



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 10.61% outperforming the All Ordinaries Accumulation Index by 4.66% and the Small Ordinaries Accumulation Index by 7.85%.

During the month of August 2012, Cadence Capital Limited returned a gross performance of +6.43% 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 six years and eleven months to 31 August 2012, Cadence Capital Limited has generated a gross performance of 20.25% per annum, outperforming the All Ordinaries Accumulation Index by 16.79% per annum.

The fund finished the month 65.04% long compared to 71.19% long in July 2012.

Fund NTA

| Net Tangible Assets as at 31 August | Amount (\$) |
|-------------------------------------|-------------|
| Pre Tax NTA* | \$1.406 |
| Post Tax NTA* | \$1.446 |
| Dilute d Pre Tax NTA** | \$1.368 |
| Dilute d Post Tax NTA** | \$1.398 |
| Share price (ASX Code: CDM) | \$1.370 |
| Option price (ASX Code: CDMO)^ | \$0.089 |

^ The Option strike price is \$1.25 and expires on the 15th September 2012

*These NTA's are **pre the 8.0c October 2012 fully franked final (4.0c) and special (4.0c) dividend**

These NTA's are **pre the dividends and are have been calculated assuming **all outstanding options are exercised**

Fund 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

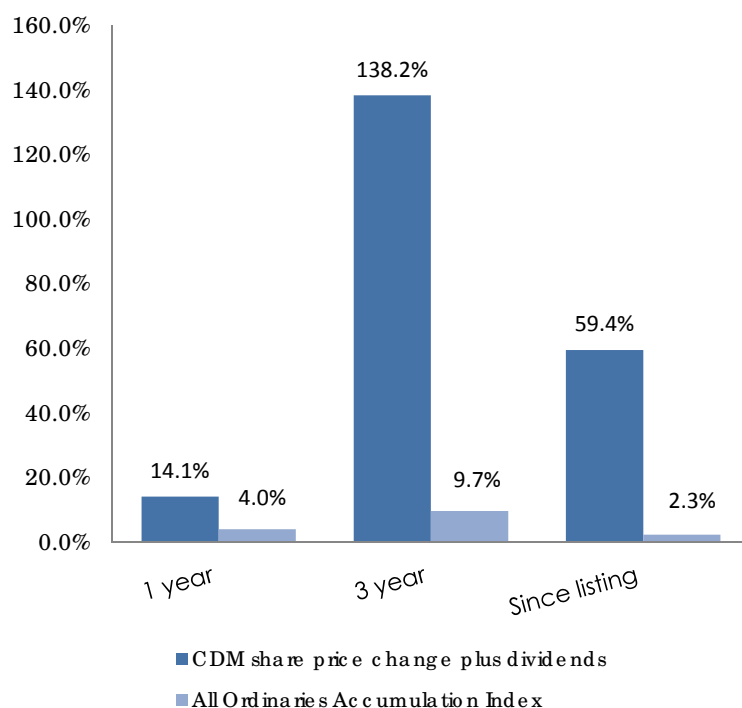
All of these reports are available on our home page at www.cadencecapital.com.au

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

For more information contact Cadence Capital Limited on 02 8298 2444 or email info@cadencecapital.com.au
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Share Price Return Including Dividends



Fully Franked Dividends Declared Since Listing

| Calendar Year | Interim | Final | Special | Total | Gross (Inc. Franking) |
|---------------|--------------|--------------|-------------|--------------|-----------------------|
| 2007 | 2.0c | 2.0c | 2.0c | 6.0c | 8.6c |
| 2008 | 2.5c | 2.2*c | - | 4.7c | 5.8c |
| 2009 | - | 2.0c | - | 2.0c | 2.9c |
| 2010 | 2.0c | 2.0c | - | 4.0c | 5.7c |
| 2011 | 3.0c | 3.0c | 3.0c | 9.0c | 12.9c |
| 2012 | 4.0c | 4.0c ** | 4.5c ** | 12.5c | 17.8c |
| TOTAL | 13.5c | 15.2c | 9.5c | 38.2c | 53.7c |

* Off market equal access buy back

** The 8.0 cent full year fully franked dividend, final (4.0 cent) and special (4.0 cent), will be paid on the 29th October 2012. All options exercised will be entitled to this dividend.



