

# Annual General Meeting 26<sup>th</sup> September 2006



# Agenda

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- Annual Results
- Dividend
- Exercise of Options
- Cadence Capital Limited Float
- Investment Process
- Investment Objectives
- Questions

# Results

- Gross portfolio increased 33.05% for the 9 months ended 30<sup>th</sup> June 2006.

	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	YTD
<b>Cadence Capital Limited</b>	0.34%	1.75%	4.04%	7.64%	4.29%	5.08%	5.59%	2.36%	-1.75%	-1.78%	<b>30.68%</b>
<b>All Ordinaries Acc Index</b>	-3.83%	4.40%	3.04%	3.65%	0.70%	4.81%	2.40%	-4.34%	1.86%	-1.51%	<b>11.20%</b>
<b>Small Ordinaries Acc Index</b>	-3.74%	2.98%	1.45%	3.76%	2.13%	6.32%	1.02%	-4.02%	1.13%	-0.43%	<b>10.63%</b>

# Dividend

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- On the 29<sup>th</sup> August 2006 – Board declared a 8 cent per share fully franked dividend. Ex dividend date was the 30<sup>th</sup> August 2006.
- Dividend payable on the 6<sup>th</sup> October 2006.
- Dividend consists of – 1.5c interim dividend, 1.5c final dividend and 5c special dividend.
- 8 cent final dividend for the first 9 months of trading.

# Options

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- Exercisable on or before 31<sup>st</sup> October 2006.
- 1 ordinary share for every option held.
- Strike price \$1.00.
- Options are “deep in the money”.



# Float

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- The board of Cadence Capital Limited has approved the float of the fund.
  - Shares will list on the Stock Exchange at the Pre-tax NTA, post exercising of the \$1 strike price options.

# Investment Philosophy

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Over-riding belief of management is that the use of **both fundamental and technical** analysis has a greater probability of producing higher returns than either **fundamental or technical** analysis alone

- Fundamental Analysis
  - Bottom up research
  - Target 20 – 40 core investments
  - Longer holding periods
- Technical Analysis
  - 0 – 40 trading opportunities
  - Shorter holding periods

# Fundamental Analysis

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- In-house proprietary bottom up analysis of companies
  - Earnings per share growth historically and two year estimates
  - Free Cash Flow per share historically and two year estimates
  - Free Cash Flow to price yield per share historically and two year estimates
  - Price/Earnings ratios historically and two year estimates
  - Price/Earnings to growth multiples historically and two year estimates
  - Enterprise Valuations currently and two year estimates
  - Balance sheet strength and in particular Debt and Cash

