CADENCE CAPITAL

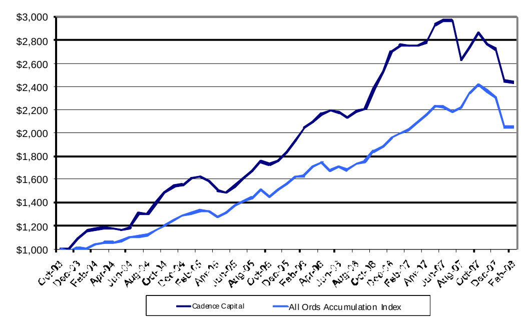
FEBRUARY 2008 INVESTOR REPORT

FUND PERFORMANCE*

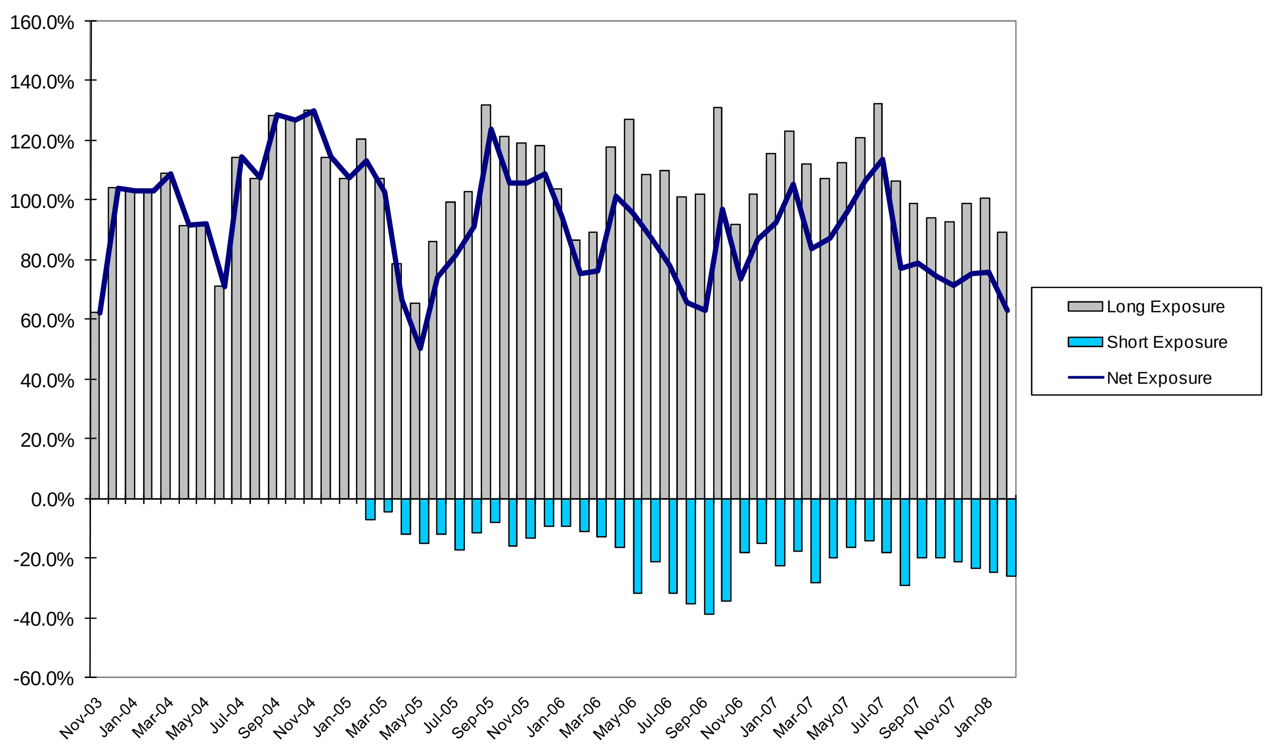
Performance to 29th February 2008	CC	All Ords
1 Month (Est)	-0.71%	0.26%
3 Months	-11.81%	-13.12%
6 Months	-7.62%	-7.51%
1 Year	-11.54%	1.27%
2 Years (% per Annum)	9.19%	12.11%
3 Years (% per Annum)	14.32%	15.48%
4 Years (% per Annum)	19.97%	18.60%
Annualised return since inception	22.83%	18.10%
Inception to date accumulated return	143.76%	105.64%

* 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	14.51%		14.51%
Diversified Financials	12.90%		12.90%
Materials	15.20%	-3.92%	11.28%
Capital Goods	8.28%	-1.07%	7.21%
SPI Futures	7.00%		7.00%
Media	7.04%	-1.42%	5.61%
Commercial Services & Supplies	3.64%		3.64%
Automobile & Components	1.50%		1.50%
Real Estate	1.88%	-0.53%	1.36%
Consumer Services	3.40%	-2.27%	1.13%
Telecommunication Services	4.81%	-3.78%	1.03%
Health Care Equipment & Services	0.94%		0.94%
Retailing	2.54%	-1.79%	0.75%
Food Beverage & Tobacco	1.76%	-1.32%	0.44%
Others	0.38%		0.38%
Banks	1.88%	-1.78%	0.11%
Pharmaceuticals, Biotechnology & Life Sciences		-1.15%	-1.15%
Insurance	1.40%	-2.97%	-1.57%
Transportation		-4.14%	-4.14%
Total Exposure	**89.06%**	**-26.13%**	**62.92%**

