



INVESTMENT UPDATE

December 2013

Summary Update

During the month of December 2013, Cadence Capital Fund returned a gross performance of +1.62% compared to an increase in the All Ordinaries Accumulation Index of +0.92% and an increase in the Small Ordinaries Accumulation Index of +2.55%. Financial year to date to the 31st December 2013, Cadence Capital Fund has generated a gross performance of 16.68% outperforming the All Ordinaries Accumulation Index by +2.11%.

The fund finished the month 110.9% net long compared to 111.9% net long in November 2013.

Fund NTA

Post-Distribution unit price estimates as at 31 December 2013:

NTA (Post fees, Post distribution)	\$2.04807
------------------------------------	-----------

Cadence Highlights

Cadence Capital Limited was **ranked by ASX** as one of the top 3 performing Australian Equities Listed Investment Companies** over 3 and 5 years in the LMI Quarterly Update as at 30th September 2013.

Cadence Capital Limited was **ranked by Baillieu Holst as the No. 1 Listed Investment Company** over 3 years in their Listed Investment Company Sector Report dated 23rd July 2013.

Cadence Capital Limited was a finalist at the 2012 Australian Hedge Fund Awards in the Best Long Short and Absolute Return Fund category.

All of these reports are available on our home page at www.cadencecapital.com.au

* Source: ASX website – Market Update on Management Funds section, LMI Quarterly Update as at 30th June 2013



Fund Performance

Performance* to 31 December 2013	CCF**	All Ords	Outperformance
1 Month	1.62%	0.92%	+0.70%
1 Year	26.98%	19.66%	+7.32%
2 Years	53.51%	42.20%	+11.31%
3 Years	103.11%	25.95%	+77.16%
4 Years	165.35%	30.11%	+135.24%
5 Years	296.14%	81.60%	+214.54%
7 Years	104.37%	27.70%	+76.67%
Inception to date accumulated return (10.2 years)	452.82%	150.19%	+302.63%
Annualised return since inception (10.2 years)	18.32%	9.44%	+8.88%

* Gross Performance before Management and Performance Fees

** Adjusted to include material franking credit of 26.7 cents received from RHG dividend during May 2011

Top Portfolio Positions

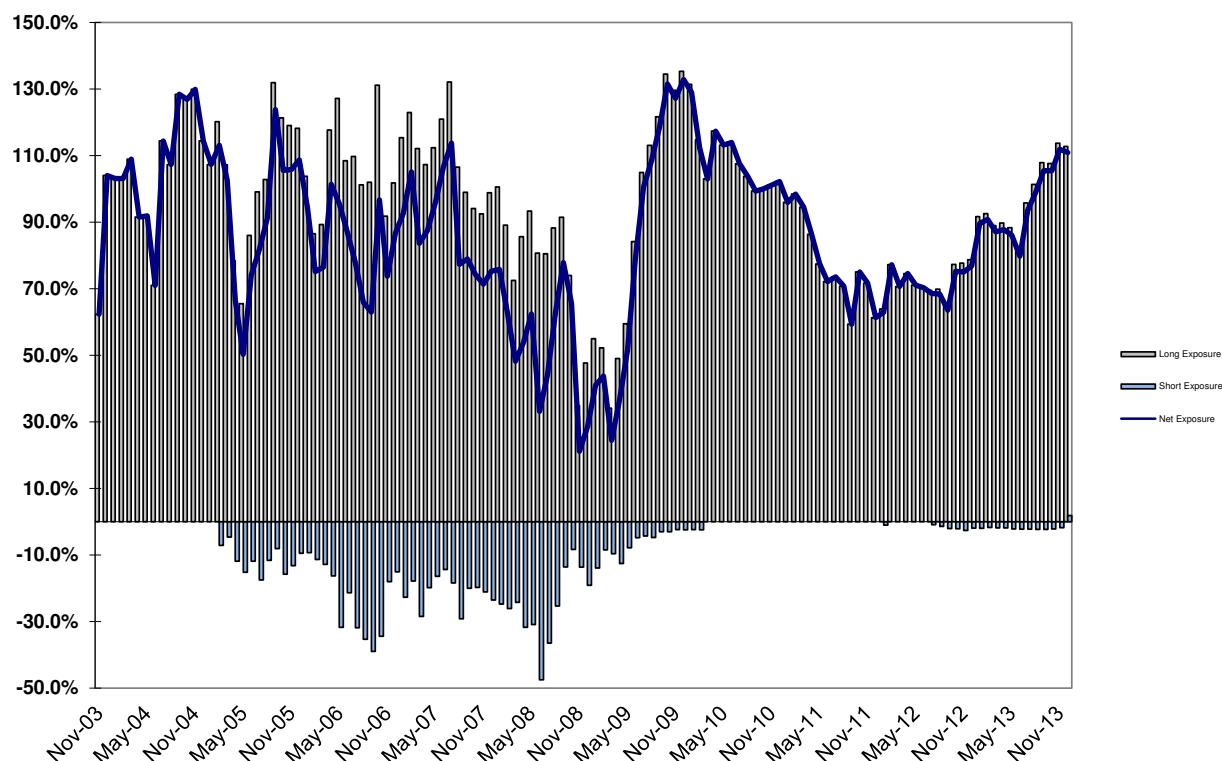
ASX Code	Position	Direction	Holding
RHG	RHG Ltd	Long	19.4%
MQG	Macquarie Group Limited	Long	11.1%
HGG	Henderson Group Plc	Long	8.1%
NAB	National Australia Bank Ltd	Long	6.9%
FXL	Flexigroup Ltd	Long	6.6%
ANZ	Australia & New Zealand Banking Group	Long	6.6%
ARI	Arrium Limited	Long	6.6%
RFG	Retail Food Group	Long	5.6%
MLB	Melbourne IT Ltd	Long	3.7%
BSL	Bluescope Steel Ltd	Long	3.6%
IIN	Ilnet Limited	Long	3.2%
MMS	McMillan Shakespeare Ltd	Long	2.9%
ABP	Abacus Property Group	Long	2.6%
AMC	Amcor Limited	Long	2.4%
RIO	Rio Tinto Ltd	Long	2.1%
OZL	Oz Minerals Ltd	Short	1.8%
Top Portfolio Holdings - Gross Exposure			93.10%



