



INVESTMENT UPDATE

December 2012

We are pleased to report that the fund has had a good half year and for the first six months ended 31st December 2012 the fund has had a gross performance of 15.59% outperforming the All Ordinaries Accumulation Index by 0.05% and the Small Ordinaries Accumulation Index by 6.15%. This has been achieved having less than full market exposure with the fund holding an average cash balance of 37% during the past 6 months.

During the month of December 2012, Cadence Capital Limited returned a gross performance of +1.01% 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 seven years and three months ended 31 December 2012, Cadence Capital Limited has generated a gross performance of 19.96% per annum, outperforming the All Ordinaries Accumulation Index by 15.42% per annum.

The fund finished the month 62.23% net long compared to 58.07% net long in November 2012.

Fund NTA

Net Tangible Assets as at 31 December	Amount (\$)
Pre Tax NTA*	\$1.351
Post Tax NTA*	\$1.372
Share price (ASX Code: CDM)**	\$1.450

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

The share price is **ex the 8.0c October 2012 fully franked final (4.0c) and special (4.0c) dividend

Fund Highlights

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 22nd November 2012.

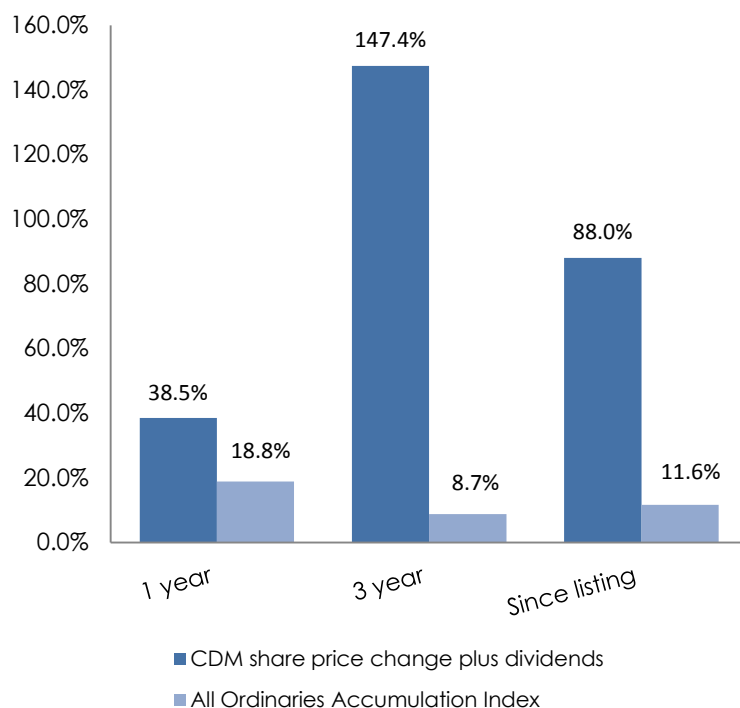
Cadence Capital Limited was recently a finalist at the 2012 Australian Hedge Fund Awards in the Best Long Short and Absolute Return Fund category.

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

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



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), was paid on the 29th October 2012.



Fund Performance

Performance* to 31st December 2012	CDM**	All Ords	Outperformance
1 Month	1.01%	3.43%	-2.42%
1 Year	19.07%	18.84%	+0.23%
2 Years	56.01%	5.26%	+50.75%
3 Years	106.11%	8.74%	+97.37%
4 Years	203.47%	51.77%	+151.70%
5 Years	103.93%	-9.52%	+113.45%
Since Inception (87 months)	274.22%	37.99%	+236.23%
Since Inception Annualised (87 months)	19.96%	4.54%	+15.42%

