

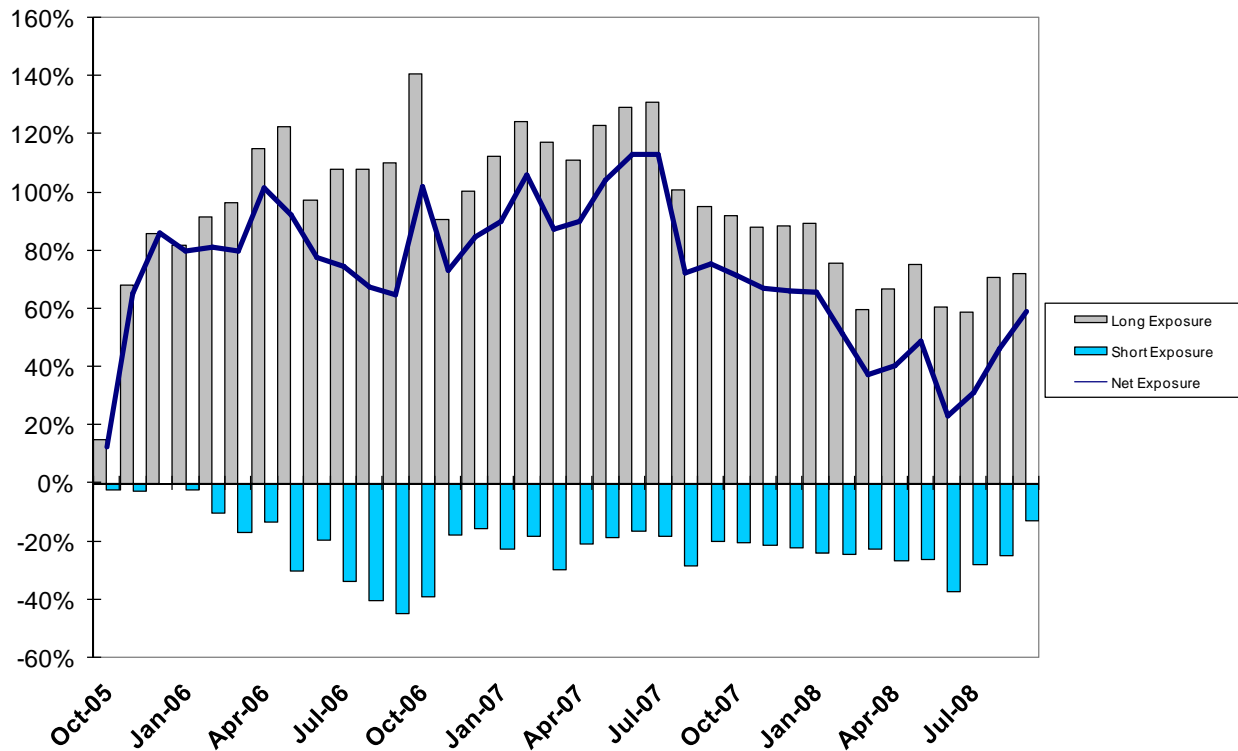
## INVESTMENT UPDATE AND NTA - SEPTEMBER 2008

### FUND PERFORMANCE\*

| Performance to 30th September 2008   | CDM     | All Ords |
|--------------------------------------|---------|----------|
| 1 Month                              | -6.15%  | -10.62%  |
| 3 Months                             | -6.42%  | -11.89%  |
| 6 Months                             | -3.94%  | -12.45%  |
| 1 Year                               | -17.36% | -26.59%  |
| 2 Years ( % per Annum)               | 6.08%   | -0.97%   |
| Annualised return since inception    | 15.12%  | 4.44%    |
| Inception to date accumulated return | 52.54%  | 13.94%   |

