



INVESTMENT UPDATE

August 2012

Summary Update

We are pleased to report that the fund has had a good start to the 2013 financial year and for the first two months ended 31st August 2012 the fund has had a gross performance of 10.54% outperforming the All Ordinaries Accumulation Index by 4.59% and the Small Ordinaries Accumulation Index by 7.78%.

During the month of August 2012, Cadence Capital Fund returned a gross performance of +6.34% compared to an increase in the All Ordinaries Accumulation Index of 2.12% and an increase in the Small Ordinaries Accumulation Index of 2.95%. For the eight years and ten months to 31st August 2012, Cadence Capital Fund has generated a gross performance of 17.30% per annum, outperforming the All Ordinaries Accumulation Index by 9.65% per annum.

The fund finished the month 68.44% net long compared to 68.57% net long in July 2012.

Fund NTA

Cadence Capital unit price estimates as at 31st August 2012:

NTA (Post fees)* \$1.639604

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

Cadence Highlights

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 18th July 2012.

Cadence Capital Limited was **ranked by ASX** as the Number 1 Australian Equities Listed Investment Company** over 1, 3 and 5 years in the LMI Quarterly Update as at 31 March 2012.

Cadence Capital Limited has a **RECOMMENDED Rating by ZENITH** Investment Partners

All of these reports are available on our home page at www.cadencecapital.com.au

** Source: ASX website – Market Update on Management Funds section, LMI Quarterly Update as at 31 March 2012



Fund Performance

Performance* to 31st August 2012	CCF**	All Ords	Outperformance
1 Month	6.34%	2.12%	+4.22%
1 Year	14.20%	4.04%	+10.16%
2 Years	99.91%	6.75%	+93.16%
3 Years	123.77%	9.66%	+114.11%
4 Years	80.46%	-0.73%	+81.19%
5 Years	55.19%	-13.76%	+68.95%
6 Years	86.87%	10.27%	+76.60%
Inception to date accumulated return (106 months)	309.47%	91.73%	+217.74%
Annualised return since inception (106 months)	17.30%	7.65%	+9.65%

* 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

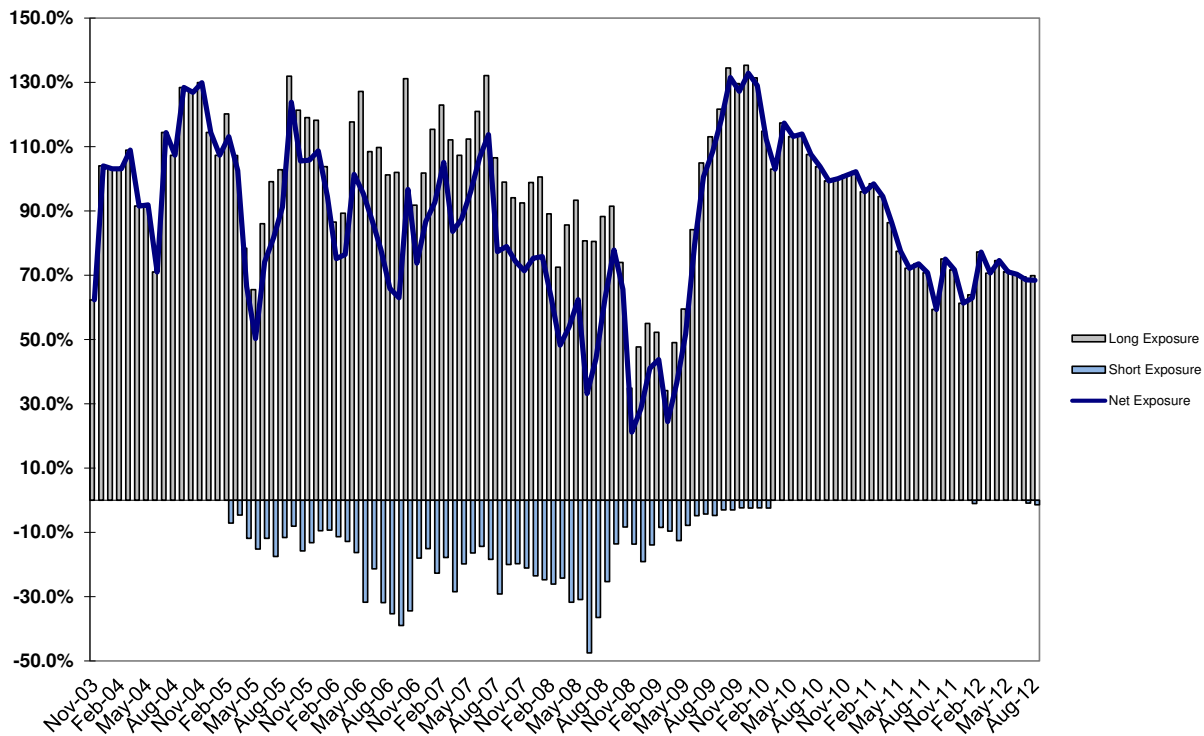
ASX Code	Position	Direction	Holding
RHG	RHG Ltd	Long	28.8%
FXL	Flexigroup Ltd	Long	7.0%
MMS	McMillan Shakespeare Ltd	Long	6.9%
BVA	Bravura Solutions Ltd	Long	5.4%
ANZ	Australia & New Zealand Banking Group	Long	3.8%
RKN	Reckon Ltd	Long	3.4%
NAB	National Australia Bank Ltd	Long	2.8%
MQG	Macquarie Group Limited	Long	2.5%
BTU	Bathurst Resources Ltd	Long	2.3%
OZL	Oz Minerals Ltd	Short	1.4%
COF	Coffey International Limited	Long	1.4%
DCG	Decmil Group Limited	Long	1.3%
CTP	Central Petroleum Ltd	Long	1.2%
RFG	Retail Food Group	Long	1.2%
Portfolio Holdings > 1%			69.32%



