



## INVESTMENT UPDATE

December 2012

### Summary Update

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We are pleased to report that the fund has had a good first half year and for the first six months ended 31<sup>st</sup> December 2012 the fund has had a gross performance of 17.53% outperforming the All Ordinaries Accumulation Index by 1.99% and the Small Ordinaries Accumulation Index by 8.09%.

During the month of December 2012, Cadence Capital Fund returned a gross performance of +1.05% compared to an increase in the All Ordinaries Accumulation Index of 3.43% and an increase in the Small Ordinaries Accumulation Index of 3.23%. For the nine years and two months to 31<sup>st</sup> December 2012, Cadence Capital Fund has generated a gross performance of 17.41% per annum, outperforming the All Ordinaries Accumulation Index by 9.03% per annum.

The fund finished the month 76.78% net long compared to 75.00% net long in November 2012.

### Fund NTA

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Cadence Capital unit price estimates as at 31<sup>st</sup> December 2012:

NTA (Post fees)\*                      \$1.712766

*\* This unit price is post the 2012 year end distribution of \$0.20987*

### Cadence Highlights

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Cadence Capital Limited was **ranked by ASX\* as the Number 1 Australian Equities Listed Investment Company** over 3 and 5 years in the LMI Quarterly Update as at 30 September 2012.

Cadence Capital Limited was **ranked by E.L.&C. Baillieu as the No. 1 Listed Investment Company** over both 3 and 5 years in their Listed Investment Company Sector Report dated 22<sup>nd</sup> November 2012.

Cadence Capital Limited was recently a finalist at the 2012 Australian Hedge Fund Awards in the Best Long Short and Absolute Return Fund category.

All of these reports are available on our home page at [www.cadencecapital.com.au](http://www.cadencecapital.com.au)

\* Source: ASX website – Market Update on Management Funds section, LMI Quarterly Update as at 30 September 2012

For more information contact Cadence Capital Fund on 02 8298 2444 or email [info@cadencecapital.com.au](mailto:info@cadencecapital.com.au)  
Register to receive our newsletter at [www.cadencecapital.com.au](http://www.cadencecapital.com.au)



## Fund Performance

| Performance* to 31st December 2012                | CCF**   | All Ords | Outperformance |
|---|---------|----------|----------------|
| 1 Month   | 1.05%   | 3.43%    | -2.38%         |
| 1 Year  | 20.89%  | 18.84%   | +2.05%         |
| 2 Years   | 59.95%  | 5.26%    | +54.69%        |
| 3 Years   | 108.96% | 8.74%    | +100.22%       |
| 4 Years   | 211.96% | 51.77%   | +160.19%       |
| 5 Years   | 59.80%  | -9.52%   | +69.32%        |
| 7 Years   | 137.21% | 33.39%   | +103.82%       |
| Inception to date accumulated return (110 months) | 335.35% | 109.09%  | +226.26%       |
| Annualised return since inception (110 months)    | 17.41%  | 8.38%    | +9.03%         |

\* Gross Performance before Management and Performance Fees

\*\* Adjusted to include material franking credit of 26.7 cents received from RHG dividend during May 2011

