



INVESTMENT UPDATE

October 2012

We are pleased to report that the fund has had a good start to the 2013 financial year and for the first four months ended 31st October 2012 the fund has had a gross performance of 13.93% outperforming the All Ordinaries Accumulation Index by 2.52% and the Small Ordinaries Accumulation Index by 5.28%.

During the month of October 2012, Cadence Capital Limited returned a gross performance of +3.39% compared to an increase in the All Ordinaries Accumulation Index of 2.97% and an increase in the Small Ordinaries Accumulation Index of 1.31%. For the seven years and one month ended 31 October 2012, Cadence Capital Limited has generated a gross performance of 20.23% per annum, outperforming the All Ordinaries Accumulation Index by 16.11% per annum.

The fund finished the month 55.52% net long compared to 47.99% net long in September 2012.

Fund NTA

| Net Tangible Assets as at 31 October | Amount (\$) |
|--------------------------------------|-------------|
| Pre Tax NTA* | \$1.330 |
| Post Tax NTA* | \$1.356 |
| Share price (ASX Code: CDM)** | \$1.410 |

*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 18th July 2012.

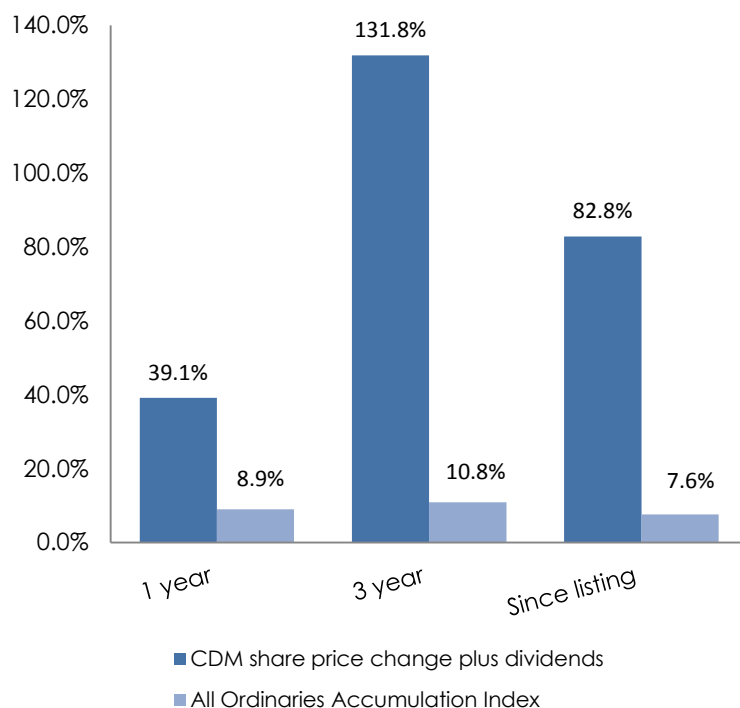
Cadence Capital Limited was recently a finalist at the 2012 Australian Hedge Fund Awards in the Best Long Short and Absolute Return Fund category.

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 October 2012 | CDM** | All Ords | Outperformance |
|--|---------|----------|----------------|
| 1 Month | 3.39% | 2.97% | +0.42% |
| 1 Year | 16.26% | 8.92% | +7.34% |
| 2 Years | 92.92% | 4.62% | +88.30% |
| 3 Years | 99.62% | 10.83% | +88.79% |
| 4 Years | 179.41% | 35.68% | +143.73% |
| 5 Years | 92.63% | -16.82% | +109.45% |
| Since Inception (85 months) | 268.88% | 33.06% | +235.82% |
| Since Inception Annualised (85 months) | 20.23% | 4.12% | +16.11% |

