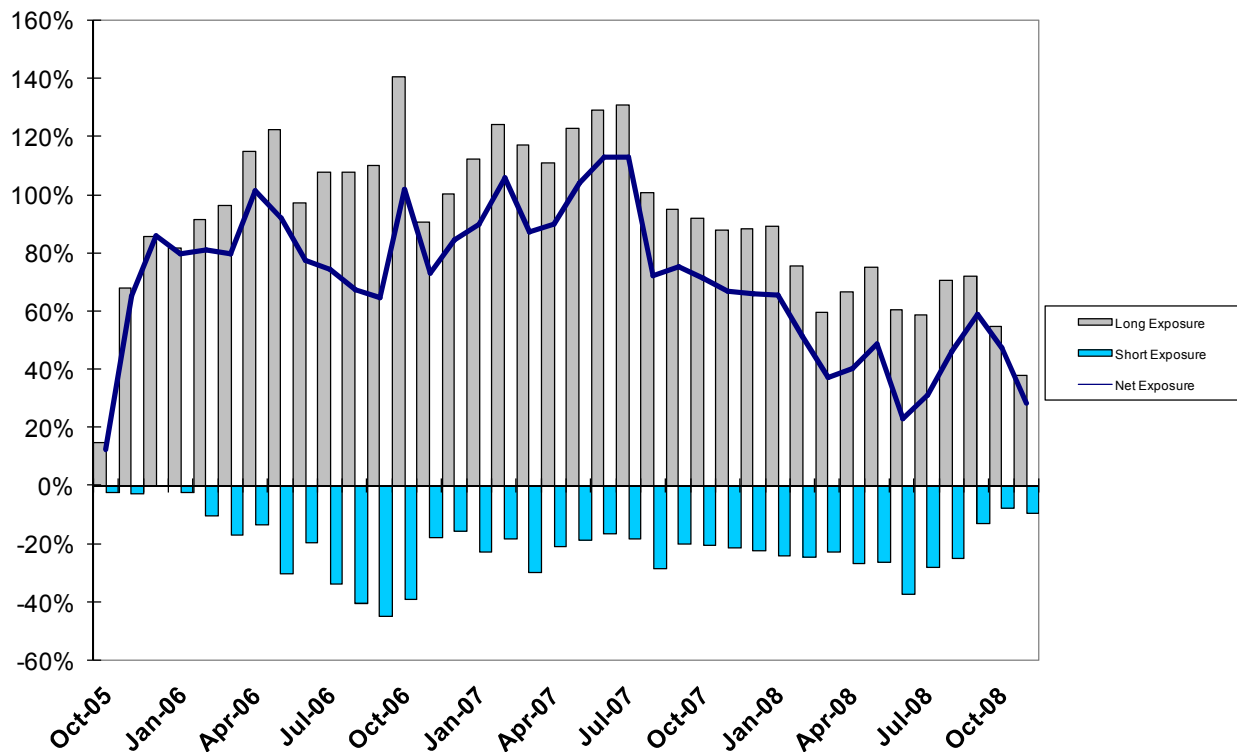


## INVESTMENT UPDATE AND NTA - NOVEMBER 2008

### FUND PERFORMANCE\*

Performance to 30th November 2008	<u>CDM</u>	<u>All Ords</u>
1 Month	-5.89%	-7.22%
3 Months	-23.56%	-28.62%
6 Months	-26.41%	-34.78%
1 Year	-32.92%	-41.75%
2 Years ( % per Annum)	-12.73%	-14.61%
3 Years ( % per Annum)	6.76%	-3.23%
Annualised return since inception	7.09%	-2.94%
Inception to date accumulated return	24.24%	-9.01%
* Before Management and Performance Fees		

### PORTFOLIO EXPOSURE ANALYSIS



## PORTFOLIO SECTOR ANALYSIS

Sector	Long	Short	Total
Software & Services	10.67%		10.67%
Telecommunication Services	5.90%		5.90%
Diversified Financials	4.50%		4.50%
Capital Goods	2.08%		2.08%
Pharmaceuticals, Biotechnology & Life Sciences	1.91%		1.91%
Retailing	1.78%		1.78%
Insurance	1.72%		1.72%
Energy	1.67%		1.67%
Commercial Services & Supplies	1.23%		1.23%
Automobile & Components	0.97%		0.97%
Consumer Services	0.86%		0.86%
Real Estate	0.56%		0.56%
Health Care Equipment & Services	0.52%		0.52%
Food Beverage & Tobacco	0.46%		0.46%
Media	0.43%		0.43%
Materials	2.54%	-5.77%	-3.23%
Transportation		-3.63%	-3.63%
<b>Exposure</b>	<b>37.80%</b>	<b>-9.40%</b>	<b>28.40%</b>
<b>Cash on hand</b>			<b>71.60%</b>

## MARKET AND COMMENTARY

Cadence Capital Limited NTA estimates as at 30th November 2008:

Gross NTA	\$0.94307
Pre Tax NTA	\$0.76136
Post Tax NTA*	\$0.86566

*\*Including net deferred taxed assets (deferred taxed assets less deferred tax liabilities)*

To get weekly estimates of the NTA for Cadence Capital Limited please visit [www.cadencecapital.com.au](http://www.cadencecapital.com.au)

For the three years and two months to 30th November 2008, Cadence Capital Limited has returned a gross performance of 24.2% compared to a fall in the All Ordinaries Accumulation Index of -9%.