# Fundamental Analysis

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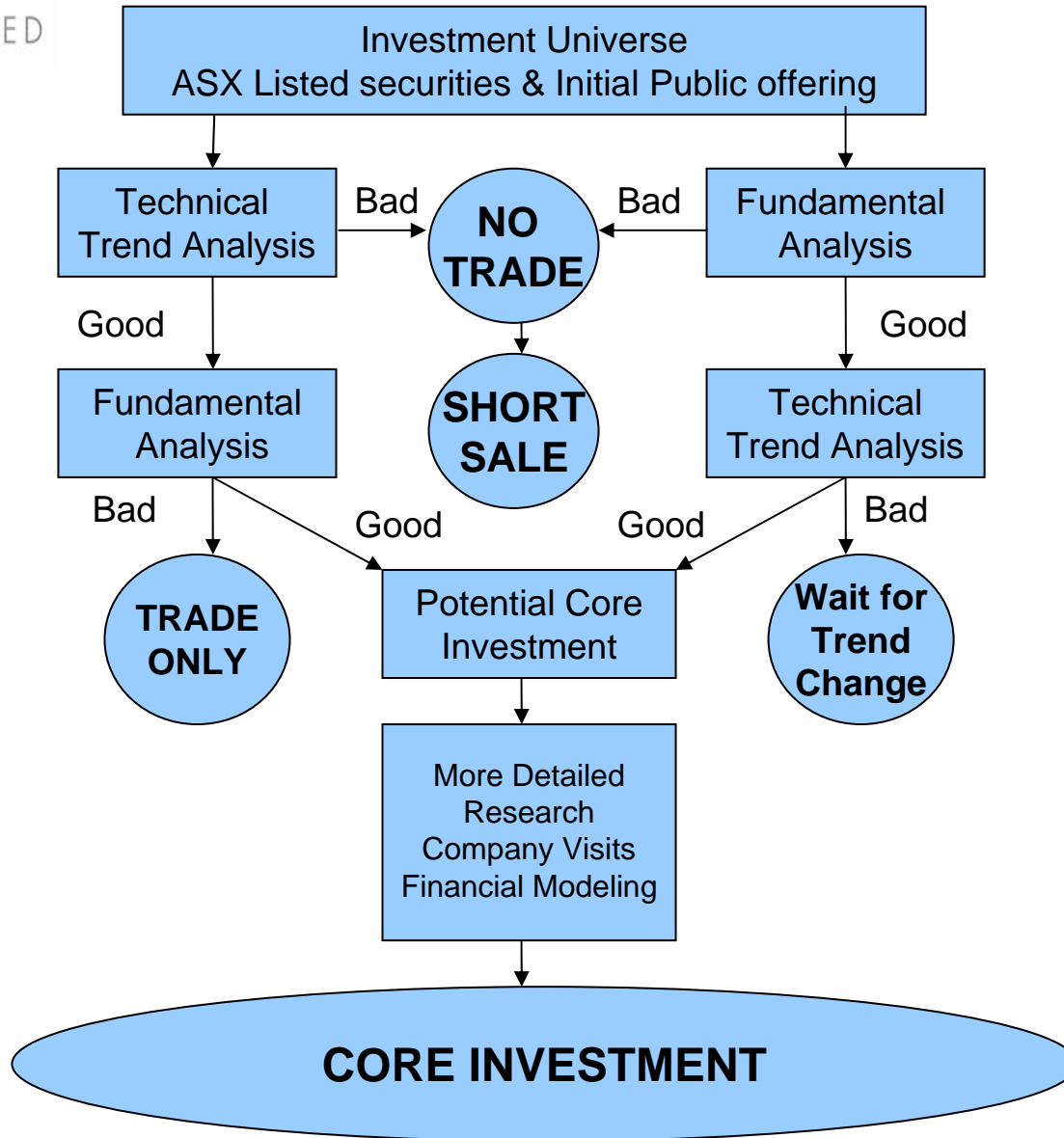
- A quantitative evaluation of Management – strong focus on company meetings. Target 600-900 company visits/ management meetings per year
- Detailed industry research and assessment
- Analysis of a companies relative bargaining power within the industry

# Technical Analysis

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- The manager will focus on the following criteria to appraise potential trading opportunities
  - the short-term (one year) share price and share volume indicators (short term trend);
  - the long-term (five year) share price and share volume indicators (long term trend);
  - the average weekly volume of shares traded, and
  - the average number of days required to sell a parcel of shares.

# Investment Process



# Exposures & Risk Management

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- Generally:
  - Gross Exposure – 80% to 150% of NAV
  - Net Exposure – 40% to 130% of NAV
  - Single stock position < 20% of NAV
  - Single sector position < 50% of Gross Exposure
- Maximum leverage is \$1 leverage for every \$1 Equity
- Individual transactions monitored against a 15% drawdown and individual stock positions are monitored against a 10% drawdown

# Investment Objectives

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- To ensure that money is managed on an absolute return basis.
- To achieve a high real rate of return, comprising both income (fully franked dividends) and capital growth ,and
- To provide investors with a co-investment opportunity alongside the manager and board of directors.

# Questions/Discussion

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