



INVESTMENT UPDATE

February 2013

During the month of February 2013, Cadence Capital Limited returned a gross performance of +5.27% compared to an increase in the All Ordinaries Accumulation Index of 5.18% and an increase in the Small Ordinaries Accumulation Index of 0.87%. For the seven years and five months ended 28 February 2013, Cadence Capital Limited has generated a gross performance of 20.69% per annum, outperforming the All Ordinaries Accumulation Index by 14.83% per annum. The fund finished the month 87.39% net long compared to 74.66% net long in January 2013.

Demand for the offer under the Prospectus has been very strong and the First Tranche has closed oversubscribed. Excess applications from the First Tranche have been carried over as applications for the Second Tranche. Based on applications received to date we expect that the Second Tranche will also close oversubscribed. Applications for the Second Tranche are **open and are due to close on the 4th April 2013**. (For more details please refer to the News section at the end of the newsletter)

Fund NTA

Net Tangible Assets as at 28 February	Amount (\$)
Pre Tax NTA*	\$1.456
Post Tax NTA*	\$1.446
Share price (ASX Code: CDM)**	\$1.520

*These NTA's are **pre the 6.0c April 2013 fully franked interim (5.0c) and special (1.0c) dividend**

The share price is **pre the 6.0c April 2013 fully franked interim (5.0c) and special (1.0c) 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 31st December 2012.

Cadence Capital Limited was **ranked by Baillieu Holst as the No. 1 Listed Investment Company** over both 3 and 5 years in their Listed Investment Company Sector Report dated 31st January 2013.

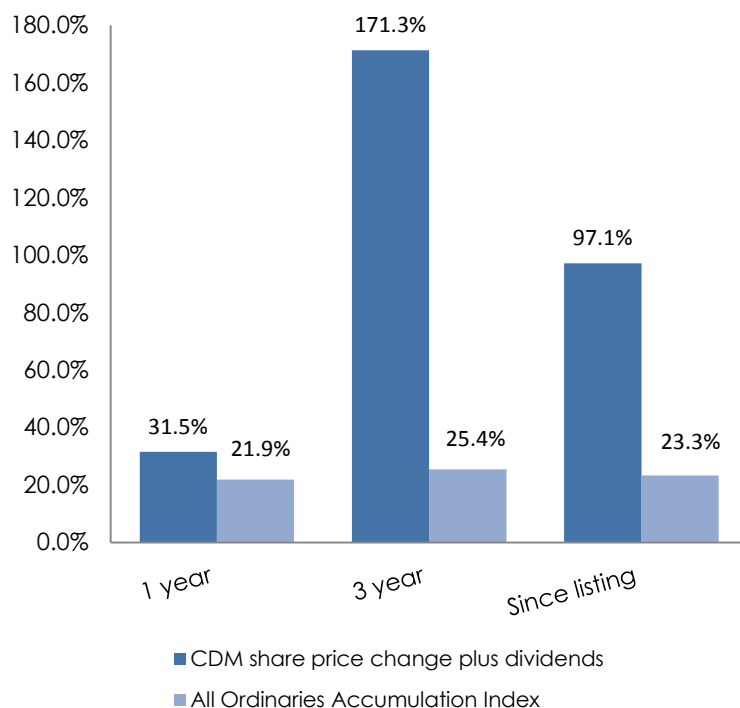
Cadence Capital Limited was recently a finalist at the 2012 Australian Hedge Fund Awards in the Best Long Short and Absolute Return Fund category.

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 31 December 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
2013	5.0c		1.0c	6.0c**	8.6c
TOTAL	18.5c	15.2c	10.5c	44.2c	62.3c

* Off market equal access buy back

** The 6.0 cent half year fully franked dividend, interim (5.0 cent) and special (1.0 cent), is to be paid on the 30th April 2013.



Fund Performance

Performance* to 28th February 2013	CDM**	All Ords	Outperformance
1 Month	5.27%	5.18%	+0.09%
1 Year	21.20%	21.88%	-0.68%
2 Years	47.05%	13.76%	+33.29%
3 Years	130.32%	25.36%	+104.96%
4 Years	225.99%	84.32%	+141.67%
5 Years	139.42%	12.38%	+127.04%
Since Inception (89 months)	303.45%	52.51%	+250.94%
Since Inception Annualised (89 months)	20.69%	5.86%	+14.83%

