Group Limited	Long	0.7%
VOC	Vocus Communications Limited	Long	0.6%
BNO	Bionomics Limited	Long	0.6%
ZRL	Zambezi Resources Limited	Long	0.5%
TSN	Transaction Solutions International Limited	Long	0.3%
Top Twenty Portfolio Holdings			75.8%

NTA MOVEMENT IN MAY 2011

	<u>30th April 2011</u>	<u>31st May 2011</u>	<u>Increase May 2011</u>
Post Tax NTA	\$1.35278	\$1.46104	\$0.10827

The substantial increase in Post tax NTA of 10.8 cents during the month of May is primarily due to the 79 cents fully franked RHG dividend received during the month.

This is a **Post tax NTA increase of 8.00%** for the month of May 2011. We have used the increase in Post tax NTA in our performance tables as this figure more accurately includes the material fully franked dividend received during the month.

The Fund has accumulated franking credits of around 22 cents per share which will support the payment of more than 50 cents of fully franked dividends per share in the future, **without earning any further profits.**

MARKET AND COMMENTARY

We are pleased to report that the fund has had a very good year to date and for the eleven months ended 31st May 2011 the fund is up 79.74% (Gross) outperforming the All Ordinaries Accumulation Index by 64.82%. During the month of May, Cadence Capital Limited returned +8.00% compared to a decrease in the All Ordinaries Accumulation Index of -1.89% and a decrease in the Small Ordinaries Accumulation Index of -1.89%.

For the five years and eight months to 31st May 2011, Cadence Capital Limited has generated a gross performance of 21.61% per annum, outperforming the All Ordinaries Accumulation Index by 16.64% per annum.

The fund finished the month 76.31% long and with no shorts. The net long exposure for April 2011 was 85.72%.

CADENCE CAPITAL LIMITED NEWS

Cadence Capital Limited will be releasing its quarterly webcast later this month which will give more detail on the above newsletter. During the past few months, Cadence has been quoted numerous times in the press. For more insight into Cadence Capital Limited we would encourage you to read these articles and also watch past webcasts in the 'News' section of the website at www.cadencecapital.com.au.

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