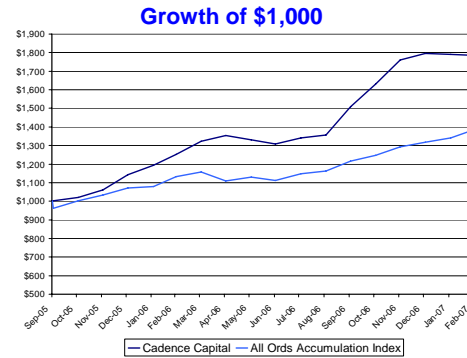


INVESTMENT UPDATE AND NTA - MARCH 2007

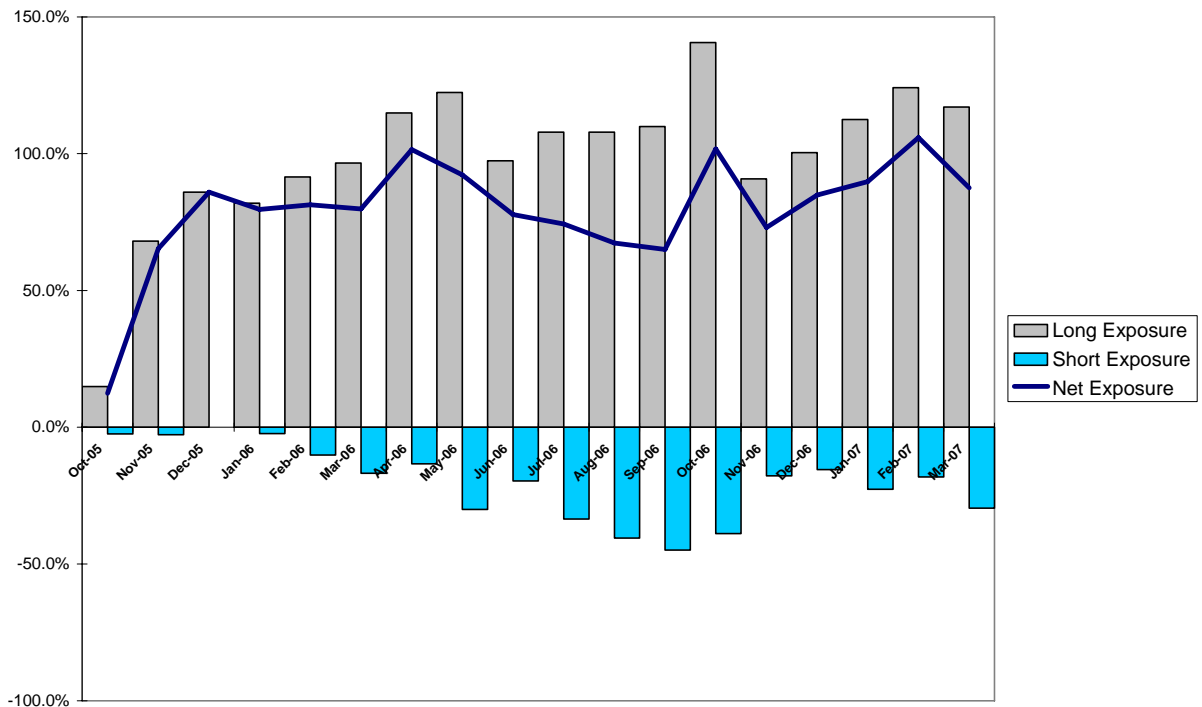
FUND PERFORMANCE*

Performance to 31st March 2007	CCL	All Ords
1 Month	-0.33%	3.33%
3 Months	1.41%	7.09%
6 Months	31.65%	19.17%
1 Year	42.43%	22.35%
2 Years (% per Annum)		
3 Years (% per Annum)		
Inception to date accumulated return	78.46%	38.47%

* Before Management and Performance Fees



PORTFOLIO EXPOSURE ANALYSIS



PORTFOLIO SECTOR ANALYSIS

Sector	Long	Short	Total
Diversified Financials	18.95%		18.95%
Software & Services	17.99%	-4.52%	13.47%
Materials	26.15%	-12.91%	13.24%
Commercial Services & Supplies	11.30%		11.30%
Capital Goods	9.61%	-1.01%	8.59%
Insurance	7.10%	-1.02%	6.09%
Health Care Equipment & Services	4.42%		4.42%
Banks	3.58%		3.58%
Media	3.43%	-0.49%	2.94%
Telecommunication Services	2.59%		2.59%
Real Estate	3.39%	-0.81%	2.58%
Unspecified	2.22%		2.22%
Retailing	1.38%		1.38%
Utilities	0.95%		0.95%
Other	1.18%	-0.53%	0.65%
Food Beverage & Tobacco	2.01%	-1.94%	0.06%
Consumer Services		-2.23%	-2.23%
Energy	0.85%	-4.12%	-3.27%
Gross Exposure	117.10%	-29.59%	87.51%
Net Cash / (Debt)			12.49%

