CADENCE
CAPITAL LIMITED

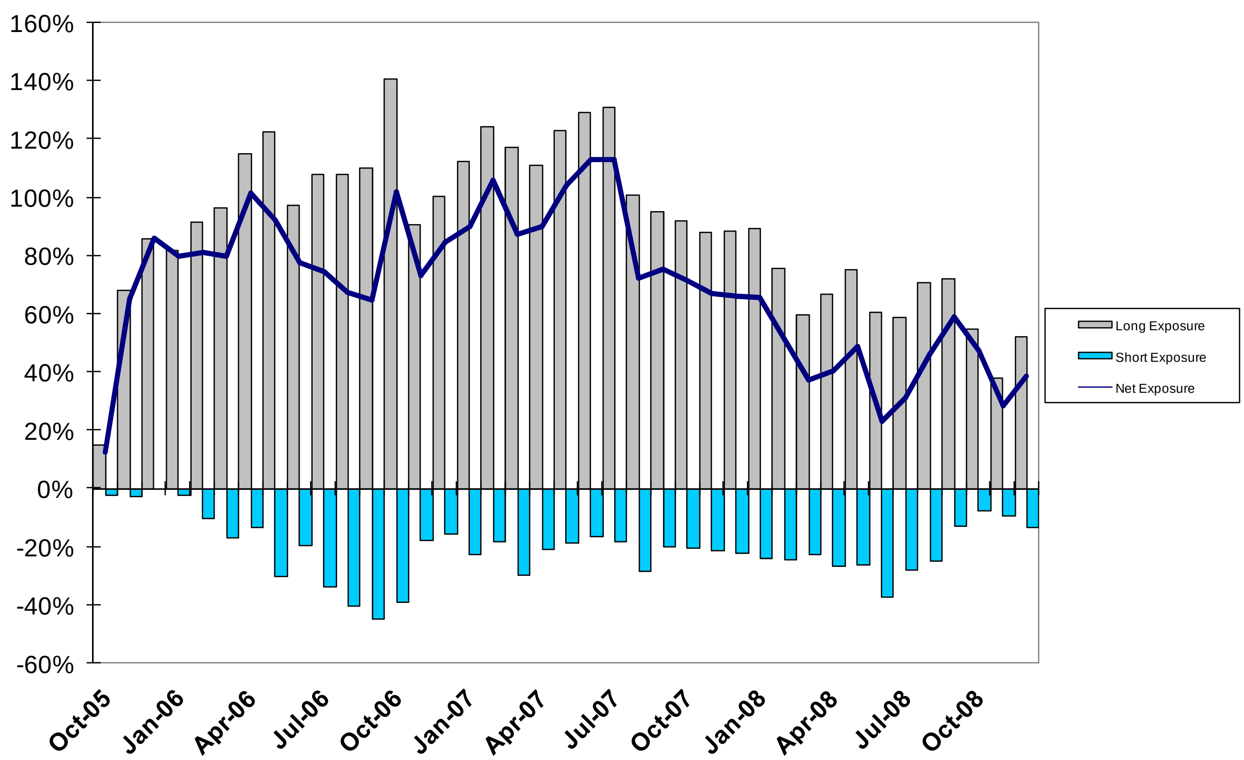
INVESTMENT UPDATE AND NTA - DECEMBER 2008

FUND PERFORMANCE*

Performance to 31st December 2008	CDM	All Ords
1 Month	-0.75%	-0.08%
3 Months	-19.16%	-20.20%
6 Months	-24.35%	-29.69%
1 Year	-32.80%	-40.38%
2 Years (% per Annum)	-16.29%	-16.14%
3 Years (% per Annum)	5.10%	-4.21%
Annualised return since inception	6.66%	-2.89%
Inception to date accumulated return	23.31%	-9.08%

* Before Management and Performance Fees

PORTFOLIO EXPOSURE ANALYSIS



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PORTFOLIO SECTOR ANALYSIS

Sector	Long	Short	Net
Telecommunication Services	12.07%		12.07%
Software & Services	11.11%		11.11%
Banks	5.98%		5.98%
Diversified Financials	4.02%		4.02%
Insurance	2.58%		2.58%
Pharmaceuticals, Biotechnology & Life Sciences	1.95%		1.95%
Retailing	1.83%		1.83%
Capital Goods	1.52%		1.52%
Consumer Services	1.21%		1.21%
Automobile & Components	0.80%		0.80%
Media	0.66%		0.66%
Food Beverage & Tobacco	0.52%		0.52%
Health Care Equipment & Services	0.44%		0.44%
Commercial Services & Supplies	0.13%		0.13%
Energy	1.51%	-1.54%	-0.03%
Materials	5.67%	-8.02%	-2.35%
Transportation		-3.98%	-3.98%
Exposure	**51.99%**	**-13.54%**	**38.45%**
Cash on Hand			**61.55%**

MARKET AND COMMENTARY

Cadence Capital Limited NTA estimates as at 31st December 2008:

Gross NTA	$0.93603
Pre Tax NTA	$0.75362
Post Tax NTA*	$0.86041

**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

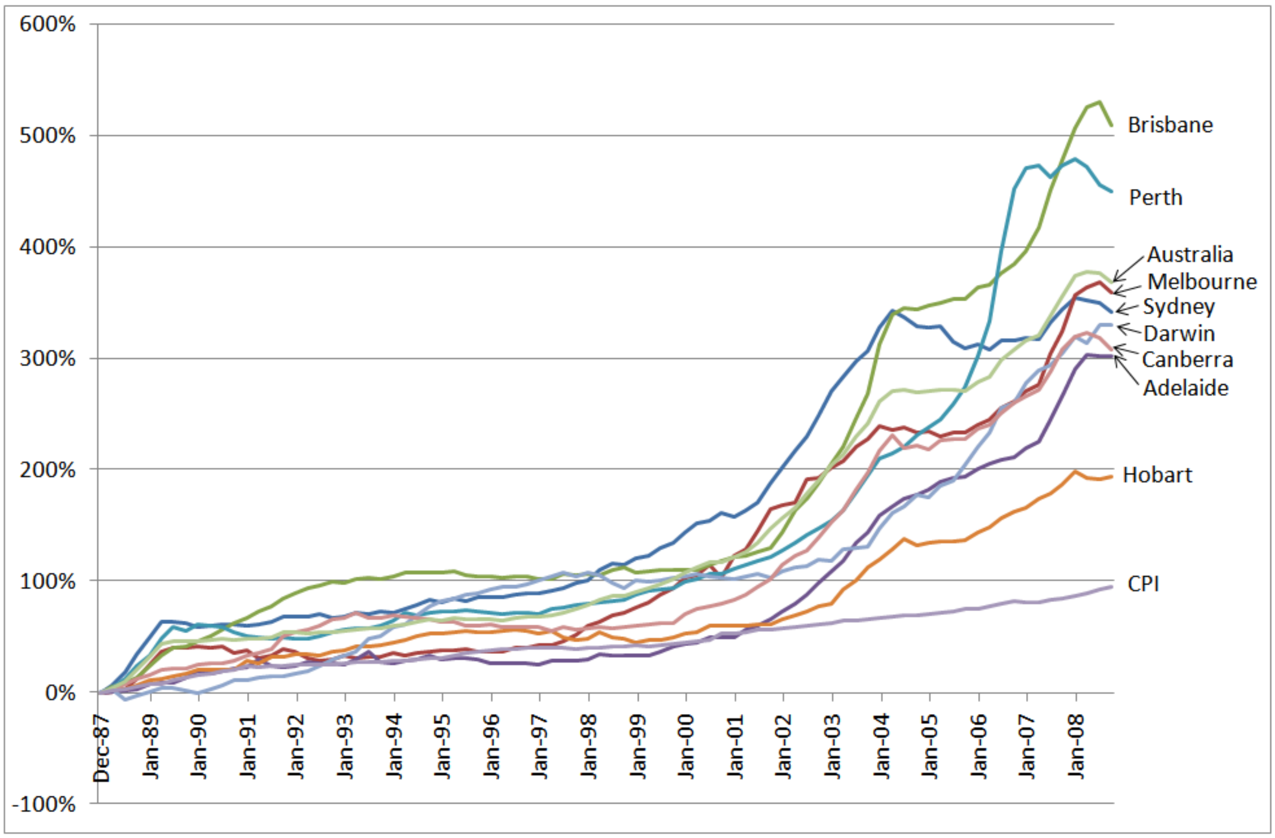
For the three years and three months to 31st December 2008, Cadence Capital Limited has returned a gross performance of 23.3% compared to a fall in the All Ordinaries Accumulation Index of -9.1%.

During the month of December, Cadence Capital Limited returned a negative gross performance of -0.75% compared to a decrease in the All Ordinaries Accumulation Index of -0.08% and an increase in the Small Ordinaries Accumulation Index of 4.15%.

The fund finished the month 52% long, 13.5% short and with a net long exposure of 38.5%. The net exposure for November 2008 was 28.4%.

Australian House Prices and their impact on the economy and stock market

Australian house prices have risen strongly over the past twenty years as shown by the chart below. The chart is based on the Australian Bureau of Statistics publication, House Price Indexes: Eight Capital Cities, Sep 2008.



As can be seen from the chart, house prices in all cities have grown significantly faster than inflation, with the CPI doubling over the period. It can also be seen that price increases have accelerated in recent years. It took 12 years from December 1987 for Australian capital cities (labeled Australia) to double, and then only another 7 years for them to double again.

