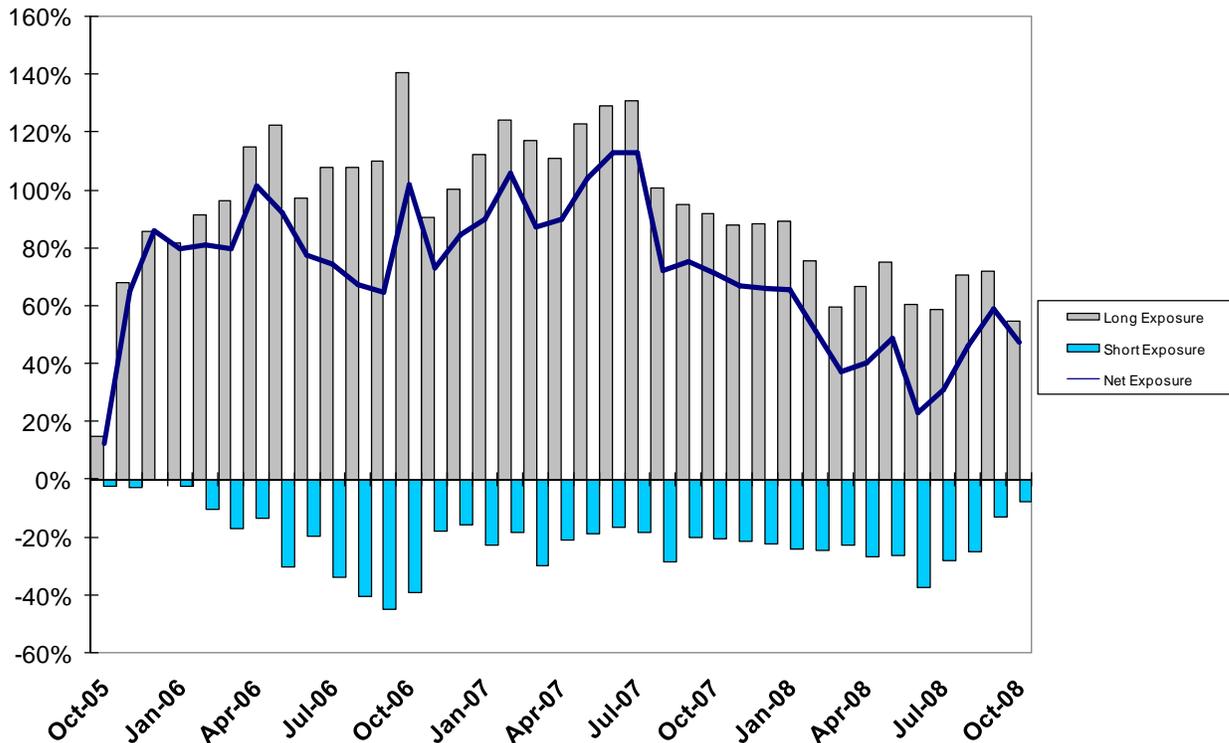


INVESTMENT UPDATE AND NTA - OCTOBER 2008

FUND PERFORMANCE*

| Performance to 31st October 2008 | <u>CDM</u> | <u>All Ords</u> |
|--|------------|-----------------|
| 1 Month | -13.46% | -13.92% |
| 3 Months | -16.13% | -19.97% |
| 6 Months | -18.03% | -27.98% |
| 1 Year | -31.06% | -38.69% |
| 2 Years (% per Annum) | -6.50% | -10.25% |
| 3 Years (% per Annum) | 9.58% | 0.66% |
| Annualised return since inception | 9.43% | -0.63% |
| Inception to date accumulated return | 32.02% | -1.93% |
| * Before Management and Performance Fees | | |