\* Before Management and Performance Fees

### PORTFOLIO EXPOSURE ANALYSIS



## PORTFOLIO SECTOR ANALYSIS

| Sector   | Long          | Short          | Net           |
|--|---------------|----------------|---------------|
| Capital Goods                                  | 13.32%        |                | 13.32%        |
| Software & Services                            | 12.10%        |                | 12.10%        |
| Diversified Financials                         | 10.13%        |                | 10.13%        |
| Telecommunication Services                     | 7.90%         |                | 7.90%         |
| Materials                                      | 11.28%        | -4.42%         | 6.86%         |
| Pharmaceuticals, Biotechnology & Life Sciences | 2.75%         |                | 2.75%         |
| Media  | 2.45%         |                | 2.45%         |
| Retailing                                      | 2.14%         |                | 2.14%         |
| Commercial Services & Supplies                 | 1.96%         |                | 1.96%         |
| Energy   | 1.88%         |                | 1.88%         |
| Banks  | 1.45%         |                | 1.45%         |
| Real Estate                                    | 1.31%         |                | 1.31%         |
| Automobile & Components                        | 1.02%         |                | 1.02%         |
| Consumer Services                              | 0.82%         |                | 0.82%         |
| Food Beverage & Tobacco                        | 0.78%         |                | 0.78%         |
| Health Care Equipment & Services               | 0.62%         |                | 0.62%         |
| Transportation                                 |               | -3.13%         | -3.13%        |
| Insurance                                      |               | -5.50%         | -5.50%        |
| <b>Exposure</b>                                | <b>71.92%</b> | <b>-13.05%</b> | <b>58.87%</b> |
| <b>Cash on Hand</b>                            |               |                | <b>41.13%</b> |

## MARKET AND COMMENTARY

Cadence Capital Limited NTA estimates as at 30th September 2008:

|               |           |
|---------------|-----------|
| Gross NTA     | \$1.15791 |
| Pre Tax NTA   | \$0.98035 |
| Post Tax NTA* | \$1.01855 |

*\*Including net deferred taxed assets (deferred taxed assets less deferred tax liabilities)*

To get weekly estimates of the NTA for Cadence Capital Limited please visit [www.cadencecapital.com.au](http://www.cadencecapital.com.au)

For the 3 years to 30th September 2008, Cadence Capital Limited has returned a gross performance of 52.5% compared to a rise in the All Ordinaries Accumulation Index of 13.9%. Cadence Capital Limited has generated an annualized return before fees of 15.1% per annum since inception.

During the month of September, Cadence Capital Limited returned a negative gross performance of -6.15% compared to a decrease in the All Ordinaries Accumulation Index of -10.62% and a decrease in the Small Ordinaries Accumulation Index of -15.02%.

The fund finished the month 71.92% long, 13.05% short and with a net long exposure of 58.87%. The net exposure for August 2008 was 46.10%.

## The Bear Market

Stock markets in most countries have been falling for about a year now, and most investors would agree that we are now in a bear market. We thought it would be a good time to look at the recent performance of the market and compare it to other bear markets that have occurred previously.

The chart below shows the performance of global stock markets over the past year. Most of these markets have been in a bear market for one year now, while the Japanese bear market has been going for slightly longer at about 18 months.

