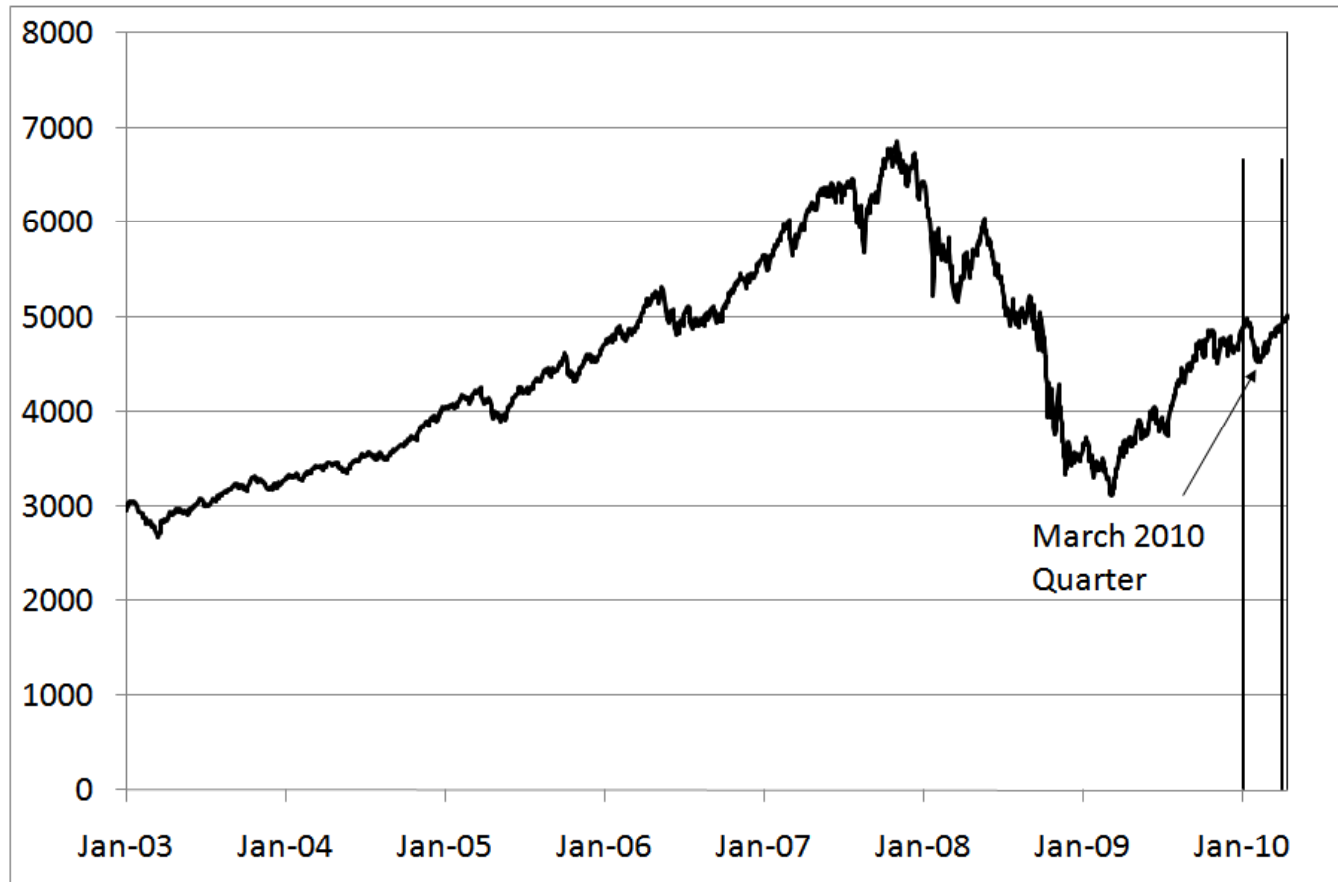




Webcast

March Quarter 2010

All Ordinaries Index



- ➔ The market has now risen above 5,000 after reaching a low point around 3,100 in March 2009.
- ➔ We are approximately half way between the 'point of maximum optimism' and the 'point of maximum pessimism' in only three years