Fund Performance

| Performance* to 31st August 2012 | CDM** | All Ords | Outperformance |
|--|---------|----------|----------------|
| 1 Month | 6.43% | 2.12% | +4.31% |
| 1 Year | 13.77% | 4.04% | +9.73% |
| 2 Years | 99.51% | 6.75% | +92.76% |
| 3 Years | 122.43% | 9.66% | +112.77% |
| 4 Years | 120.32% | -0.73% | +121.05% |
| 5 Years | 101.81% | -13.76% | +115.57% |
| Since Inception (83 months) | 258.11% | 26.54% | +231.57% |
| Since Inception Annualised (83 months) | 20.25% | 3.46% | +16.79% |

* Before Management and Performance Fees

**These numbers include the franking value of the substantial RHG dividend received in May 2011

In May 2011 the fund received a substantial fully franked dividend from its RHG holding. As a result of this dividend, the Post Tax NTA of the fund increased by +8% during that month. The May 2011 performance of the fund was adjusted to reflect this Post-tax increase in NTA as this figure more accurately included the material fully franked dividends received from RHG during this month.

Top Portfolio Positions

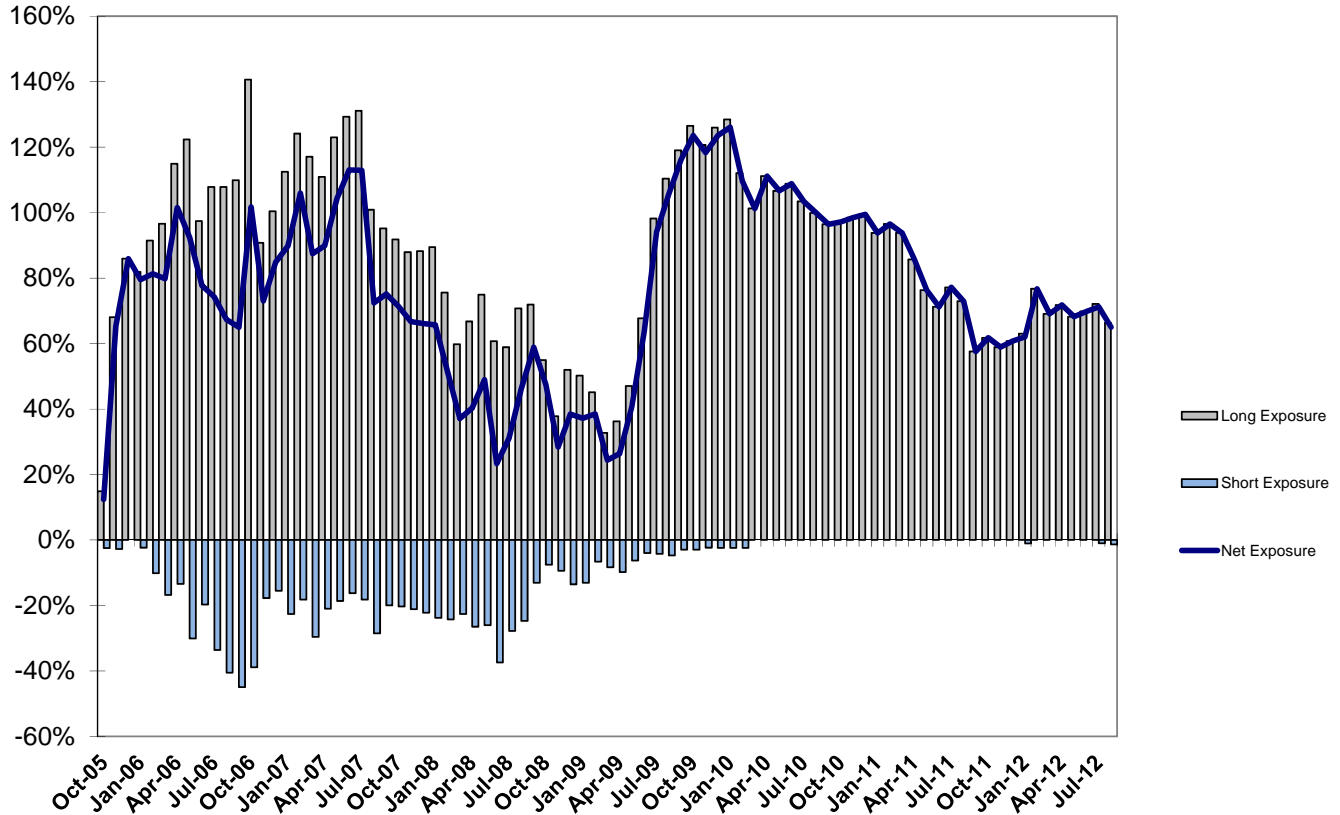
| ASX Code | Position | Direction | Holding |
|------------------------------------|--|-----------|---------------|
| RHG | RHG Ltd | Long | 27.5% |
| FXL | Fle xig ro up Ltd | Long | 6.6% |
| MMS | Mc Milla n Sha ke spe a re Ltd | Long | 6.5% |
| BVA | Bra vura So lutio ns Ltd | Long | 5.1% |
| ANZ | Austra lia & Ne w Ze a la nd Bank ing Gro up | Long | 3.6% |
| RKN | Re c ko n Ltd | Long | 3.5% |
| NAB | Na tio na l Austra lia Ba nk Ltd | Long | 2.7% |
| MQG | Ma c qua rie Gro up Limite d | Long | 2.4% |
| BTU | Ba thurst Re so urc es Ltd | Long | 2.1% |
| OZL | O z Mine ra ls Ltd | Short | 1.3% |
| COF | C offe y Inte ma tio na l Limite d | Long | 1.3% |
| CTP | C e ntra l Pe tro le um Ltd | Long | 1.2% |
| DCG | De c mil Gro up Limite d | Long | 1.2% |
| RFG | Re ta il Fo o d Gro up | Long | 1.1% |
| Portfolio Holdings above 1% | | | 66.11% |