PORTFOLIO EXPOSURE ANALYSIS



PORTFOLIO SECTOR ANALYSIS

| Sector | Long | Short | Total |
|--|---------------|---------------|---------------|
| Software & Services | 11.76% | | 11.76% |
| Telecommunication Services | 8.87% | | 8.87% |
| Capital Goods | 7.37% | | 7.37% |
| Diversified Financials | 6.53% | | 6.53% |
| Media | 2.26% | | 2.26% |
| Pharmaceuticals, Biotechnology & Life Sciences | 2.18% | | 2.18% |
| Commercial Services & Supplies | 1.82% | | 1.82% |
| Retailing | 1.76% | | 1.76% |
| Banks | 1.56% | | 1.56% |
| Energy | 1.55% | | 1.55% |
| Materials | 5.44% | -3.95% | 1.49% |
| Automobile & Components | 1.06% | | 1.06% |
| Consumer Services | 0.80% | | 0.80% |
| Food Beverage & Tobacco | 0.70% | | 0.70% |
| Health Care Equipment & Services | 0.65% | | 0.65% |
| Real Estate | 0.62% | | 0.62% |
| Transportation | | -3.59% | -3.59% |
| Exposure | 54.94% | -7.54% | 47.40% |
| Cash on Hand | | | 52.60% |

MARKET AND COMMENTARY

Cadence Capital Limited NTA estimates as at 31st October 2008:

| | |
|---------------|-----------|
| Gross NTA | \$1.00211 |
| Pre Tax NTA | \$0.82377 |
| Post Tax NTA* | \$0.90811 |

**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

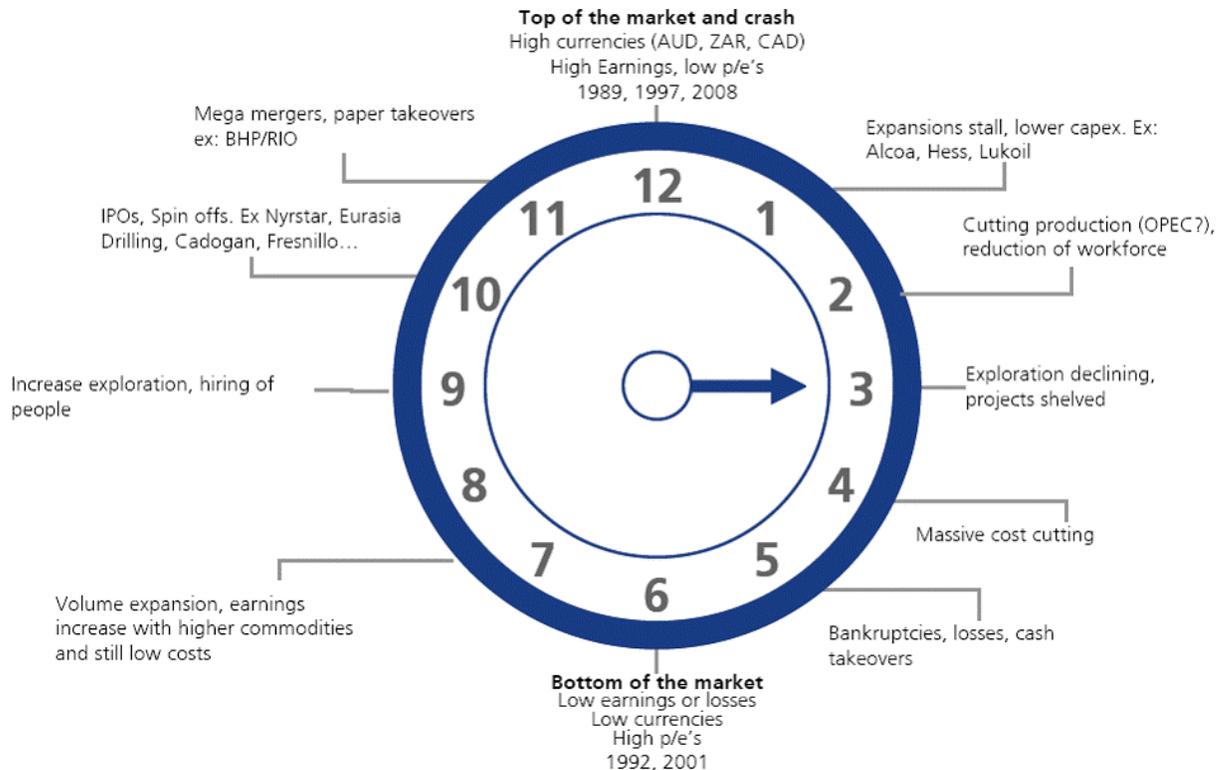
For the three years and one month to 31st October 2008, Cadence Capital Limited has returned a gross performance of 32% compared to a fall in the All Ordinaries Accumulation Index of -1.9%. Cadence Capital Limited has generated an annualized return before fees of 9.4% per annum since inception.