* 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

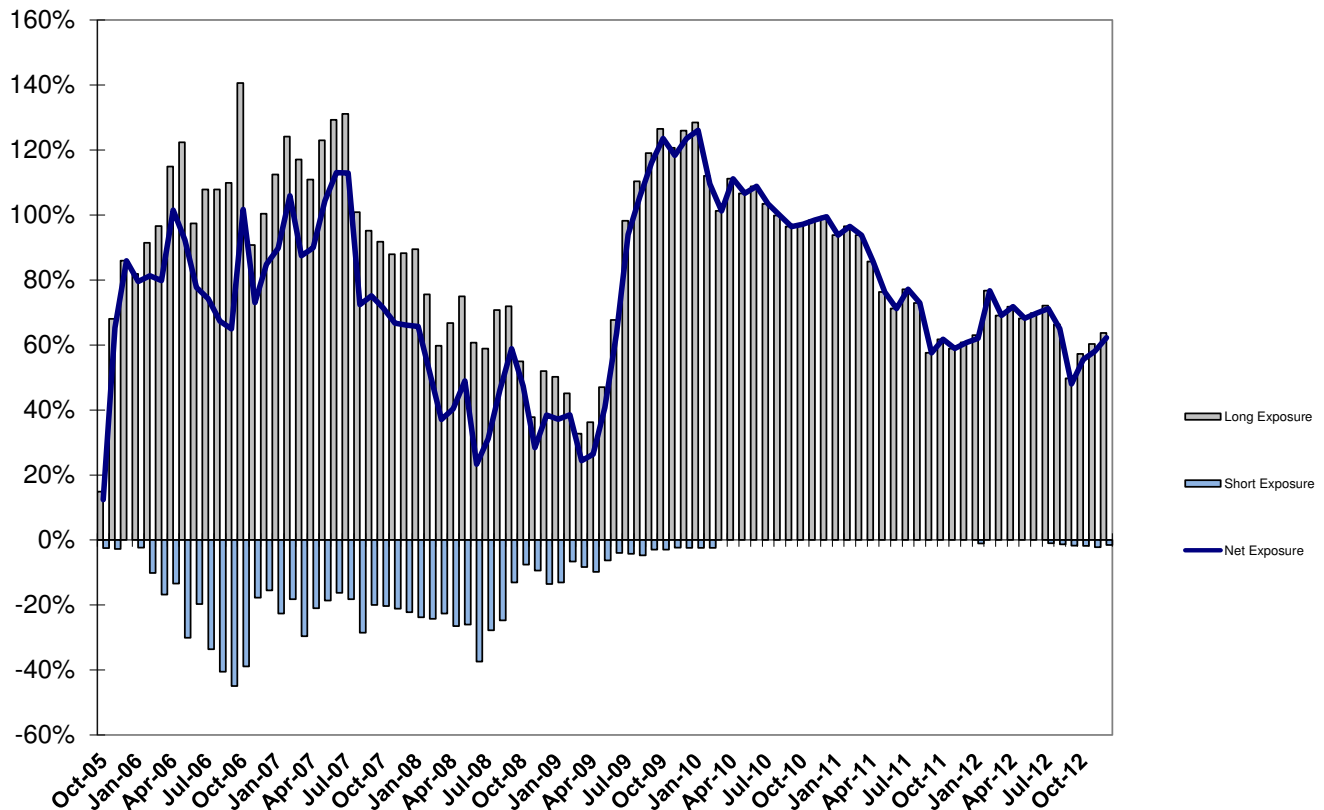
ASX Code	Position	Direction	Holding
RHG	RHG Ltd	Long	15.5%
MQG	Macquarie Group Limited	Long	6.1%
MMS	McMillan Shakespeare Ltd	Long	5.7%
FXL	Flexigroup Ltd	Long	4.9%
ARI	Arrium Ltd	Long	3.5%
ANZ	Australia & New Zealand Banking Group	Long	3.5%
NAB	National Australia Bank Ltd	Long	3.4%
RKN	Reckon Ltd	Long	3.1%
BVA	Bravura Solutions Ltd	Long	2.8%
BSL	Bluescope Steel Ltd	Long	2.2%
RFG	Retail Food Group	Long	2.2%
OZL	Oz Minerals Ltd	Short	1.5%
OTH	Onthehouse Holdings Ltd	Long	1.5%
MBN	Mirabela Nickel Ltd	Long	1.2%
CTP	Central Petroleum Ltd	Long	1.0%
FXJ	Fairfax Media Ltd	Long	1.0%
Portfolio Holdings above 1%			59.03%



Portfolio Sector Analysis

Sector	Long	Short	Net
Banks	22.29%		22.29%
Diversified Financials	11.78%		11.78%
Materials	9.48%	1.51%	7.97%
Software & Services	6.58%		6.58%
Commercial & Professional Services	6.53%		6.53%
Consumer Services	2.20%		2.20%
Retailing	1.55%		1.55%
Energy	1.33%		1.33%
Media	0.98%		0.98%
Real Estate	0.52%		0.52%
Health Care Equipment & Services	0.48%		0.48%
Capital Goods	0.01%		0.01%
Exposure	63.73%	1.51%	62.23%
Cash on Hand			37.77%

Portfolio Exposure





Cadence News

Retail Share Issue

The Board 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 18th February 2013 and to close on 8th March 2013. Prospectus will be available on the 18th February 2013.

Shareholder meeting

The above mentioned Retail Share Issue will be offered to investors pursuant to a Prospectus to be prepared in accordance with Chapter 6D of the Corporations Act. A General Meeting has been convened to consider a resolution to approve the issue of these Shares for the purposes of the Listing Rules.

The indicative timetable for the meeting and share issue is as follows:

Dispatch Notice of Meeting to Shareholders	15 th January 2013
Shareholder meeting	15 th February 2013
Lodge Prospectus with ASIC and Offer opens	18 th February 2013
Dispatch Prospectus	19 th February 2013
Offer Closes	8 th March 2013
Share allotment	15 th March 2013



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.

Disclaimer

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