* 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 20 Portfolio Positions

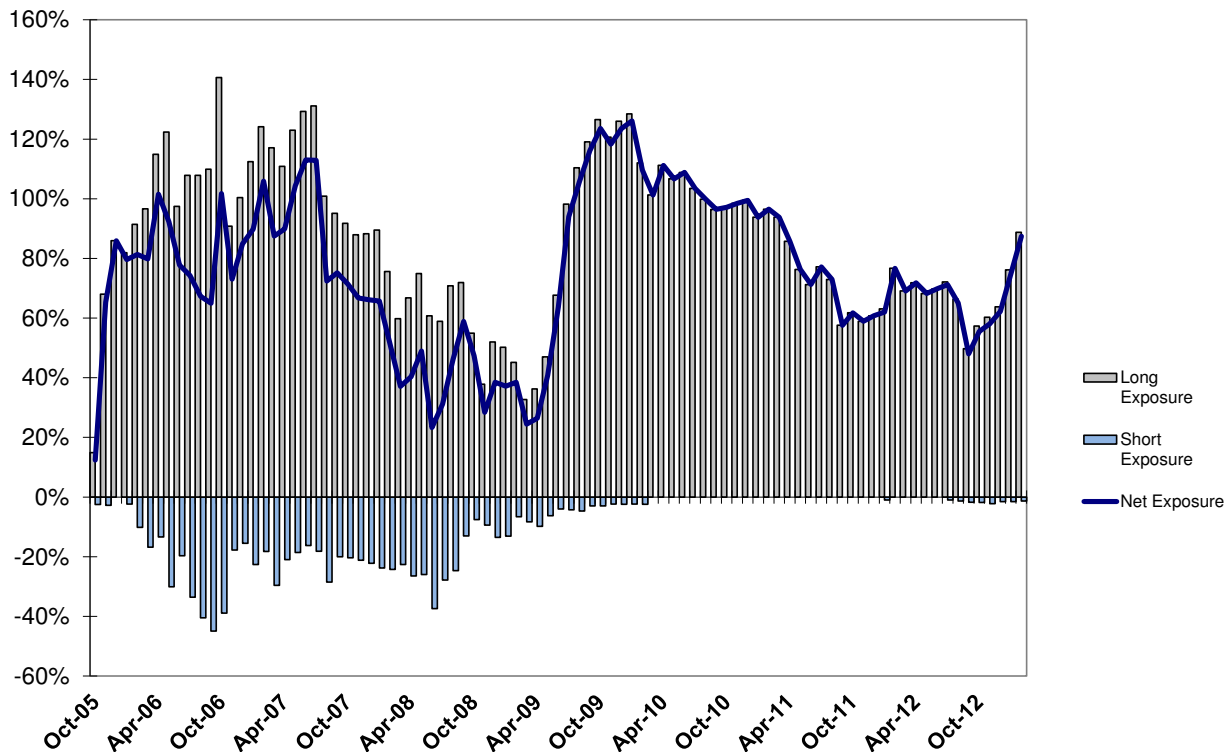
ASX Code	Position	Direction	Holding
RHG	RHG Ltd	Long	17.7%
MQG	Macquarie Group Limited	Long	7.9%
MMS	McMillan Shakespeare Ltd	Long	6.9%
ARI	Arrium Ltd	Long	6.5%
FXL	Flexigroup Ltd	Long	5.4%
NAB	National Australia Bank Ltd	Long	4.8%
ANZ	Australia & New Zealand Banking Group	Long	4.7%
BSL	Bluescope Steel Ltd	Long	4.4%
RFG	Retail Food Group	Long	3.2%
TOL	Toll Holdings Ltd	Long	3.0%
RKN	Reckon Ltd	Long	2.9%
BVA	Bravura Solutions Ltd	Long	2.4%
HGG	Henderson Group Plc	Long	2.1%
QBE	QBE Insurance Group Limited	Long	2.0%
FXJ	Fairfax Media Ltd	Long	1.6%
AMC	Ancor Limited	Long	1.5%
OZL	Oz Minerals Ltd	Short	1.3%
OTH	Onthehouse Holdings Ltd	Long	1.2%
CYA	Century Australia Investments Limited	Long	1.2%
SLM	Salmat Limited	Long	1.2%
Top 20 Portfolio Holdings			82.03%



Portfolio Sector Analysis

Sector	Long	Short	Net
Banks	27.08%		27.08%
Diversified Financials	16.71%		16.71%
Materials	13.42%	1.33%	12.10%
Commercial & Professional Services	9.87%		9.87%
Software & Services	5.98%		5.98%
Consumer Services	3.18%		3.18%
Transportation	3.05%		3.05%
Retailing	2.14%		2.14%
Insurance	2.03%		2.03%
Media	1.63%		1.63%
Energy	1.33%		1.33%
Real Estate	1.16%		1.16%
Telecommunication Services	1.10%		1.10%
Health Care Equipment & Services	0.04%		0.04%
Capital Goods	0.01%		0.01%
Exposure	88.72%	1.33%	87.39%
Cash on Hand			12.61%

Portfolio Exposure





Cadence News

Retail Prospectus

On the 18th February 2013, the Board of Cadence Capital Limited issued a Prospectus for the placement of up to 29,457,060 new ordinary shares in response to interest in the Company from advisors, financial planners, existing shareholders and the general public. On the 15th February 2013 shareholders voted overwhelmingly in favour of this proposed issue.

Due to the Company receiving applications or indications in excess of the maximum number of new shares that were available under the Prospectus, the Board felt that it was in the best interests of all shareholders to grow the Company for the reasons outlined in the Prospectus, and so for these reasons they issued a supplementary prospectus to increase the size of the Offer. Subject to Shareholder Approval, the Company will issue up to a further 20,979,021 New Shares under the Supplementary Prospectus (Second Tranche). The Second Tranche will include a second priority allocation of a further 2,000,000 new shares to existing Shareholders.

A general meeting will be held on 3 April 2013 to approve the issue of new shares under the Second Tranche of the Offer and to approve previous share issues undertaken by the Company in the last 12 months.

As a result of the change of Offer, the record and payment dates of the Half Year Dividend of 6 cents per Share (announced by the Company on 14th February 2013) will be slightly delayed until 23 April 2013 and 30 April 2013 respectively. As a result new shares issued under the Second Tranche will therefore participate in the Half Year Dividend.

Applications for the Second Tranche are open and are due to close on the 4th April 2013. Demand for the offer has been very strong and the First Tranche has closed oversubscribed. Excess applications from the First Tranche have been carried over as applications for the Second Tranche. Based on applications received to date we expect that the Second Tranche will also close oversubscribed. If you need copies of the General Application form, please visit our website at www.cadencecapital.com.au and find both the general offer application form and the Prospectus if you click the [CDM Prospectus February 2013](#) link on our home page. Simply use the original First Tranche Application Forms for applications in the Second Tranche.

Other News

We would like to once again recommend that you visit the 'News and Views' section of our website as all past company webcasts, interviews and press articles involving Cadence can be found here.

Disclaimer

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