CADENCE
CAPITAL LIMITED

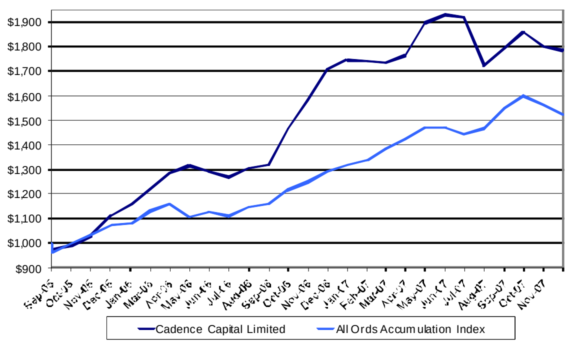
INVESTMENT UPDATE AND NTA - DECEMBER 2007

FUND PERFORMANCE*

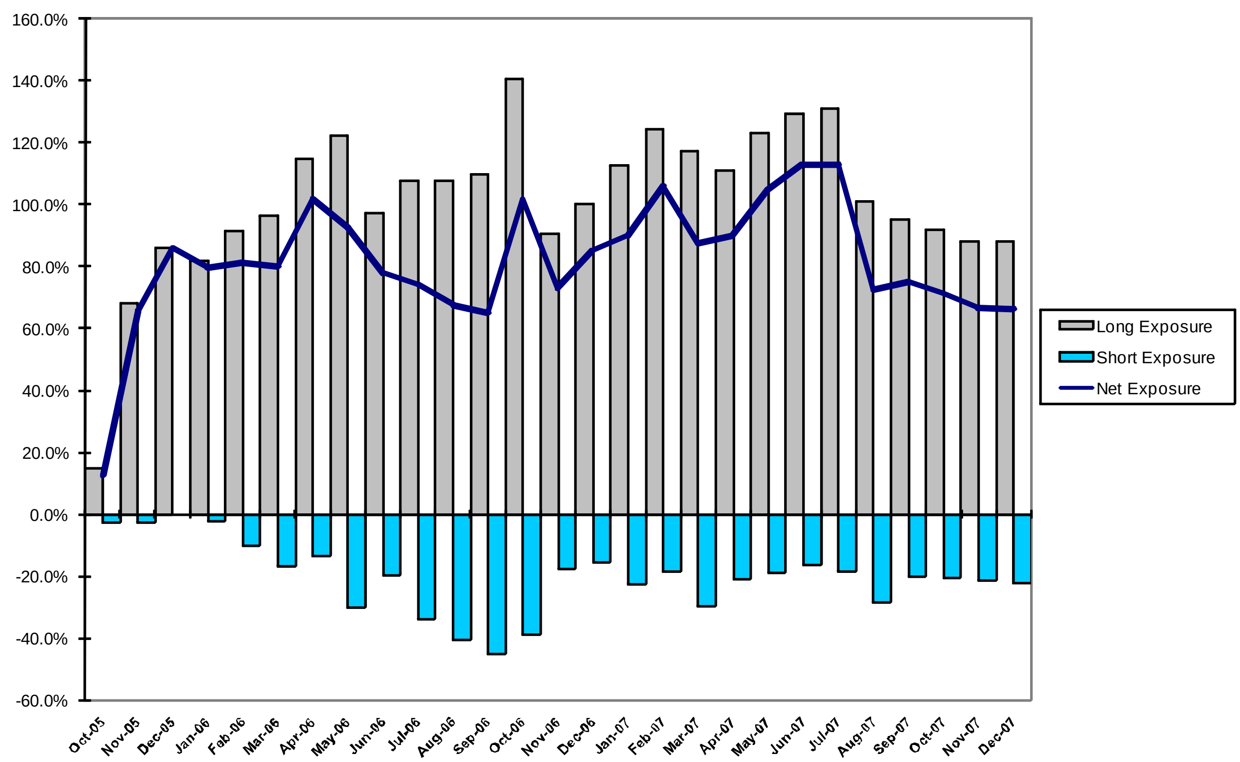
Performance to 31st December 2007	CDM	All Ords
1 Month	-0.92%	-2.36%
3 Months	-0.58%	-1.73%
6 Months	-7.45%	3.66%
1 Year	4.28%	17.95%
2 Years (% per Annum)	31.44%	21.42%
Annualised return since inception	30.97%	20.63%
Inception to date accumulated return	83.51%	52.52%