During the month of October, Cadence Capital Limited returned a negative gross performance of -13.5% compared to a decrease in the All Ordinaries Accumulation Index of -13.9% and a decrease in the Small Ordinaries Accumulation Index of -24.8%.

The fund finished the month 54.9% long, 7.5% short and with a net long exposure of 47.4%. The net exposure for September 2008 was 58.9%.

The Commodities Clock

In our February investor report we presented the Economic Clock. This month we will look at the Commodity Clock, which is shown below.



In early 2008 it became common to hear people quoting phrases such as 'stronger for longer', 'commodity super-cycle' and even 'stronger forever'. 'Stronger forever' suggests that the commodity cycle has stopped at 12 o'clock, and will never move from this point, but as we discuss below, the commodity cycle appears to be alive and well.

It appears that we have gone past 12 o'clock, or the 'top of the market', and we are on our way to 6 o'clock, or the 'bottom of the market'. We have made the assessment that we are now at 3 o'clock, and are therefore well past the top of the market, but not yet at the bottom of the market.

According to the clock the bottom of the market was in 2001. Prices for commodities such as oil, copper, gold, zinc, and iron ore rose steadily from 2001. During the period from 2001 to 2005 share prices of commodity companies were generally rising, but it was not until towards the end of this period that the commodity boom received significant focus from mainstream media and investors.

We would argue that the clock was at 10 o'clock in 2006. This was the year that Zinifex proposed the spin off Nyrstar, a new company which would hold Zinifex's zinc and lead smelters. Nyrstar was successfully listed in Europe at 20 euros, and is now trading at 2.86 euros.

The clock moved to 11 o'clock in late 2007. In November 2007 BHP's intention to takeover Rio Tinto was first disclosed to the market. In March 2008 Oxiana made a bid for Zinifex. Both of these takeovers were scrip based, which in hindsight was the correct decision as the value of all commodity companies have since fallen significantly.

The top of the market, or 12 o'clock, was mid 2008. Share prices for resource companies were at all time highs. 'Stronger for longer' and 'stronger forever' were terms frequently used by investors, company CEOs and the media. Fortescue Metals CEO Andrew Forrest became the richest man in Australia while the company that he owns one third of was yet to mine any iron ore.

The move from 12 o'clock in June 2008 to 3 o'clock now has been rapid.

By July 2008 the strength of the resource boom was being tested by the credit crisis that was unfolding primarily in America and Europe. At this time it was common to hear investors argue that the credit crisis would not affect the resources boom. The theory was that China would not be affected by the credit crisis and that Chinese demand for commodities would remain strong.

Resource price falls accelerated in September 08 and have continued to fall steeply to this day. During the first month or two of price falls resource company CEOs argued that the resource price falls were only temporary and that the resource boom would continue. By the third and fourth months of price declines we saw the clock move rapidly through 1 and 2 o'clock to 3 o'clock.

At 1 o'clock Fortescue Metals said that its expansion to 160 million tones of iron ore per year would proceed 'as market conditions warrant', which has a significantly different tone to previous presentations from the company that implied that expansion to 160 mtpa would happen and that it was just a matter of time.

At 2 o'clock we saw production being cut back. Rio Tinto and Fortescue have both recently announced that they were cutting iron ore production, and Oz Minerals recently announced that it was cutting zinc production and undertaking a review of all capital and operational expenditure.

At 3 o'clock we are starting to see exploration declining, and projects delayed. Just last week, on the 13th of November 2008, BHP announced that it was ending a conditional agreement to develop a nickel mine in Indonesia. Access to finance for exploration and projects has all but dried up.

In summary there can be no doubt that we are past the top of the market and well on our way to the bottom of the market. The move from 12 o'clock to 3 o'clock has been rapid. Commodity prices and share prices have also fallen significantly over the last

three months. We are yet to see massive cost cutting, significant bankruptcies or cash takeovers at 4 and 5 o'clock, but they may not be too far away.

DISCLAIMER

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