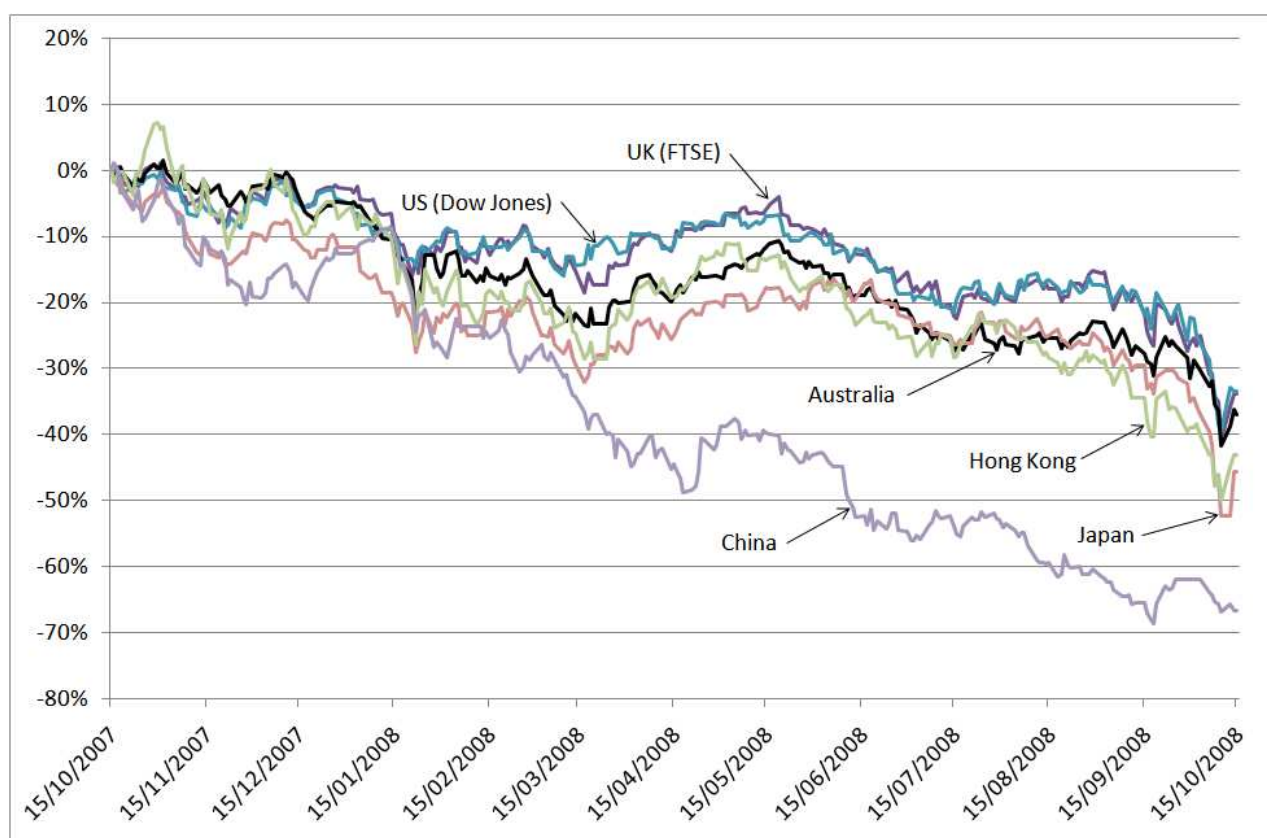


Chart 1: The performance of global stock markets in the past year

As can be seen in the chart most of the share indices have fallen significantly in the past few weeks, followed by a sharp rebound in the last few days. During the week beginning the 6<sup>th</sup> of October 2008 all of the indices shown in the chart were down more than 15%. The Australian market was down 16%, Dow Jones 18%, FTSE 21% and Japan 24%.

Over the weekend governments around the world announced plans to stabilize the global financial system, which triggered a significant rebound in markets this week. In the first two days of this week the Australian market is up 9%, Dow Jones 10%, FTSE

12% and Japan 14%. While the steep falls of the previous week appear to have been arrested volatility remains at an all time high, which suggests more large market movements will occur in the near future.

The chart below compares the current bear market to the four other major bear markets in recent history. The Dow Jones index has been used, and the index has been rebased so that the peak of the market occurs at time zero. The chart shows the bear market falls over time (in years). The arrows point to the low point of each bear market.