## Top Portfolio Positions

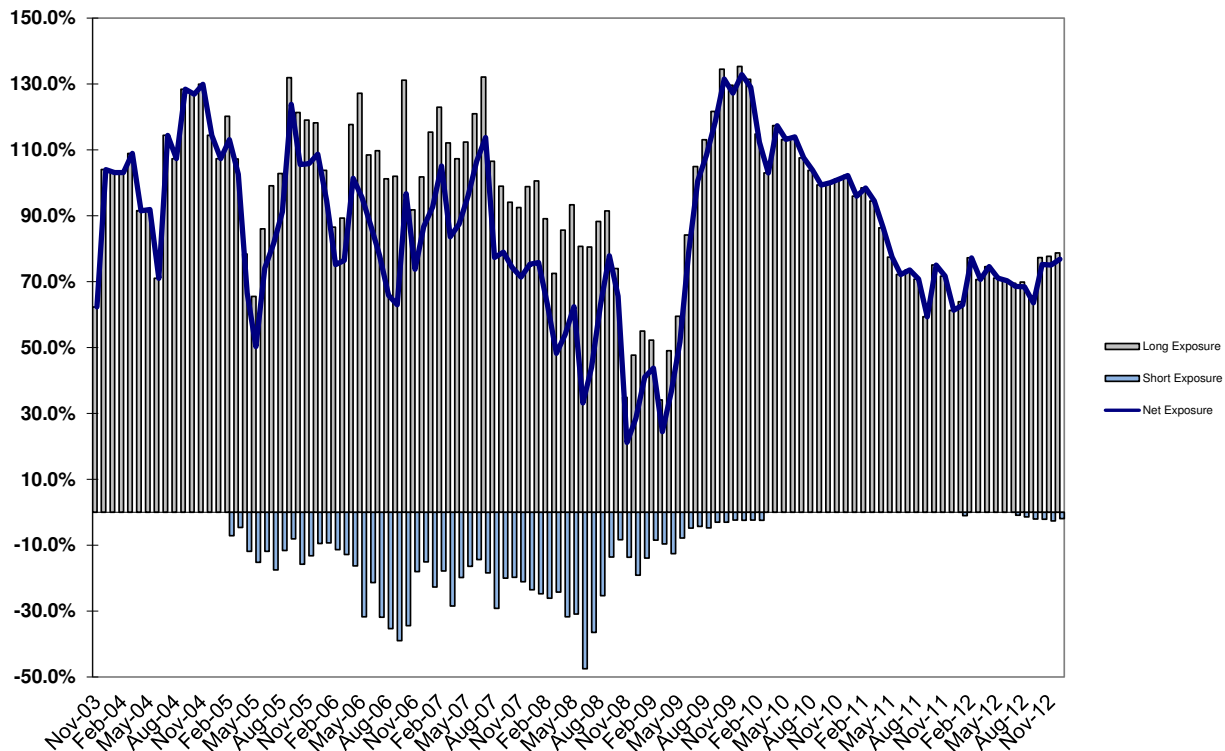
| ASX Code                          | Position                              | Direction | Holding       |
|-----------------------------------|---------------------------------------|-----------|---------------|
| RHG                               | RHG Ltd                               | Long      | 21.0%         |
| MMS                               | McMillan Shakespeare Ltd              | Long      | 8.2%          |
| FXL                               | Flexigroup Ltd                        | Long      | 7.3%          |
| MQG                               | Macquarie Group Limited               | Long      | 6.5%          |
| ANZ                               | Australia & New Zealand Banking Group | Long      | 4.5%          |
| NAB                               | National Australia Bank Ltd           | Long      | 4.4%          |
| RKN                               | Reckon Ltd                            | Long      | 4.0%          |
| ARI                               | Arrium Ltd                            | Long      | 3.3%          |
| BVA                               | Bravura Solutions Ltd                 | Long      | 2.7%          |
| RFG                               | Retail Food Group                     | Long      | 2.5%          |
| BSL                               | Bluescope Steel Ltd                   | Long      | 2.1%          |
| OZL                               | Oz Minerals Ltd                       | Short     | 1.9%          |
| MBN                               | Mirabela Nickel Ltd                   | Long      | 1.5%          |
| CTP                               | Central Petroleum Ltd                 | Long      | 1.5%          |
| OTH                               | Onthehouse Holdings Ltd               | Long      | 1.4%          |
| CYA                               | Century Australia Investments Limited | Long      | 1.2%          |
| <b>Portfolio Holdings &gt; 1%</b> |                                       |           | <b>73.92%</b> |



## Portfolio Sector Analysis

| Sector                             | Long          | Short        | Net           |
|------------------------------------|---------------|--------------|---------------|
| Banks                              | 29.94%        |              | 29.94%        |
| Diversified Financials             | 14.95%        |              | 14.95%        |
| Materials                          | 9.56%         | 1.94%        | 7.63%         |
| Commercial & Professional Services | 9.14%         |              | 9.14%         |
| Software & Services                | 7.41%         |              | 7.41%         |
| Consumer Services                  | 2.49%         |              | 2.49%         |
| Energy                             | 1.86%         |              | 1.86%         |
| Retailing                          | 1.47%         |              | 1.47%         |
| Media                              | 0.92%         |              | 0.92%         |
| Real Estate                        | 0.49%         |              | 0.49%         |
| Health Care Equipment & Services   | 0.45%         |              | 0.45%         |
| Capital Goods                      | 0.02%         |              | 0.02%         |
| <b>Exposure</b>                    | <b>78.72%</b> | <b>1.94%</b> | <b>76.78%</b> |
| <b>Cash on Hand</b>                |               |              | <b>23.22%</b> |

## Portfolio Exposure





## Cadence News

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### Cadence Capital Limited Retail Share Issue (ASX Code: CDM)

Cadence Capital Limited has recently announced its intention to undertake a share issue of up to 45% of issued capital (29.457M ordinary shares). The share issue will be via a prospectus at a premium to the pre-tax net tangible asset (NTA) per share as at 31st January 2013. The opportunity to participate will be open to both retail and high net worth investors. The offer will be open to existing and potential new shareholders, with a priority allocation of 6.0M shares to be set aside for existing shareholders.

The share issue is in response to increased demand for Cadence Capital Limited shares, which we believe is being driven by a number of factors:

- The Company has a high level of available franking credits allowing it to maintain its dividend payment policy in the medium term,
- The Company has been paying a growing stream of fully franked dividends,
- The Company has consistently delivered strong returns since its inception 7 years ago, and
- Future of Financial Advice (FOFA) reforms have now placed Listed Investment Companies (LIC's) on a more equal footing with managed funds.

The Board considers the share issue a positive initiative that will not cause dilution to the NTA per share for existing shareholders. The Board does not expect the share issue to have an impact on its dividend policy.

The proposed share issue aims to:

- attract new long term investors, particularly investors who value fully franked dividend yield and capital growth,
- expand the market capitalization and improve the liquidity in the company's shares,
- improve the research coverage available to the company, and
- reduce the fixed administration expense ratio by spreading costs across a larger pool of assets.

The offer is expected to open on 25th February 2013 and to close on 8th March 2013. Prospectus will be available on the 18<sup>th</sup> February 2013. Investors can pre-register for a copy of the prospectus on our website at [www.cadencecapital.com.au](http://www.cadencecapital.com.au).

### Other News

We would like to once again recommend that you visit the 'News and Views' section of our website at [www.cadencecapital.com.au](http://www.cadencecapital.com.au) as all past company webcasts, interviews and press articles involving Cadence can be found here.

### Disclaimer

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