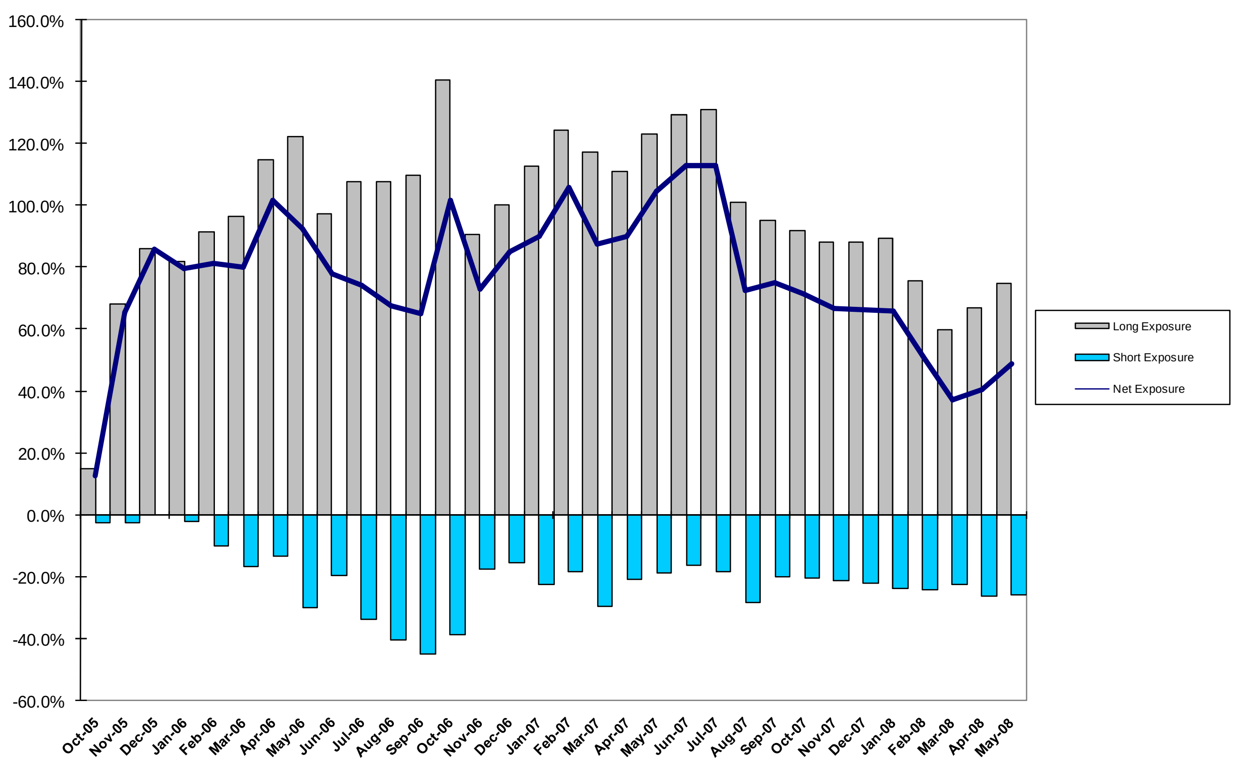
INVESTMENT UPDATE AND NTA - MAY 2008

FUND PERFORMANCE*

Performance to 31st May 2008	CDM	All Ords
1 Month	4.82%	2.45%
3 Months	0.19%	2.80%
6 Months	-8.85%	-10.68%
1 Year	-13.51%	-5.24%
2 Years (% per Annum)	11.66%	12.18%
Annualised return since inception	21.70%	13.30%
Inception to date accumulated return	68.82%	39.52%
* Before Management and Performance Fees		