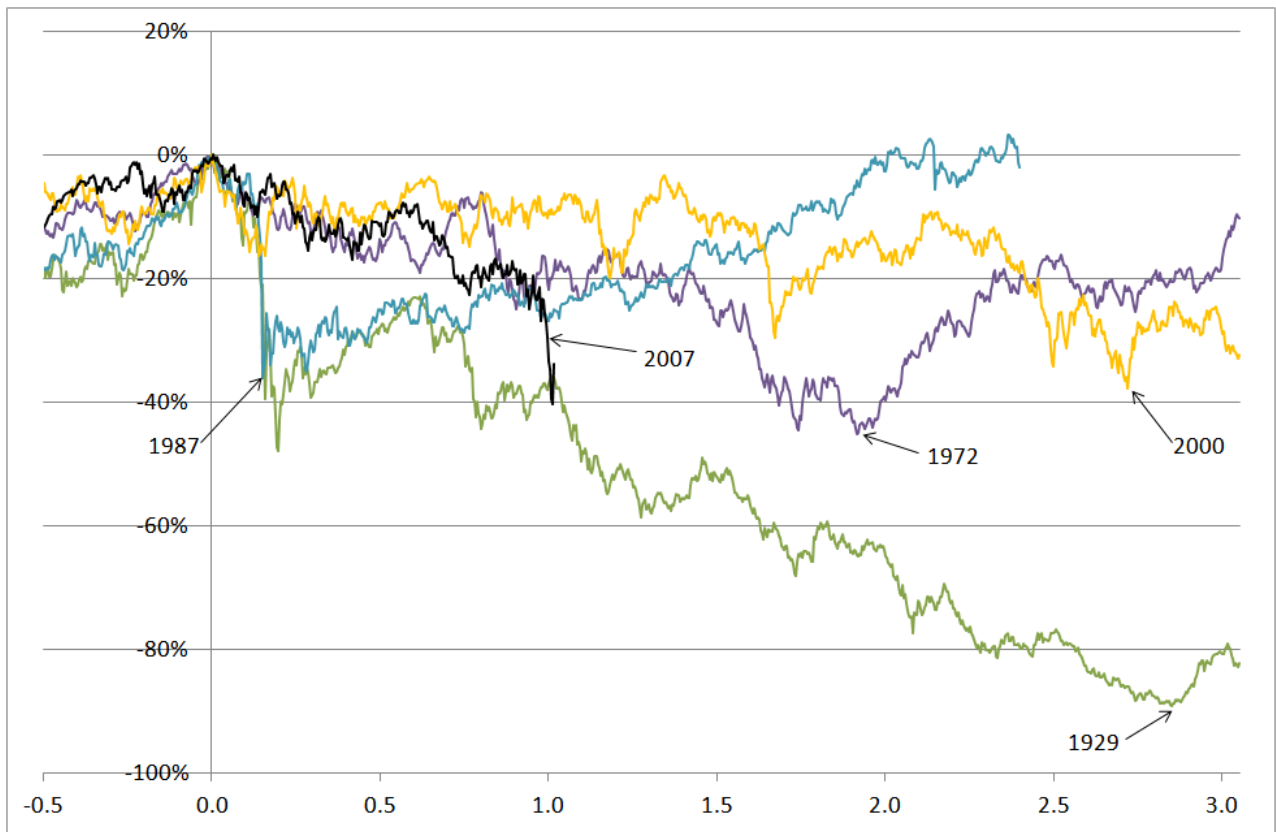


Chart 2: Performance of the Dow Jones index in the 3 years following the beginning of bear markets

It is interesting to note that after one year the 2007 bear market fall is worse than all of the prior bear markets except for 1929, and the 2007 bear market and the 1929 bear market falls are similar, both being down by just less than 40% after one year. It is clear from looking at chart 2 that we are currently in a bear market that is one of the worst in recent history.

Chart 3 is the same as chart 2 except that it extends the time frame from 3 years to 25 years. This allows us to see how long it took for the prior bear markets to recover and reach new highs.