MARKET AND COMMENTARY

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

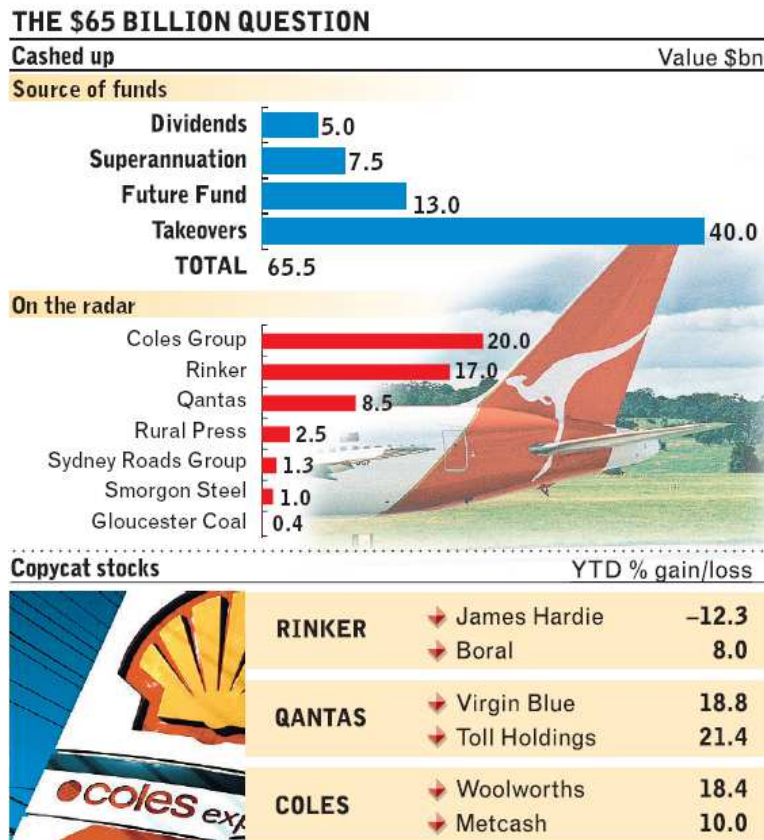
Gross NTA	\$1.35458
Pre Tax NTA	\$1.30863
Post Tax NTA	\$1.24391

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

During the month of March, Cadence Capital Limited returned a gross performance of (0.33%) compared to a rise in the All Ordinaries Accumulation Index of 3.33 % and a rise in the Small Ordinaries Accumulation Index of 4.04%. For the past 12 month period, Cadence Capital Limited returned a gross performance of 42.43% compared to a rise in the All Ordinaries Accumulation Index of 22.35 %. The fund finished the month 117.1 % long, 29.6 % short and with a net long exposure of 87.5 %. The net exposure for February 2007 was 106%.

The \$65 Billion Dollar Question

The heading for our newsletter this month is identical to that on Page 40 of the Weekend Australian Financial Review (AFR) on the 14th – 15th April 2007. Below is a copy of the table that appeared in the AFR.



This article and many like it over the past three to four weeks, illustrate the likely sums of Australian funds that should be available for investment over the next few months. The value of these 'excess' funds is mooted to be around \$40bln - \$60bln as a result of dividend payments, superannuation contributions, investment by the Future Fund and Takeover proceeds.

Talk has inevitably centered on the 'weight of money argument', 'the redeployment of cash', 'the flood of cash' and 'the mandate requirements to be fully invested'. We could probably add a few more of our own concepts to this list including; 'momentum trading' and 'get long-ism'. We should be increasingly wary of the above logic which can cause assets to reach extreme valuations. Our task as investors is to look for undervalued stocks and, in our case, severely overvalued stocks and to act accordingly. We aim to buy undervalued stocks and 'short sell' overvalued stocks. Should we be unable to find fundamentally undervalued or overvalued securities, listed on the Australian Stock Exchange, our responsibility is to stay in cash.

The fact that there is an additional \$65 billion mooted to be invested in the market shortly is one of the facts that we need to consider when making investments. However, the \$65 billion has no bearing on our 'bottom up' analysis, the operating cash flow, the free cash flow or earnings per share numbers we generate for our investments. There is little doubt that this increased flow of funds will have a bearing on share price trends in the short term.

The same principles of investing in securities based on fundamental analysis and firmly established trends apply to the overall market. We feel it is unnecessary to lose too much sleep over the 'weight of money argument' in the long run.

DISCLAIMER

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