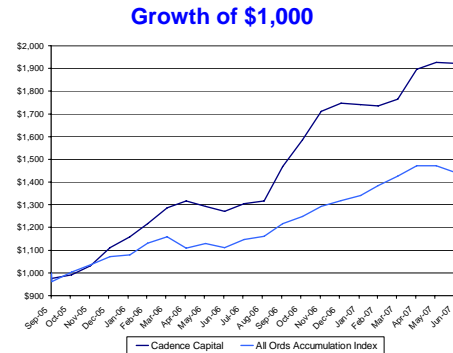


INVESTMENT UPDATE AND NTA - July 2007

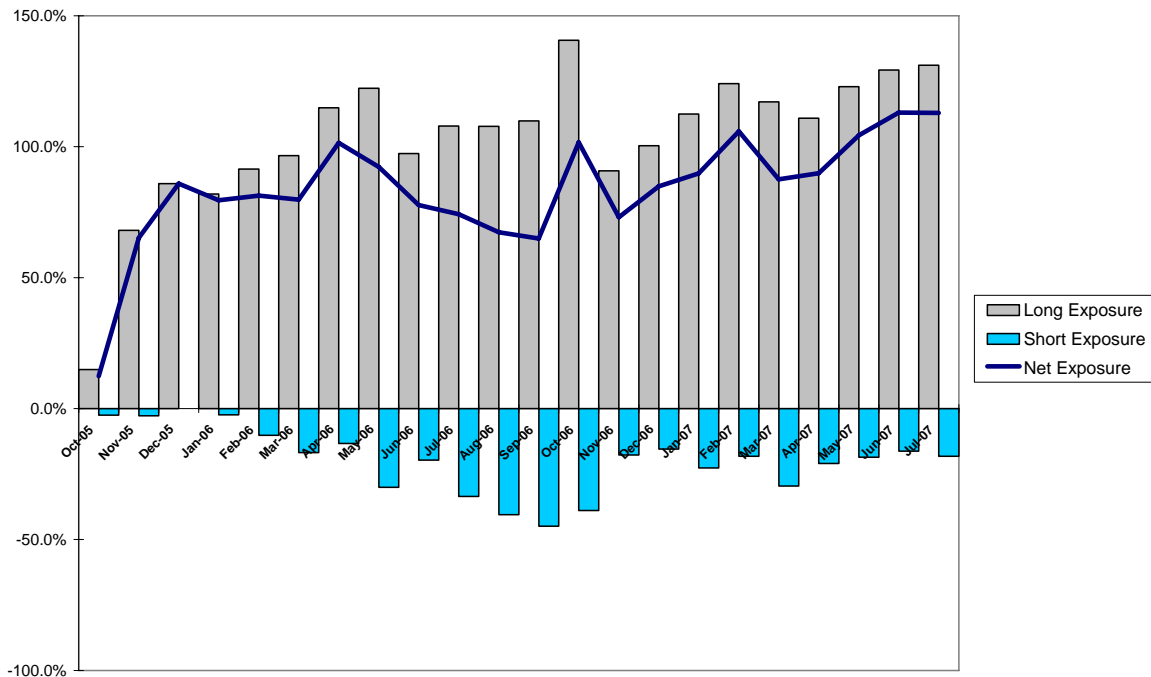
FUND PERFORMANCE*

Performance to 31st July 2007	CCL	All Ords
1 Month	-0.29%	-1.94%
3 Months	8.94%	1.12%
6 Months	10.05%	9.38%
1 Year	51.31%	29.73%
2 Years (% per Annum)		
3 Years (% per Annum)		
Inception to date accumulated return	97.72%	44.28%

* Before Management and Performance Fees



PORTFOLIO EXPOSURE ANALYSIS



PORTFOLIO SECTOR ANALYSIS

Sector	Long	Short	Total
Diversified Financials	26.09%		26.09%
Materials	26.78%	-3.94%	22.84%
Software & Services	16.51%	-3.60%	12.91%
Capital Goods	12.41%	-0.84%	11.57%
Commercial Services & Supplies	7.83%		7.83%
Media	8.83%	-1.15%	7.68%
Telecommunication Services	6.59%		6.59%
Health Care Equipment & Services	5.69%		5.69%
Retailing	3.27%		3.27%
Insurance	4.27%	-1.17%	3.10%
Banks	3.02%		3.02%
Unspecified	2.18%		2.18%
Food Beverage & Tobacco	1.48%		1.48%
Automobile & Components	1.18%		1.18%
Pharmaceuticals, Biotechnology & Life Sciences	1.14%	-0.74%	0.40%
Consumer Services	1.51%	-1.55%	-0.05%
Real Estate		-0.70%	-0.70%
Energy	2.38%	-3.09%	-0.72%
Transportation		-1.43%	-1.43%
Gross Exposure	131.14%	-18.21%	112.93%
Net Cash / (Debt)			-12.93%