Portfolio Sector Analysis

Sector	Long	Short	Net
Banks	35.45%		35.45%
Diversified Financials	9.50%		9.50%
Software & Services	8.96%		8.96%
Commercial & Professional Services	8.24%		8.24%
Materials	2.76%	1.42%	1.34%
Capital Goods	2.29%		2.29%
Energy	1.28%		1.28%
Consumer Services	1.16%		1.16%
Telecommunication Services	0.22%		0.22%
Exposure	69.86%	1.42%	68.44%
Cash on Hand			31.56%

Portfolio Exposure





Cadence News

Reporting Season

The June 2012 reporting season is now behind us, and as a general comment companies have largely met or exceeded expectations on earnings and dividends. The exception to this has been the materials and resources sector which has clearly been under pressure from falling commodity prices. The resources sector as represented by the Resources Index actually started falling two years ago and has been in steady decline since, with the steady decline particularly noticeable over the past three months. These movements confirm that commodity prices, and as a consequence resource companies share prices, are cyclical by nature.

Four of our top ten positions reported better than expected earnings or dividends, and the fact that we have held low exposure to the resources sector for the last 18 months has greatly assisted our performance over the past two years.

Option Expiry 15th September 2012

We would like to remind our Cadence Capital Limited shareholders and prospective shareholders that our Cadence Capital Limited Options (CDMO) expire on the **15th September 2012**. Since our Half year results approximately 5 million options have been exercised and only 13 million of the original 27 million options remain to be exercised over the next two weeks. Once exercised, these options are entitled to the final 8 cent fully franked dividend which goes 'ex' on the 15th October 2012 and is payable on the 29th October 2012.

Franking Credits

As we indicated in an ASX announcement late last week the fund will receive an additional \$1.3 million of franking with the upcoming payment of a 10 cent dividend per RHG Limited share.

This dividend will bring the Cadence Capital Limited Franking account balance to \$6.5 million or 27 cents per share. This franking balance creates relative surety around fully franked dividends in the medium term.

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 as all past company webcasts, interviews and press articles involving Cadence can be found here. Please note that the recently released June 2012 yearend Webcast can be found here.

Disclaimer

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