PORTFOLIO EXPOSURE ANALYSIS



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PORTFOLIO SECTOR ANALYSIS

Sector	Long	Short	Total
Software & Services	12.40%		12.40%
Diversified Financials	12.96%	-1.49%	11.47%
Materials	16.41%	-5.64%	10.77%
Capital Goods	10.36%	-1.03%	9.33%
Telecommunication Services	6.44%		6.44%
Commercial Services & Supplies	2.66%		2.66%
Real Estate	1.39%		1.39%
Banks	4.30%	-3.09%	1.21%
Automobile & Components	1.14%		1.14%
Media	1.89%	-1.01%	0.87%
Health Care Equipment & Services	0.77%		0.77%
Consumer Services	0.67%		0.67%
Food Beverage & Tobacco	1.10%	-1.16%	-0.05%
Retailing	2.44%	-2.91%	-0.48%
Pharmaceuticals, Biotechnology & Life Sciences		-0.75%	-0.75%
Transportation		-3.67%	-3.67%
Insurance		-5.24%	-5.24%
Exposure	**74.94%**	**-26.00%**	**48.94%**
Cash on hand			**51.06%**

MARKET AND COMMENTARY

Cadence Capital Limited NTA estimates as at 31 May 2008:

Gross NTA	$1.28145
Pre Tax NTA	$1.11232
Post Tax NTA	$1.09888

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

For the 32 months to 31st May 2008, Cadence Capital Limited has returned a gross performance of 68.8% compared to a rise in the All Ordinaries Accumulation Index of 39.5%. Cadence Capital Limited has generated an annualized return before fees of 21.70% per annum since inception.

During the month of May, Cadence Capital Limited returned a positive gross performance of +4.82% compared to an increase in the All Ordinaries Accumulation Index of +2.45% and an increase in the Small Ordinaries Accumulation Index of +3.93%.

The fund finished the month 74.94% long, 26.00% short and with a net long exposure of 48.94%. The net exposure for April 2008 was 40.32%.

Cadence Capital Limited Top 10 Positions

Below is a review of the top 10 positions of Cadence Capital Limited as at 12th of June 2008. There were 6 long positions and 4 short positions. The percentage in brackets shows the position size as a percentage of the net assets of Cadence Capital Limited. The gross exposure of the top 10 positions was 40.4% and the net long exposure was 4.6%.

Zinifex (ZFX) – Short (6.0%)

Zinifex is soon to merge with Oxiana. The combined group will derive most of their revenue from zinc and copper mining.

The drop in the zinc price from just above US $2 per pound to just below US $0.85 per pound has had a huge impact on the profitability of Zinifex. The rise of the Australian dollar against the US dollar has made the impact even worse. If we input current spot prices for zinc, lead and the Australian dollar into our model we determine that Zinifex (excluding Oxiana) is on a price earnings multiple of over 50.

Based on our modeling of the combined entity, Zinifex and Oxiana will trade on a price earnings multiple of around 20 once Oxiana's Prominent Hill mine begins operations in late 2008, which we believe makes the combined entity overpriced. The market appears to agree with our view as both companies shares have been trending downward recently.

Insurance Australia Group (IAG) – Short (5.1%)

We have been short Insurance Australia Group since early 2006. Over that time IAG has released a number of profit warnings, and the share price has fallen to $3.75. A few months ago QBE launched a bid for IAG which caused IAG's share price to rise. The IAG board rejected the bid and QBE has since withdrawn the bid. The IAG share price dropped in response to this, and is now near its recent lows. We do not believe that QBE will make another bid for IAG in the short term, and following IAG's most recent downgrade we expect the full year IAG result to be poor.

Rio Tinto (RIO) – Long (4.7%)

Rio Tinto has benefitted from the recent price rises of Iron Ore, Coal and Copper. Our modeling forecasts Rio's earnings per share to increase almost 50% in 2008. BHP is currently offering 3.4 of its shares for every Rio Tinto share. This offer currently values Rio at approximately $149 per share versus the current Rio share price of approximately $136.

Bradken (BKN) – Long (4.5%)

Bradken is a supplier of consumable products to the resources and freight rail industries. In mid December 2007 Bradken announced a profit downgrade and the shares fell from about $15 to $9 in one day. We believed that despite the downgrade

Bradken remained to be a good business with a positive future. We watched the share price fall further from $9 down to $6. We bought Bradken shares in April 2008 when the share price trend turned positive, and at $7 we believed the shares were fundamentally undervalued. Bradken is currently trading above $8.