* 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

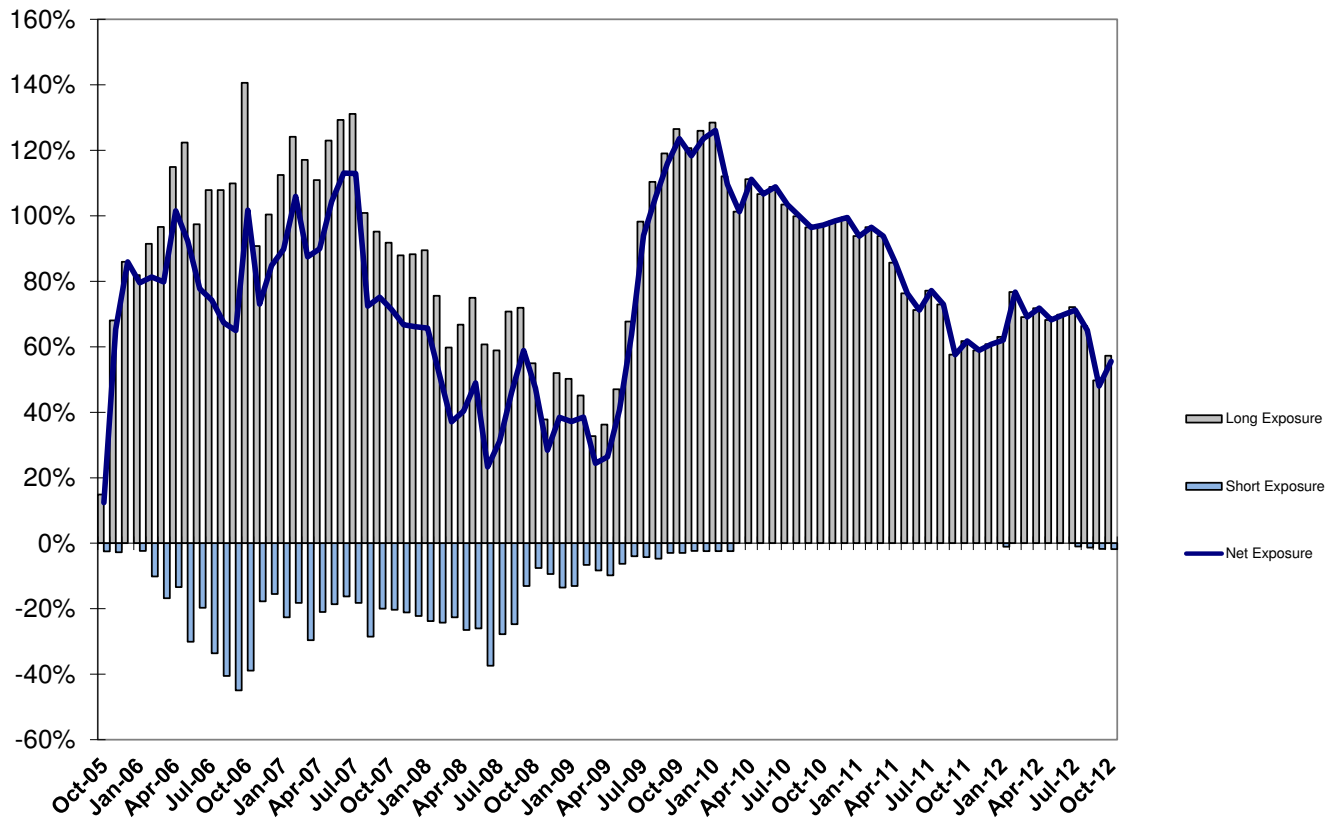
| ASX Code | Position | Direction | Holding |
|------------------------------------|---------------------------------------|-----------|---------------|
| RHG | RHG Ltd | Long | 13.5% |
| MMS | McMillan Shakespeare Ltd | Long | 5.4% |
| FXL | Flexigroup Ltd | Long | 5.3% |
| BVA | Bravura Solutions Ltd | Long | 4.1% |
| ANZ | Australia & New Zealand Banking Group | Long | 3.6% |
| MQG | Macquarie Group Limited | Long | 3.5% |
| NAB | National Australia Bank Ltd | Long | 3.5% |
| RKN | Reckon Ltd | Long | 3.3% |
| CTP | Central Petroleum Ltd | Long | 2.9% |
| RFG | Retail Food Group | Long | 2.2% |
| BTU | Bathurst Resources Ltd | Long | 1.9% |
| DCG | Decmil Group Limited | Long | 1.3% |
| OZL | Oz Minerals Ltd | Short | 1.2% |
| MBN | Mirabela Nickel Ltd | Long | 1.2% |
| BSL | Bluescope Steel Ltd | Long | 1.0% |
| Portfolio Holdings above 1% | | | 54.04% |



Portfolio Sector Analysis

| Sector | Long | Short | Net |
|------------------------------------|---------------|--------------|---------------|
| Banks | 20.60% | | 20.60% |
| Diversified Financials | 8.88% | | 8.88% |
| Software & Services | 8.14% | | 8.14% |
| Commercial & Professional Services | 6.07% | | 6.07% |
| Materials | 4.89% | 1.78% | 3.11% |
| Energy | 3.31% | | 3.31% |
| Consumer Services | 2.24% | | 2.24% |
| Capital Goods | 1.94% | | 1.94% |
| Retailing | 0.69% | | 0.69% |
| Real Estate | 0.54% | | 0.54% |
| Exposure | 57.30% | 1.78% | 55.52% |
| Cash on Hand | | | 44.48% |

Portfolio Exposure





Cadence News

AGM Presentation Webcast

The webcast of the AGM presentation will be sent out later this month. The presentation firstly gives an update on the fund's performance before updating investors on dividends and franking. This is then followed with an update of the markets and our outlook and then finishes with the question and answer session.

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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