Portfolio Sector Analysis

| Sector | Long | Short | Net |
|------------------------------------|---------------|--------------|---------------|
| Banks | 33.86% | | 33.86% |
| Diversified Financials | 8.95% | | 8.95% |
| Software & Services | 8.73% | | 8.73% |
| Commercial & Professional Services | 7.86% | | 7.86% |
| Materials | 2.50% | 1.34% | 1.16% |
| Capital Goods | 2.07% | | 2.07% |
| Energy | 1.27% | | 1.27% |
| Consumer Services | 1.10% | | 1.10% |
| Telecommunications Services | 0.05% | | 0.05% |
| Exposure | 66.38% | 1.34% | 65.04% |
| Cash on Hand | | | 34.96% |

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 shareholders and prospective shareholders that our Cadence Capital Limited Options (CDMO) expire on the **15th September 2012** and will cease trading on the Australian Securities Exchange on the **7th September 2012**. These options are currently trading on the stock exchange under the ASX code CDMO. We would encourage shareholders to either exercise these options or sell them as they do have value.

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.

Net Tangible Asset Backing (NTA) and Diluted NTA

As at the end of August our NTA is:

Pre Tax NTA \$1.406

Post Tax NTA \$1.446

These above NTA numbers are after the exercise of approximately 14 million CDMO options issued on the 31st August 2011.



Assuming all outstanding options are exercised and paid for by the 15th September 2012, the **31st August 2012 Diluted NTA** would be:

Pre Tax NTA \$1.368

Post Tax NTA \$1.398

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.

We would also like to thank all shareholders for their ongoing support and welcome new shareholders, that have or are about to exercise options, into our company.

Disclaimer

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