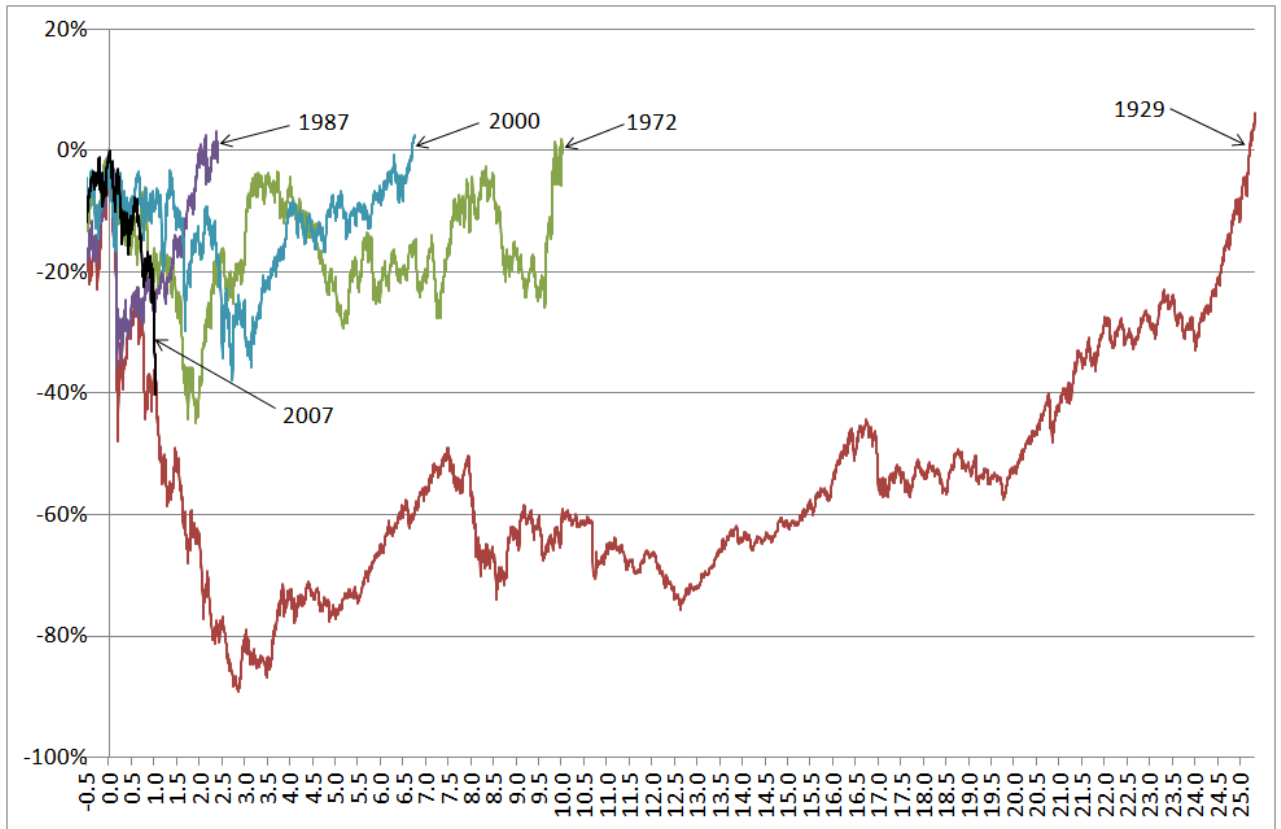


Chart 3: Performance of Dow Jones index in the 25 years following the beginning of bear markets

As can be seen from the chart the 1929 bear market was by far the worst. The Dow Jones fell 89% in just under three years and then took a further 22 years to recover and reach a new high. The 1987 bear market took just over 2 years to recover, the 2000 bear market took almost 7 years and the 1972 bear market took 10 years.

It is also interesting to note that 1 year after the bear markets began only the 1987 bear market had reached its low point. The 1972 bear market took about 2 years to hit its low point and the 1929 and 2000 bear markets took about 3 years.

The question many investors are now asking themselves is will the 2007 bear market get worse from here like the 1929 bear market, or will it get better, like the other major bear markets. While most investors would agree that a repeat of 1929 is very unlikely, it cannot be ruled out entirely. History shows us that further falls could occur from here and that recovery could be slow when the bottom is eventually reached.

## DISCLAIMER

The information contained in this report has been prepared with all reasonable care by Cadence Asset Management Pty Ltd. It is provided for information purposes only and should not be construed as an offer or solicitation. It should not be relied upon as the sole basis for making an investment decision, nor should a decision be made until the risks of the investment are fully understood. Cadence Asset Management Pty Ltd assumes no responsibilities for errors, inaccuracies or omissions in this summary. The information is provided without warranty of any kind. Past performance is not indicative of future performance. Investors may not get back the full amount originally invested.