Everest Babcock and Brown Alternative Investment Trust (EBI) – Long (3.9%)

Everest Babcock and Brown Alternative Investment Trust is an investment trust that reported net tangible assets of $3.95 per share at the end of May. The share price is currently $3.25. The share price of EBI has fallen recently and we believe that this is due to large shareholders with margin loans being forced to sell. The board of EBI has recognized that the share price discount to NTA is unacceptable and have implemented a buy-back strategy to reduce the discount. The underlying performance of the trust is good and we believe that over time the discount to NTA will reduce.

Transurban (TCL) – Short (3.7%)

Transurban is the operator of toll roads which are mostly located in Melbourne and Sydney. The agreements to operate the toll roads generally expire in 30 to 40 years, at which time the toll roads will revert to being operated by the government. Transurban has a very high level of debt, and has never made a profit. The company pays significant dividends by drawing down on debt facilities. Investors in Transurban believe that in the future the toll revenue will rise enough to cover interest payments, debt repayment and dividends. We believe that this is looking less likely as the cost of debt is increasing, and higher oil prices will reduce volume of traffic. We also believe that the TCL share price would fall significantly if the company is forced to reduce the dividend due to high debt levels. The share price has been trending down since we first shorted the stock in March 2007.

Caledon Resources (CCD) – Long (3.3%)

Caledon Resources produces coking coal from a mine in Queensland. CCD listed on the ASX at the start of June 2008, and is now dual listed on the ASX and AIM in London. We participated in the ASX listing and also bought shares in London in the months prior to the ASX listing. The ASX listing was particularly compelling as the company fixed the ASX listing offer price at $1.10 at a time when coal stocks were in the process of being rerated by the market. Listed coal stocks rose significantly in the three weeks between CCD setting the offer price at $1.10 and the deadline for our decision to subscribe for shares. This was a compelling opportunity and we subscribed for CCD shares in the ASX listing. The shares are now trading at $2.80 so CCD has produced an outstanding return in a short period of time.

Keybridge Capital (KBC) – Long (3.2%)

Keybridge Capital is a financial services company that invests in, or lends to, transactions backed by real assets, financial assets or cashflow. Its core asset classes are property, infrastructure, shipping and aviation. KBC released a quarterly investment update in April which showed the net tangible assets per share were $1.54. The share price is currently $0.70. The discount to NTA presents a compelling investment opportunity and we believe that the discount to NTA will reduce over time. KBC has recently reiterated its guidance of a profit of $20 million this year, which equates to 11 cents per share, and a price earnings ratio of 6. The 11 cents per share earnings are more than double the 5.3 cents per share KBC earned in 2007.

Commonwealth Bank (CBA) – Short (3.1%)

In the year or so prior to January 2008 CBA was the best performer of the big four Australian banks. We formed the view that this outperformance was unjustified and when the share price started to trend down in January 2008 we shorted CBA. The share price has fallen significantly since January primarily due to worries about bad debts. These worries are still around with Babcock and Brown recently falling below a market capitalization threshold that allows its bankers to conduct a review of its debt funding. If Babcock and Brown and others cannot repay their debts then the Australian banks could have a significant bad debt problem. On the flip side if bad debts do not become a significant problem for the Australian banks then they are historically cheap, so we will be watching developments in this area closely.

DWS Advanced Business Solutions (DWS) – Long (3.0%)

DWS Advanced Business Solutions is an IT Services company that was established in 1991. Cadence invested in DWS when it listed on the ASX in June 2006 at $1 per share. Since then DWS has grown earnings strongly and we expect a further 30% increase in 2008. DWS and most other technology stocks on the ASX have had falls in share prices recently as worries about the economy have led investors to believe that there will be a slowdown in IT spending. The management of DWS and other technology companies have stated that they have not seen any slowdown in their business. We are happy to continue to hold DWS at the current price of about $1.50 given that the company is still growing strongly and is now on a sub 10 price earnings ratio for 2008. We will be watching closely for more evidence that IT spending may slow down in the future.

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