MARKET AND COMMENTARY

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

Gross NTA	\$1.50081
Pre Tax NTA	\$1.41292
Post Tax NTA	\$1.30923

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

During the month of July, Cadence Capital Limited returned a gross performance of -0.29% compared to a decrease in the All Ordinaries Accumulation Index of -1.94% and a decrease in the Small Ordinaries Accumulation Index of -1.05%. For the past 12 month period, Cadence Capital Limited returned a gross performance of 51.31% compared to a rise in the All Ordinaries Accumulation Index of 29.73%. The fund finished the month 131.1% long, 18.2% short and with a net long exposure of 112.9%. The net exposure for June 2007 was 113%.

Over the past few months a number of investors have requested that we provide some examples of specific stock ideas we have been invested in, or have looked at, to gain an insight into some of our investments. Whilst not providing investment advice in the example below, we have outlined an example using a stock we have been covering for many years.

An Investment Example – IBA Health Pty Limited (ASX Code: IBA)



IBA Health Limited (IBA) is a provider of healthcare information systems and e-health services to public and private hospitals as well as community and primary care organisations. The company was established in 1982 and operates in Australia, New Zealand, UK, Singapore and Malaysia.

Cadence Capital Limited first started acquiring shares in IBA at 62 cents per share in early 2006. We have been following IBA for four years and the company historically had a record of missing profit forecasts and had fallen out of favour with institutional investors and was in many ways 'unloved'. IBA came up on our initial filters as a potential core investment since its forward earnings per share growth for two years was three times the forward price earnings multiple the shares were trading on.

The forward operating cash flow yield to market capitalization for the next 2 years was higher than 12% - another of our investment criteria. In addition the five year price trend had been down for the reasons outlined above but the one year price trend was upwards. This change in price trend endorsed our fundamental analysis.

We visited IBA management three times in one month as we were acquiring our position and added IBA to our portfolio 1% at a time as the price moved upwards. We pyramid into positions and are happy to pay an incrementally higher price for

every subsequent 1% position we add to our portfolio. Since February 2006 we have met with IBA management ten times.

More recently IBA announced a takeover of iSoft, which is listed on the London Stock exchange. When this announcement was made IBA stock was \$1.40 and the announcement contained very little information on the funding of this acquisition. We concluded that a capital raising would have to take place to fund this acquisition and we sold our entire position at an average of \$1.48. A capital raising was announced by the company through ABN Amro Australia at \$1.05 and we subscribed for the equivalent amount of stock (subject to the deal going ahead) at \$0.35 cents per share less than what we had previously sold our IBA shares for. The iSoft Board subsequently agreed that the IBA bid was in shareholders best interests.

During the period when IBA's bid for iSoft was live there was an 8% arbitrage between iSoft shares listed on the London Stock Exchange and IBA shares listed in Australia. iSoft shares were trading at an 8% discount to IBA's bid price. Unfortunately we did not purchase iSoft shares soon enough after the bid was announced to take advantage of the 8% arbitrage and to put our funds in the position to benefit from a further bid for iSoft. iSoft was in fact bid for by a third party at a 20% premium to IBA's bid price.

Interestingly enough the IBA share price is now back at 95 cents, well below the share price before the iSoft bid was announced and trading on conservative multiples on our numbers. The next opportunity may be to buy IBA Health shares again once the share price has stopped falling and endorses our fundamental view once again. There has also been speculation in the Australian Financial Review over the past week that Gary Cohen, the Chairman of IBA, is still potentially pursuing a higher bid for iSoft. Should this be the case it is likely on a balance of probabilities that IBA will raise money to fund this acquisition and we will get another opportunity to own IBA at a good entry price.

Should IBA succeed in acquiring iSoft, the merged entity will be the largest pure technology company listed in Australia and at some stage will become a widely covered stock by the investment community.

This example illustrates the two areas in which the manager operates. Core fundamental bottom up analysis combined with a trading approach to entering and exiting positions.

DISCLAIMER

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