MARKET AND COMMENTARY

Cadence Capital unit price estimates as at 29th February 2008:

NTA	$2.43752
NTA Post Distribution	$1.86813
NTA Post Fees and Distribution	$1.57354

We are pleased to announce our performance for four years and four months to 29th February 2008. During this period the fund has produced an accumulated return of 143.76% prior to management fees. This equates to an annualised return of 22.83% per annum. To get weekly estimates of the NTA for Cadence Capital please visit www.cadencecapital.com.au.

During the month of February, Cadence Capital returned a negative gross performance of – 0.71 % compared to an increase in the All Ordinaries Accumulation Index of +0.26% and an increase in the Small Ordinaries Accumulation Index of +3.80%. The fund finished the month 89.06 % long, 26.13 % short and with a net long exposure of 62.92 %. The net exposure for January 2007 was 75.76%.

THE ECONOMIC CLOCK REVISITED

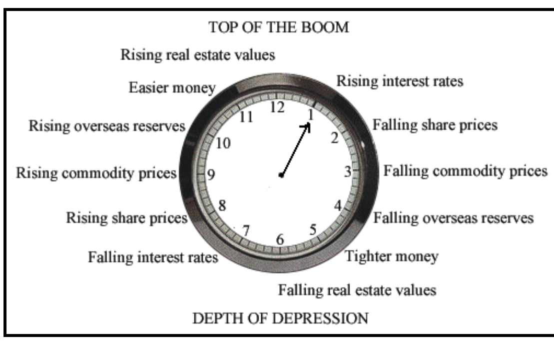
In our newsletter from October 2006 we presented the Economic Clock. We thought it would be a good time to revisit the Economic Clock as a lot has happened since we last presented it.

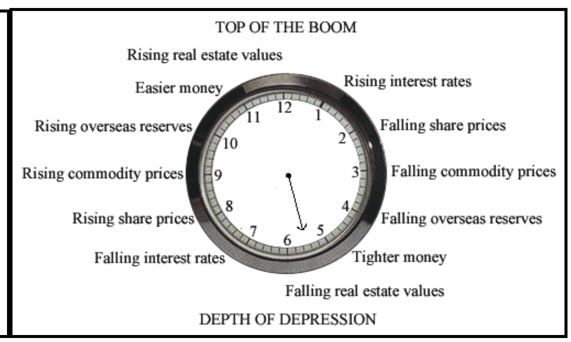
In October 2006 we concluded that Australia was at one o'clock – below is an excerpt from our October 2006 newsletter summarizing the one o'clock conclusion:

- *Australia has had an extended period of rising share prices,*
- *Australia has had an extended period of rising real estate prices,*
- *Commodity prices have certainly been rising,*
- *It could be argued money is relatively 'easy' and,*
- *We are now in a period of rising interest rates.*

Our conclusion on the Economic Clock was that we are somewhere around 1 o'clock since interest rates are rising but we have not as yet experienced falling share prices, falling commodity prices and falling real estate prices. Of course, as they say, timing is everything but we can at least conclude that we are no longer at 7 o'clock, 9 o'clock or 11 o'clock.

October 2006 **Now**





We have reviewed the phases on the clock and have concluded that we are now at approximately five or six o'clock. The reasons for this conclusion are outlined below.

Rising interest rates - The last interest rate decrease in Australia was on the 5th of December 2001, taking the cash rate to 4.25%. Between then and October 2006 interest rates rose 7 times, taking the cash rate to 6%. Since October 2006 interest rates have risen a further 5 times, and the cash rate is now at 7.25%, so we clearly have rising interest rates in Australia.

Falling share prices – The ASX 200 peaked at around 6850 in October 2007. Since then the index has fallen 25% to 5120. The fall from 6850 has been very fast, and there have been few pauses in the downward movement. It is therefore clear that we have falling share prices.

