

INVESTMENT UPDATE AND NTA - FEBRUARY 2007

FUND PERFORMANCE*

	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	YTD
Cadence Capital Limited	0.34%	1.75%	4.04%	7.64%	4.29%	5.08%	5.59%	2.36%	-1.75%	-1.78%	2.70%	1.00%	35.55%
All Ordinaries Acc Index	-3.83%	4.40%	3.04%	3.65%	0.70%	4.81%	2.40%	-4.34%	1.86%	-1.51%	3.18%	1.25%	16.19%
Small Ordinaries Acc Index	-3.74%	2.98%	1.45%	3.76%	2.13%	6.32%	1.02%	-4.02%	1.13%	-0.43%	3.72%	1.74%	16.73%
	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	YTD
Cadence Capital Limited	11.40%	8.04%	7.87%	2.10%	-0.34%								32.09%
All Ordinaries Acc Index	4.80%	2.48%	3.62%	2.01%	1.59%								15.34%
Small Ordinaries Acc Index	6.88%	3.93%	4.09%	1.87%	1.21%								19.21%
												Accumulated return	79.05%

* Before Management Fees

PORTFOLIO SECTOR ANALYSIS

Sector	Long	Short	Total
Materials	36.33%	-3.86%	32.47%
Diversified Financials	18.33%		18.33%
Software & Services	13.01%	-4.54%	8.47%
Commercial Services & Supplies	12.55%		12.55%
Capital Goods	9.61%	-0.97%	8.64%
Health Care Equipment & Services	6.83%		6.83%
Insurance	6.12%	-0.70%	5.43%
Banks	3.44%		3.44%
Food Beverage & Tobacco	3.15%	-1.86%	1.29%
Media	3.08%		3.08%
Energy	2.85%	-3.29%	-0.45%
Telecommunication Services	2.73%		2.73%
Unspecified	2.24%		2.24%
Real Estate	2.01%	-1.89%	0.12%
Utilities	0.95%		0.95%
Household & Personal Products	0.61%		0.61%
Retailing	0.28%		0.28%
Consumer Services		-1.10%	-1.10%
Gross Exposure	124.12%	-18.22%	105.90%
Net Cash / (Debt)			-5.90%

PORTFOLIO EXPOSURE ANALYSIS %

	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06
Equity Long	14.9%	68.0%	85.9%	81.9%	91.5%	96.6%	114.9%	122.4%	97.4%	107.9%	107.8%	109.9%
Equity Short	2.5%	2.7%	0.0%	2.3%	10.1%	16.8%	13.4%	30.1%	19.7%	33.6%	40.5%	44.9%
Gross Exposure	17.4%	70.8%	85.9%	84.3%	101.6%	113.4%	128.3%	152.5%	117.1%	141.4%	148.4%	154.8%
Net Exposure	12.4%	65.3%	85.9%	79.6%	81.3%	79.8%	101.5%	92.3%	77.7%	74.3%	67.3%	65.0%
	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07
Equity Long	140.6%	90.8%	100.4%	112.4%	124.1%							
Equity Short	38.9%	17.7%	15.5%	22.6%	18.2%							
Gross Exposure	179.5%	108.5%	115.9%	135.1%	142.3%							
Net Exposure	101.7%	73.0%	84.9%	89.8%	105.9%							

MARKET AND COMMENTARY

Cadence Capital Limited NTA estimates as at 28th February 2007:

Gross NTA	\$1.35911
Pre Tax NTA	\$1.30829
Post Tax NTA	\$1.23775

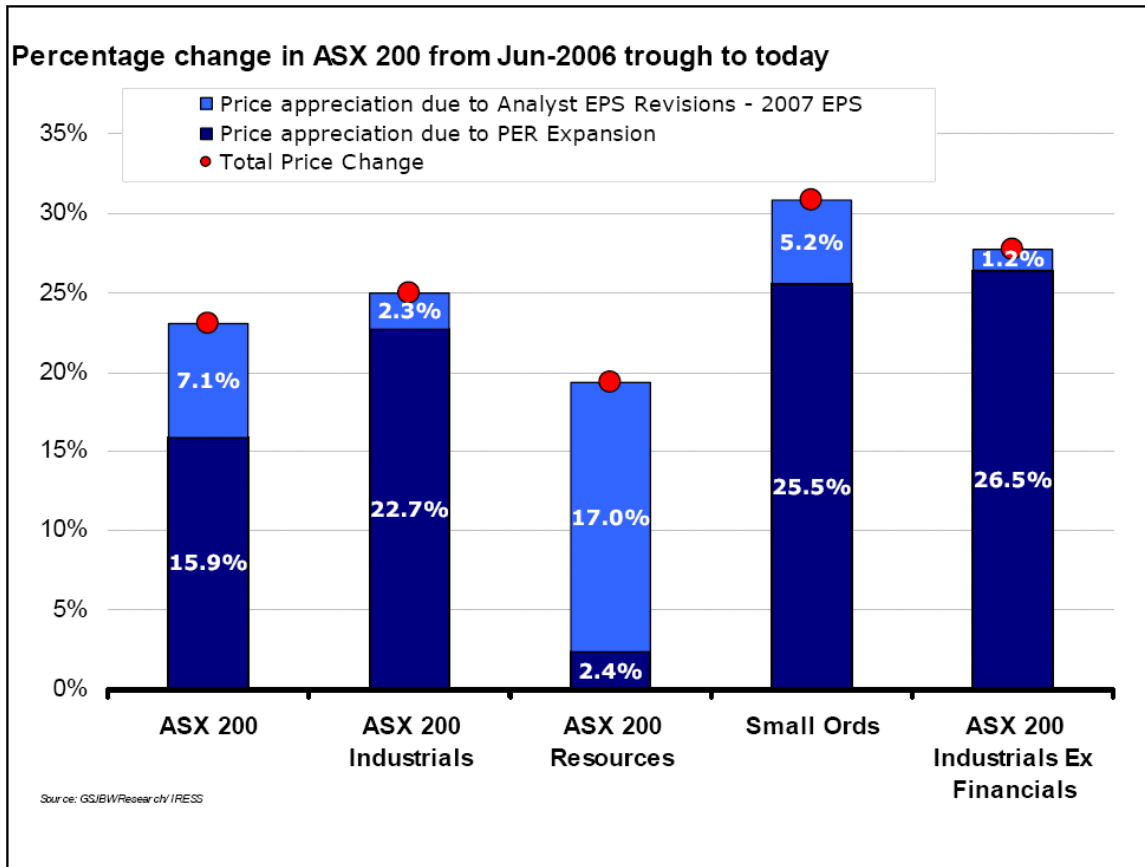
To get weekly estimates of the NTA for Cadence Capital Limited please visit www.cadencecapital.com.au

During the month of February, Cadence Capital Limited returned a gross performance of (0.34%) compared to a rise in the All Ordinaries Accumulation Index of 1.59% and a rise in the Small Ordinaries Accumulation Index of 1.21%. The fund finished the month 124.12% long, 18.22% short and with a net long exposure of 105.90%. The net exposure for January 2007 was 89.80%.

Earnings Growth and Share Price Growth

This month we have included an extract of research written by Goldman Sachs JB Were, on the 22nd February 2007. This research illustrates the reasons for share price growth in the Australian market since June 2006.

The reason we have highlighted this chart is that the majority of the share price appreciation experienced since June 2006 has been through **Price / Earnings expansion** rather than through changes to **Earnings per share Growth**. In other words, the majority of the price gains experienced since June 2006 have been through an increase in the **relative value (Price / Earnings ratio)** of shares, rather than through significant **earnings growth**.



We know that in the long run share price growth closely tracks earnings per share growth. Our research focuses on finding companies with strong earnings per share growth trading at reasonable price to earnings multiples. The fact that share prices have risen so sharply with no corresponding increase in earnings per share may occur in the short term (as has happened since June 2006) but this trend is not sustainable unless strong earnings growth occurs.

This research highlights that the ASX 200 Resources Index, or more generally resource company earnings, has been the one sector that has experienced significant earnings per share growth. Ironically it is the 'resource boom' and the speculation on world demand for commodities that analysts, business journals and newspapers appear most concerned about. In fact, since June 2006, this sector of the economy has displayed strong earnings growth. The corresponding share price growth for these securities can then be justified based on this earnings growth.

The more worrying aspect of this analysis is that for the ASX 200 Index, the ASX 200 Industrials Index, the Small Ordinaries Index and the ASX 200 Industrials Index Ex Financials, there has been **strong share price appreciation without corresponding strong earnings per share growth**. This trend is not sustainable in the long term without improved earnings per share growth.

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.

Cadence Asset Management Pty Ltd ACN 106 551 062
Level 11, 131 Macquarie Street, Sydney NSW 2000 Australia
Telephone +612 8298 2444, Facsimile +612 8298 2499
Email: info@cadencecapital.com.au