Portfolio Sector Analysis

Sector	Long	Short	Net
Banks	35.63%		35.63%
Diversified Financials	28.04%		28.04%
Materials	15.37%	1.85%	13.52%
Consumer Services	6.89%		6.89%
Software & Services	6.38%		6.38%
Real Estate	4.93%		4.93%
Commercial & Professional Services	3.40%		3.40%
Telecommunication Services	3.15%		3.15%
Transportation	2.66%		2.66%
Insurance	2.56%		2.56%
Energy	1.12%		1.12%
Utilities	1.11%		1.11%
Retailing	1.04%		1.04%
Pharmaceuticals, Biotechnology & Life Sciences	0.49%		0.49%
Exposure	112.77%	1.85%	110.92%
Net Borrowings			10.92%

Portfolio Exposure





1 for 1 Bonus Option Issue

As previously announced all CDM shareholders on the register on the 15th January 2014 will receive a free Bonus Option with a strike price of \$1.43 exercisable on or before 31st August 2015. Recent participants in the CDM placement, who are on the register at this date, will be entitled to the 1 for 1 free Bonus Option Issue. All investors who purchase CDM shares before the 9th January 2014 will be entitled to the free Bonus Option. The Option will trade on the ASX under the code CDMO.

The Option Prospectus was lodged with ASIC on the 6th January 2014. Our Company Registry (Boardroom Pty Limited) will distribute Option Prospectuses and Option Holding statements on the 20th January 2014. Options will commence trading on the ASX on 21st January 2014.

Successful CDM Placement

Cadence Capital Limited (ASX: CDM) successfully raised \$54.1M through its placement at \$1.43 per share. Our shareholder base has increased significantly since announcing the placement (more than 30%), with a record level of Self-Managed Superannuation Fund trustees now on the CDM register. The Placement attracted significantly more demand than the entire Priority Offer to RHG and CDM shareholders.

Cadence Capital Limited wishes to thank its Lead Manager and Participating Brokers for their support of the Placement.

DRP

For all new Shareholders on our register we would like to highlight that the Company has a Dividend Reinvestment Plan (DRP) in place. Currently the DRP is operating at a 3% discount. We would like to encourage both new and existing CDM shareholders to participate in the plan. To download the DRP Registration Form please [click here](#). You will need to complete and return this form to Boardroom at the following address, GPO Box 3993, Sydney NSW 2001. Please note that Boardroom also have the facility to register for DRP online. Please do call Boardroom on 1300 737 760 if you have any further questions in this regard.

Webcasts and Newsletters

We would also like to strongly encourage all new Shareholders to register to receive copies of our monthly newsletters and quarterly company webcasts. To register to receive these please [click here](#).



Other News

We would like to once again recommend that you visit the 'News and Views' section of our website at www.cadencecapital.com.au as all past company webcasts, interviews and press articles involving Cadence can be found here.

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. Nothing contained in this document constitutes investment, legal, financial, business, tax or other advice. 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.