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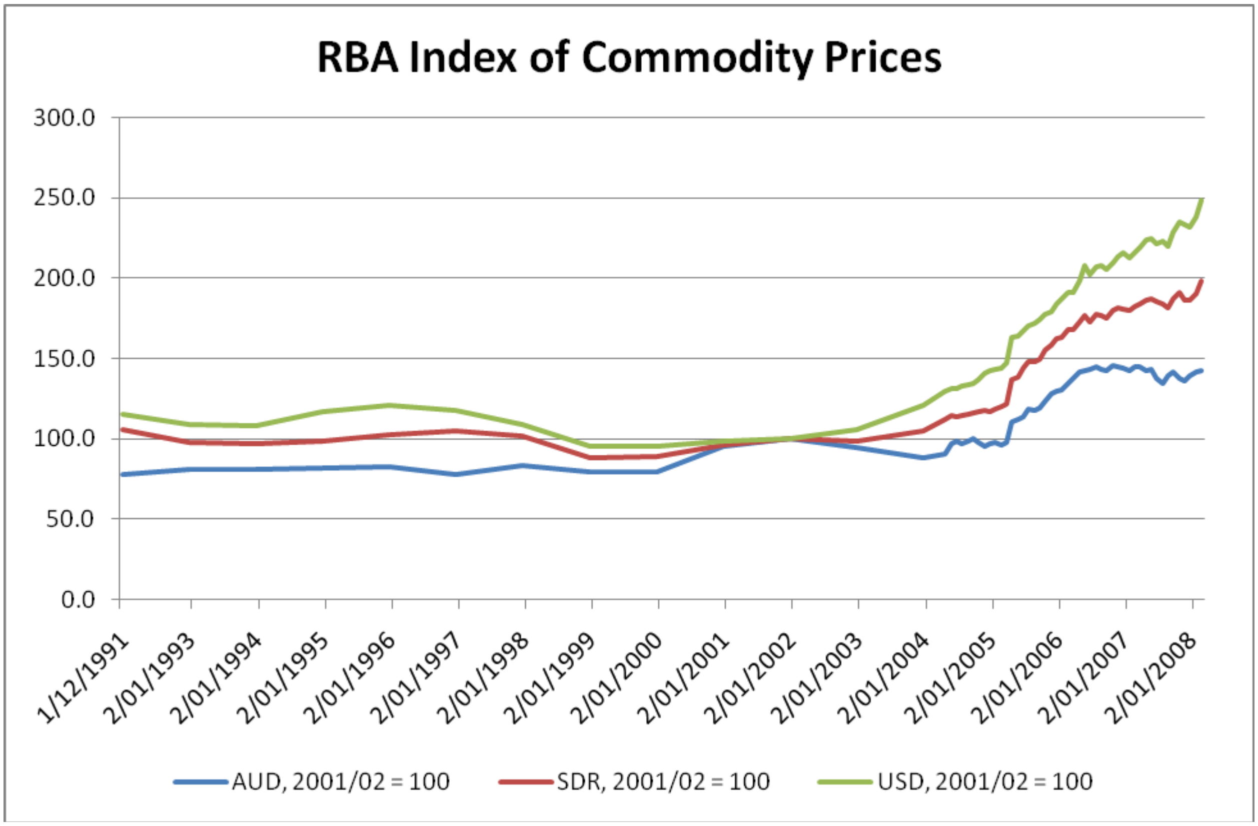
Falling commodity prices – The Reserve Bank of Australia publishes a monthly commodity price index, which is weighted as follows: Rural Commodities (such as wheat, beef and wool) 29%, Coal 25%, Base Metals 16%, Gold 9%, Iron Ore 9%, Alumina 7% and LNG 5% The chart below shows the index up until March 2008.



It is clear from the above chart that we are not yet experiencing falling commodity prices, although in Australian dollar terms the commodity price rises are significantly less due to the strong Australian dollar. It has been well publicized that we are currently in a 'commodity super cycle' which in theory has been largely driven by demand from China.

Falling overseas reserves – the Reserve Bank of Australia also publishes 'Official Reserve Assets' which shows their overseas reserves on a monthly basis. The index had been steadily increasing for decades until May 2007 when total reserve assets peaked at AUD $85 billion. Since then they have decreased sharply to be at AUD $35 billion in February 2008. Therefore overseas reserves have been falling for 9 months now.

Tighter money – we are currently in the middle of a global credit crisis which has been covered extensively in the media since August 2007. Companies all over the world have had to make significant write offs on subprime related debt, which has decreased appetite for risk and caused liquidity in the financial system to decrease. We clearly have tighter money at the moment.

Falling real estate values – Commercial and residential real estate values are falling in the US and in Europe at the moment, but the picture in Australia is less clear. The Australian Bureau of Statistics publishes a residential 'House Price Index' every three months. The

December 2007 quarter figures are the latest available and they show a 3.2% increase over the prior quarter. The last negative quarter for the index was in late 2005, so residential house prices have clearly been rising up until December 2007. On the other hand Australian Listed Property trusts have been falling. There are 34 listed property trusts in the ASX 300 index, and all 34 of the LPTs have decreased in price over the past year. Therefore we cannot conclude that all real estate values are falling in Australia, but we definitely have elements of the real estate market where prices are falling.

Taking the above information into account we have concluded that we are at approximately five or six o'clock on the Economic Clock, but we have skipped over falling commodity prices at three o'clock, due in theory to the 'commodity super cycle' driven by demand from China. As previously mentioned we remain cautious about the 'stronger forever' theory on commodity prices.

The bottom section of the economic clock (four o'clock to eight o'clock) can be a painful period for all asset prices and there can be little doubt that we are no longer in the top half of the cycle.