* Before Management and Performance Fees

Growth of $1,000



PORTFOLIO EXPOSURE ANALYSIS



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PORTFOLIO SECTOR ANALYSIS

Sector	Long	Short	Total
Software & Services	16.07%	-1.04%	15.03%
Diversified Financials	12.17%		12.17%
Materials	11.73%	-0.88%	10.84%
Capital Goods	7.19%	-0.87%	6.32%
Media	7.09%	-1.18%	5.91%
Health Care Equipment & Services	5.53%		5.53%
Commercial Services & Supplies	4.58%		4.58%
Energy	3.77%	-0.40%	3.37%
Retailing	2.85%		2.85%
Banks	1.60%		1.60%
Telecommunication Services	3.70%	-2.21%	1.49%
Insurance	3.25%	-2.02%	1.22%
Automobile & Components	1.20%		1.20%
Consumer Services	3.13%	-2.63%	0.49%
Unspecified	1.12%	-0.71%	0.41%
Food Beverage & Tobacco	1.44%	-1.03%	0.41%
Real Estate	1.89%	-1.92%	-0.03%
Pharmaceuticals, Biotechnology & Life Sciences		-0.80%	-0.80%
Transportation		-1.86%	-1.86%
SPI Futures		-4.62%	-4.62%
Gross Exposure	**88.29%**	**-22.18%**	**66.11%**

MARKET AND COMMENTARY

Cadence Capital Limited NTA estimates as at 31st December 2007:

Gross NTA	$1.39295
Pre Tax NTA	$1.25334
Post Tax NTA	$1.20628

To get weekly estimates of the NTA for Cadence Capital Limited please visit www.cadencecapital.com.au

We are pleased to announce our performance for the 27 months to December 2007. During this period, Cadence Capital Limited has returned a gross performance of 83.51% compared to a rise in the All Ordinaries Accumulation Index of 52.52%. Cadence Capital Limited has therefore generated since its inception, an annualized return before fees of 31.0%.
During the month of December, Cadence Capital Limited returned a negative gross performance of – 0.92 % compared to a decrease in the All Ordinaries Accumulation Index of - 2.36% and a decrease in the Small Ordinaries Accumulation Index of - 2.37%.

The fund finished the month 88.29% long, 22.18 % short and with a net long exposure of 66.11 %. The net exposure for November 2007 was 66.75%.

The Australian Listed Property Sector

The Australian Listed Property Trust (LPT) sector had, up until August 2007, experienced excellent returns. This included a 34% return in 2006 and 17.5% p.a returns for the previous 5 years. In August the effects of the US sub-prime debt markets saw the property trust sector fall 4.9% for the month against a broader market rise of 1.7%. There were few signs of the problems that would emerge later in 2007. In an August presentation to investors Centro Property Group (ASX: CNP) noted that; 'credit market dislocation will create some short-term economic pressure but healthy economic fundamentals, alternative liquidity pools and low corporate financing risk create a longer-term stabilising effect.'

Despite this 'short-term pressure' the sector subsequently rebounded with the overall market and reached a record high in mid October 2007. However, on the 17th December Centro announced that it had been unable to refinance $1.3 billion of maturing debt and the market capitalization of Centro fell nearly $2.9 billion in a single day.

Centro's announcement triggered a flow-on effect and the Australian LPT Index has, to date, fallen almost 26% from its October high.

In the JP Morgan 2008 LPT sector outlook a number of issues facing the sector were outlined:

1) High average leverage - 40% debt to total asset ratios in an environment where asset value growth may stall and funding costs are rising (See Figure 1). So far the equity market has been most forgiving of LPTs with lower gearing levels and longer debt maturities,

2) A rising interest rate environment - As shown in Figure 2 rising bond yields force LPT yields to rise. LPT yields can rise through increased rents or, alternatively, through a fall in the share price of LPTs, and

3) Rental yields in some Australian sectors are currently lower than the cost of financing property purchases - An asset such as a Sydney CBD office tower may have a net financing cost of 3% annually (interest rates are 3% higher than rental yields) making owners reliant on the revaluation of the property to earn a positive return. (See Figure 1)

