



## OCTOBER 2005 INVESTOR REPORT

### FUND PERFORMANCE

	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	YTD
Cadence Capital Limited	0.10%												0.10%
All Ordinaries Acc Index	-3.83%												-3.83%
Small Ordinaries Acc Index	-3.74%												-3.74%

### PORTFOLIO EXPOSURE ANALYSIS %

	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06
Equity Long	14.9%											
Equity Short	2.5%											
Gross Exposure	17.4%											
Net Exposure	12.4%											

### PORTFOLIO SECTOR ANALYSIS

PORTFOLIO SECTOR ANALYSIS			
	Long	Short	Net
Materials	9.40%	-2.50%	6.90%
Health Care Equipment & Services	2.00%		2.00%
Transportation	3.50%		3.50%
<b>Gross Exposure</b>	<b>14.90%</b>	<b>-2.50%</b>	<b>12.40%</b>
<b>Net Cash / (Debt)</b>			<b>87.60%</b>

## MARKET AND COMMENTARY

Welcome to the first Cadence Capital Limited monthly newsletter.

The Cadence Capital Limited capital raising closed on the 17<sup>th</sup> October 2005 with a Net Tangible Asset Backing (NTA) of \$0.9817 per share after tax. In addition, each shareholder has an option to buy an additional share, on or before, the 31<sup>st</sup> October 2006 for \$1.00.

The fund traded for seven trading days in October and returned 0.1% compared to a fall in the All Ordinaries Accumulation Index of -3.83% and a fall in the Small Ordinaries Accumulation Index of -3.74%. The fund finished the month 12.4% invested. Cadence Capital Limited has committed to two Initial Public Offerings in the month of October, taking the funds committed for investment to 17.3%.

The Australian share market declined almost 5% during the month of October before recovering slightly towards the end of the month. This decline follows record highs in September. Focus has turned to inflationary pressures associated with increasing oil and fuel prices as well as the possibility of rising interest rates. The latest statement on monetary policy released by the Reserve Bank of Australia indicated that interest rate rises are back on the agenda with 'inflation likely to be close to 3% for some time'.

It is likely that markets may be volatile in the coming months given the combined speculation on the effects of higher oil prices, wage pressures impacting on inflation and the threat of higher interest rates.

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