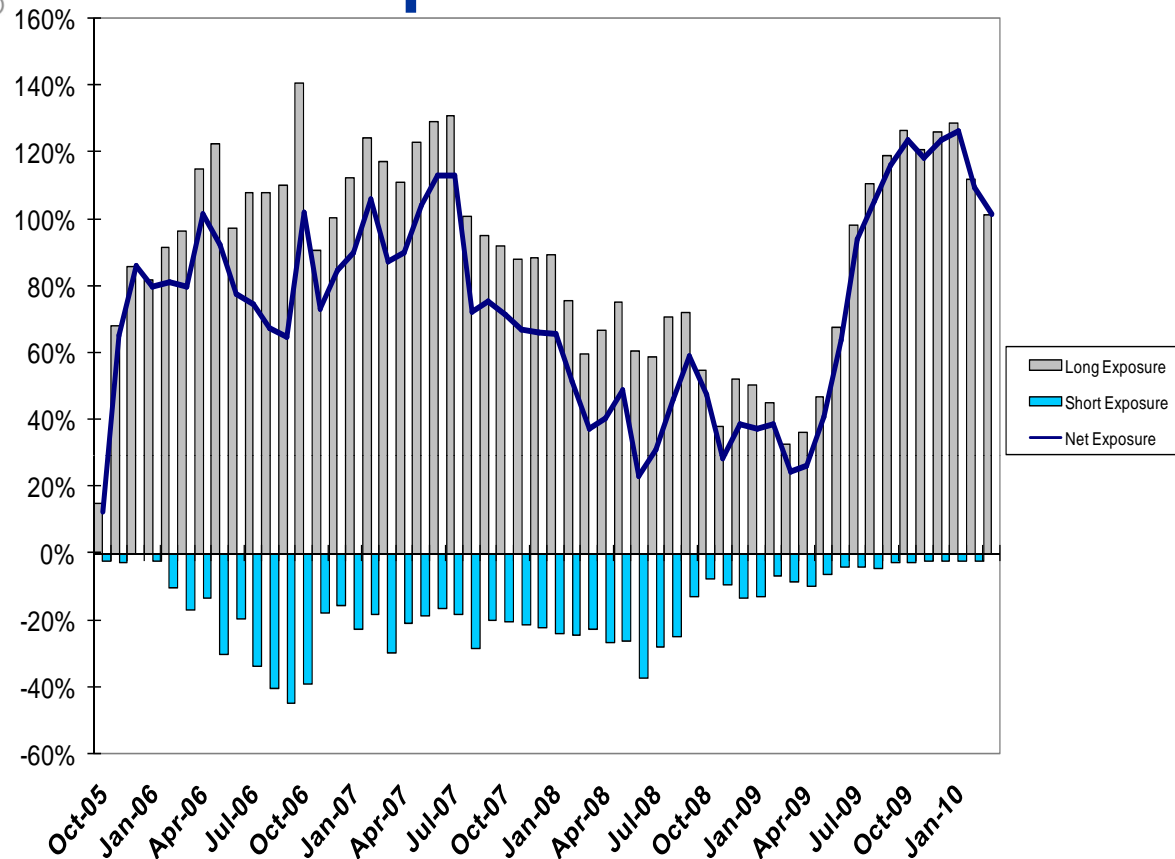
March 2010 Quarter Gross Performance

Performance to 31st March 2010	<u>CDM</u>	<u>All Ords</u>	<u>Outperformance</u>
Past quarter (Jan to March 2010)	5.10%	1.45%	+3.65%
1 Year	51.65%	44.01%	+7.64%
Annualised return since inception (54 months)	15.44%	5.78%	+9.66%
Inception to date accumulated return (54 months)	90.84%	28.75%	+62.09%