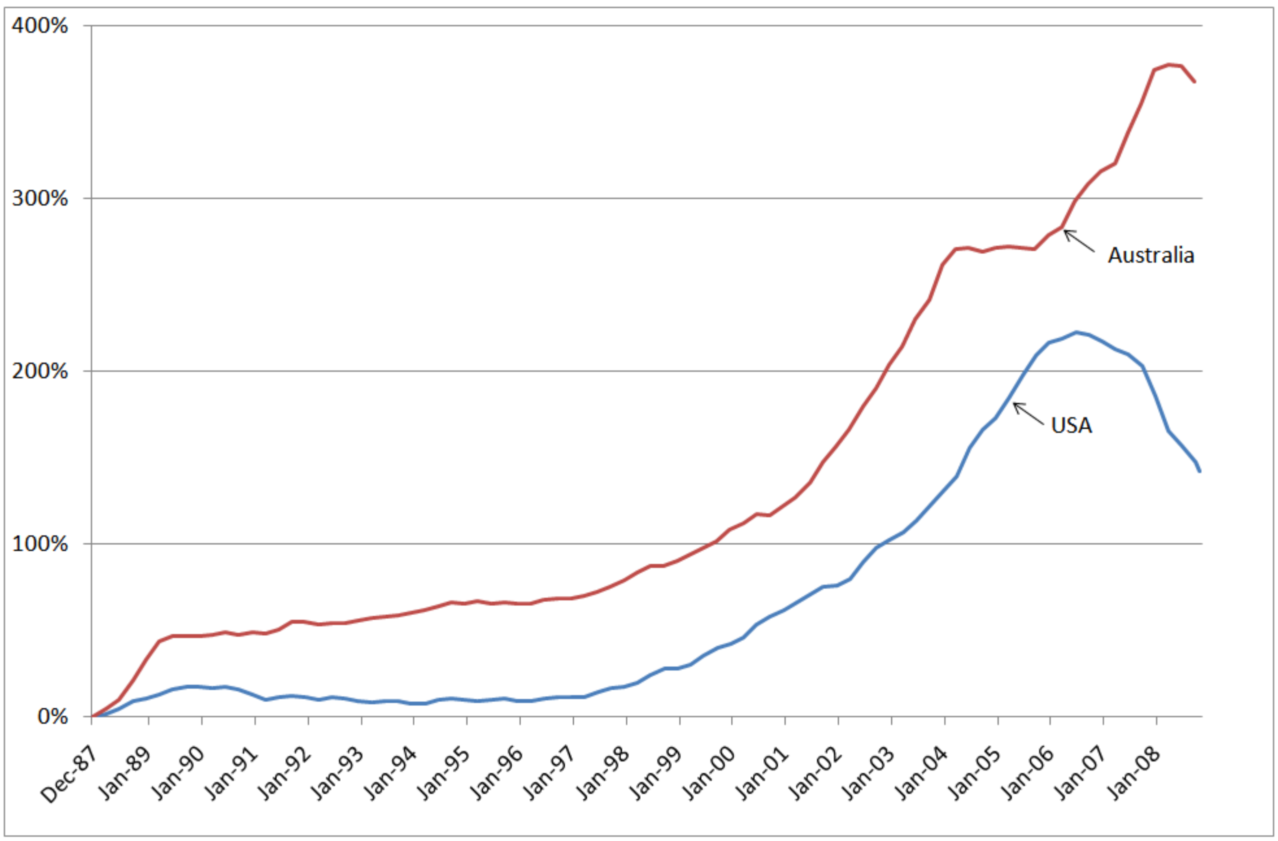
Brisbane house prices have risen the most, with an increase of just over 500%. Hobart has risen the least, with an increase of just under 200%. Most of the other cities, as well as the Australian average have risen between 300% and 400%. This has generated an amazing amount of wealth for Australian homeowners.

Up until 2008 the general upward trend for house prices had been sustained for so long that is was common to hear homeowners, and potential homeowners, argue that houses were a good investment because they would always go up in price in the medium to long term. This type of logic has helped to drive house prices even higher as property investors overlooked low rental yields due to the expectation of high capital growth.

House price appreciation has also helped to support the economy. The equity that has built up in homeowners houses has enabled them to draw down on their mortgages to support their lifestyle. People could use the extra equity in their home to undertake renovations, furnish the house, go on holiday or buy a new car.

Falling house prices could drive the opposite behavior to that described above. People may reduce their spending as they use any spare money they have to pay off their mortgage. Property buyers may decide that house price rises are not likely in the short to medium term, and put off buying, which would add to the downward pressure on house prices, and add to the problem.

In Australia property prices have only fallen slightly from their highs, but in the USA property prices are well off their highs. The chart below shows Australian vs USA house price rises over the last twenty years. The USA data is based on the S&P/Case-Shiller Home Price Composite 10 index, which is an index of house prices in 10 of the largest USA cities.



It can be seen from the chart that not only did Australian house prices rise more than USA house prices, they have also not fallen as much in the last few years. USA house prices have fallen 25% since mid 2006. Australian house prices have only fallen 2% according to the ABS data. If Australian house prices were to fall 25% like in the US then they would still have outperformed USA house prices significantly over the last twenty years.

If this were to happen then homeowners would have to reduce spending as much as possible to rebuild their personal balance sheets. Making extra mortgage repayments to keep positive equity in their home would be the goal of many homeowners. This would have a devastating effect on the economy and also the stock market.

For these reasons we believe that it is extremely important for stock market investors to closely monitor the housing market. At this stage the Australian housing market is holding up relatively well, but we need to consider the possibility that there could be further house price falls in Australia in the short to medium term.

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