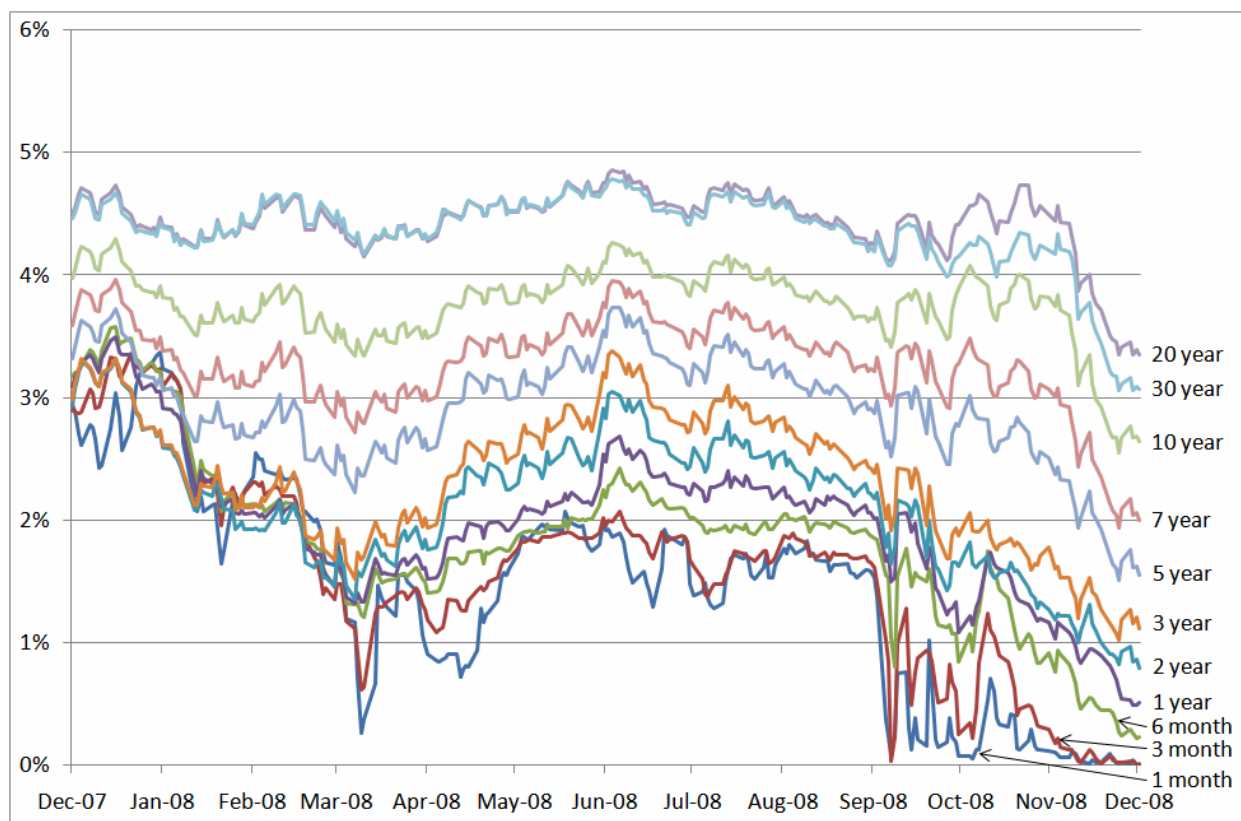
During the month of November, Cadence Capital Limited returned a negative gross performance of -5.9% compared to a decrease in the All Ordinaries Accumulation Index of -7.2% and a decrease in the Small Ordinaries Accumulation Index of -9.6%.

The fund finished the month 37.8% long, 9.4% short and with a net long exposure of 28.4%. The net exposure for October 2008 was 47.4%.

### Risk aversion and US Treasury bill yields

Since world stock markets hit their high point in November 2007 many investors have become increasingly risk averse which has driven them to look for low risk investments.

US Treasury bills are regarded as one of the lowest risk investments available and the chart below shows the yields that investors can expect to receive by holding US Treasury securities.



As can be seen from the chart the longer maturities generally have a higher yield than the shorter maturities, which indicates that investors expect interest rates to rise over time. Volatility has increased significantly since September, and yields for all maturities have been falling steeply since November.

The fall in the one and three month yields is particularly interesting.

On the 17<sup>th</sup> of September the one and three month yields both fell below 0.1%. At this time there was speculation that American International Group (AIG) was close to failing, and required \$US75 billion to avoid collapse.

The yields then recovered temporarily, but had continued volatility for a few months. By the end of October they started falling steeply again, and on the 10<sup>th</sup> of December the yield on one and three month treasury bills was below zero. These were the lowest rates since the bills were first issued in 1929.

When yields are negative it means that the investors get back less than their initial investment at the end of the investment term. If investors held their money in dollar bills then they would effectively receive a 0% yield on their investment. However a large amount of dollar bills would need to be stored in a safe place such as a bank vault, which costs money, which effectively gives the investor a small negative return on their cash holding.

The negative yield is a sign of the times. Some investors have become so risk averse that they do not want to do anything with their money. We are seeing this phenomenon all over the world at the moment. The credit crisis has caused a major freezing up of credit markets, and it seems that almost daily there are events occurring that reinforce the view that the credit crisis is far from over.

Over the weekend it was alleged that Bernard L. Madoff Investment Securities committed a \$US50 billion dollar fraud, with investors in the company expected to lose all of their money. Bernard Madoff himself was quoted as saying “it’s all just one big lie” and that his business was “basically, a giant Ponzi scheme”.

When events like this occur it is easy to see why investors have become extremely risk averse. Over time investor’s appetite for risk will return, but it will not happen quickly. Investors will need to see an extended period of time where no major company failures, government bailouts, or large frauds or scandals occur.

## **DISCLAIMER**

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