* Before Management and Performance Fees

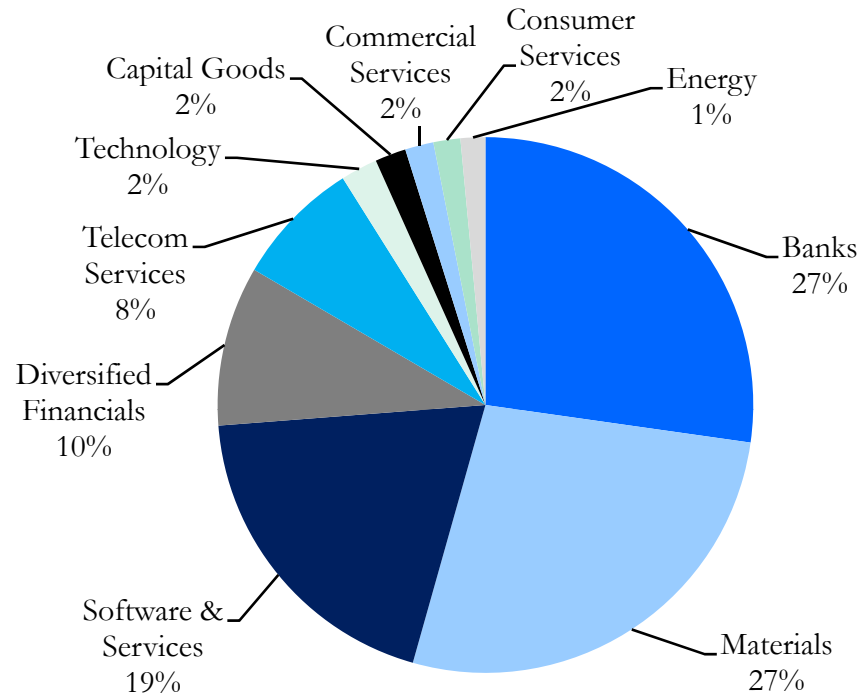
- ➔ Small Ords Accumulation Index return negative 1.6% for the quarter - Cadence outperformed the index by 6.7%
- ➔ In the March quarter the market moved down around 9% initially before recovering to end up 1.45%
- ➔ Cadence was slightly down for the first two months of the quarter and then made strong returns in the final month
- ➔ A fully franked dividend of 2 cents was paid in August 2009
- ➔ A fully franked dividend of 2 cents was paid in March 2010

Exposure



- ➔ Started the quarter with 123% net long exposure and ended the quarter with 101% net long exposure. Most of this reduction was due to cutting back materials exposure during the quarter by 18%
- ➔ One small transport short was closed during quarter. There are currently no shorts in the portfolio

Sector Exposure



- ➔ Top four sectors exposures during the past quarter were Banks, Materials, Software and Services and Diversified Financials
- ➔ The three sectors where Cadence generated strong positive returns in the quarter were Banks, Telecommunication Services and Materials. Cadence underperformed in Software and Services during this quarter.

Performance by Stock

→ Stocks that Cadence generated strong positive returns from during the quarter were:

RHG, TPM, FFF, NKP/NKPO, RKN, CUS, AGO, MCC, MIK, AVO

→ Stocks that underperformed during the quarter were:

COM, PIH, PNA, BVA

FirstFolio Limited (FFF)

- On the 27th August 2009 FFF made an Australian Stock Exchange announcement giving earnings guidance of \$10M-\$11M of EBITDA for the Financial Year 2010
- Having followed this company for six years this announcement alerted our interest
- FFF whilst well run historically, had tended to oscillate between profit and loss depending on business cycles and company specific issues
- FFF is essentially a mortgage administrator and distributor but prior to this announcement had quietly been undergoing a transformation or 'step change' in its business

FirstFolio Limited (FFF)

- We followed up on previous ASX announcements and both annual reports and half-yearly reports and visited the company
- What we learnt from our analysis was that FFF had made a strategic purchase of a business called eChoice, previously owned by a private equity fund
- The eChoice business had previously made large capital investments in an IT platform which allowed FFF to significantly 'scale' their business
- The nature of FFF's business previously was that it was a high cost business and very sensitive to revenue growth or contraction
- The eChoice acquisition allowed FFF to increase revenue at relatively low incremental cost and 'transform' the business



FirstFolio Limited (FFF)

- Cadence Capital Limited acquired its first stake in FFF at 4.5 cents per share after assessing that a high percentage of all incremental revenue would fall to the bottom line as profit
- FFF has since raised money via a placement and rights issue at 5.5 cents and we again participated in this capital raising
- The additional funds FFF raised has enabled them to acquire mortgage books very cheaply and integrate them onto the eChoice platform, increasing revenue, a high percentage of which translates into EBITDA
- We estimate that every incremental acquisition that FFF announces is now translating into significant earnings growth, and now that fixed costs have been covered, profit is very leveraged to revenue growth
- FFF is displaying strong earnings growth at reasonable valuations

Summary and Outlook

- Following on from our AGM commentary in November 2009, volatility in the market has fallen significantly and the market is in a state of recovery
- Stock markets tend to climb a 'wall of worry' and especially in a recovery phase
- Following the worst stock market collapse in 75 years we have all become highly attuned to processing negative information
- At this stage in the stock market recovery we are working hard to find companies with strong earnings growth and reasonable valuations
- We are optimistic that our investment process and the market overall should provide opportunities in the year ahead