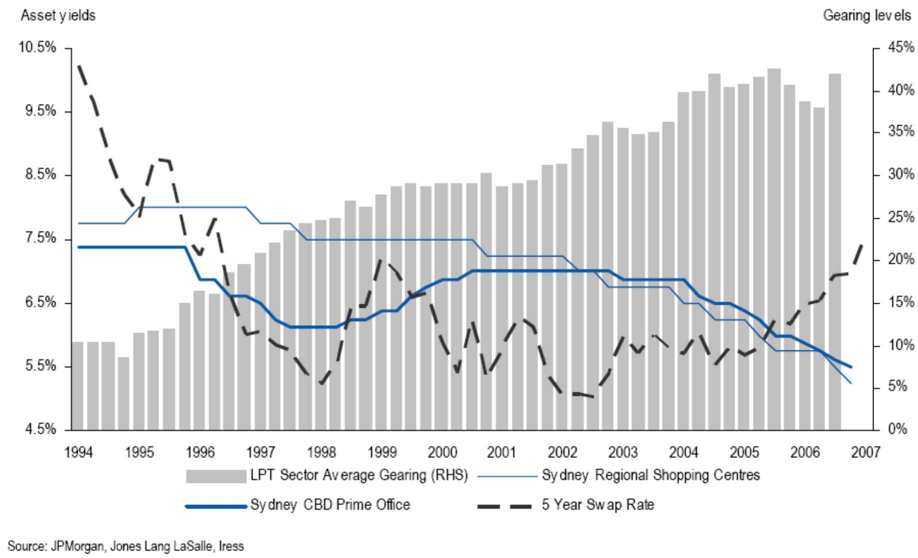

Figure 1

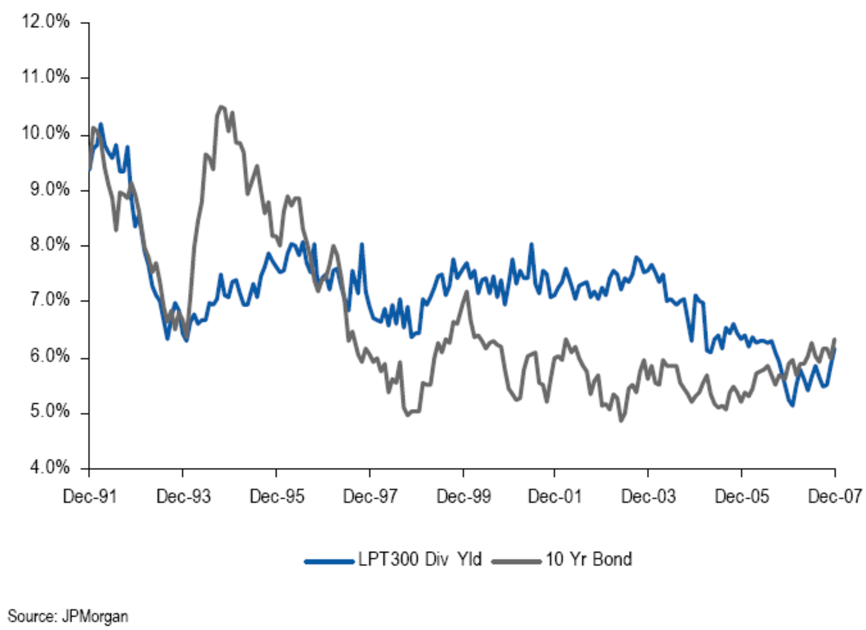

Figure 2

While some investors may look to the Net Asset Value (NAV) to value LPTs, this may not be a useful guide. Currently Australian LPT unit prices are trading at a 7.2% discount to NAV, while in the US and UK discounts are currently at 23% and 26.2% respectively. This may imply that investors are expecting the LPT's property portfolios to fall in value.

Until recently retail and institutional investors in Australia considered LPTs 'safe'. In an environment where interest rates are rising, LPT leverage is high and property yields do not cover funding costs, it seems unlikely that LPTs will deliver the same returns they have over the past five years, and may even generate negative returns.

DISCLAIMER

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