

INVESTMENT UPDATE

August 2024

Cadence Capital Limited returned a gross performance of -3.0% in August, compared to the All Ordinaries Accumulation Index which was up 0.4% for the month. The top contributors to performance during August were Westgold/ Karora Resources merger, Netflix, Meta Platforms and Evolution Mining. The largest detractors from performance were Whitehaven Coal, Stanmore Resources, QBE Insurance, Austin Engineering, Cooper Energy and Beach Energy.

We last wrote about Westgold Resources in our March 2024 newsletter. Since then, Westgold has completed its merger with Karora Resources, taking its gold production from 225 koz per annum to around 500 koz per annum. This makes Westgold the fourth largest gold producer in Australia with a relatively low cost of production when compared to similar mid-cap listed gold companies in Australia. Westgold's production is fully unhedged and it strongly benefits from rising gold prices. Westgold's PE ratio is currently low compared to historical norms, and like Resolute Mining (which we spoke about in last month's newsletter), we believe that Westgold's share price needs to 'catch up' with the gold price increases that we have seen over the past year.

While gold performed well during August most other commodity prices fell. Growth in China appears to be slowing with the property sector dragging on the economy and causing weak consumer and investor confidence. Energy and materials stocks rolled significantly during the last two months as indications of the significant Chinese slowdown emerged. This slowdown is particularly important for steel and its constituents iron ore and coal (amongst Australia largest exports). This follows on for the base metals, oil and gas as well. Coal, oil and gas prices all fell during August. These price falls, along with the concerns about growth in China, impacted on our investments in Whitehaven Coal, Stanmore Resources, Cooper Energy and Beach Energy. The market will be watching closely to see whether the resources and energy rollover is a lead indicator or not.

Fully Franked Year-End Dividend

On 16 August 2024, the Company announced a 3.0 cents per share fully franked year-end dividend, bringing the full year dividend to 6.0 cents per share fully franked. This full year dividend equated to an 8.6% fully franked yield or a 12.2% gross yield (grossed up for franking credits) based on the share price of \$0.70 per share on the day of the announcement. Importantly this equated to a 7.4% dividend yield based on the pre-tax NTA of \$0.81 on the day of the announcement, due to the Company shares trading at a discount to NTA. After paying this dividend the Company still has around 12.5 cents per share of profits reserves to pay future dividends.

The Ex-Date for the dividend is the 15 October 2024. The payment date for the dividend is the 31 October 2024.

The dividend re-investment plan (DRP) will be in operation for this final dividend. We would encourage shareholders to participate in the DRP as an efficient mechanism to add to existing holdings in the fund. The DRP will be priced at the weighted average share price over the relevant DRP pricing period. The Company will buy-back the shares it issues under the DRP. This buy-back will operate when the CDM share price is trading at a discount to the Pre-Tax NTA.

If you are not registered for the DRP and you would like to participate, please contact Boardroom on 1300737760.

Year-End Webcast

Please [click here](#) to watch the recently released CDM Year-End Webcast. In this year-end webcast, Karl Siegling first provides an update on the Company's full year results, the 3.0c fully franked final dividend, the portfolio's current composition and feedback from the recent reporting season. Karl Siegling and Chris Garrard then discuss the company's investments in Resolute Mining, Westgold Resources, Meta Platforms, Netflix, Alumina and Whitehaven Coal and finish off with the outlook for the rest of the year.

Discount to NTA and On-Market Buy-Back

At the time of writing this newsletter, CDM is trading at a pre-tax NTA discount of around 9%. CDM has implemented an on-market buy-back to buy back the shares it has issued under the DRP. This buy-back will operate whilst the CDM share price is trading at a discount to the Pre-Tax NTA.

Fund NTA

Net Tangible Assets as at 31st Aug 2024	Amount (\$)
Pre Tax NTA*	\$0.812
Post Tax NTA*	\$0.999
Share Price (ASX Code: CDM)*	\$0.725

*Before the 3.0 c fully franked final dividend (ex-dividend 15th Oct 2024)

Fund Gross Performance

Gross Performance* to 31st Aug 2024	CDM	All Ords Accum	Outperformance
1 Month	-3.0%	0.4%	-3.4%
3 Years (per annum)	-2.2%	6.3%	-8.5%
5 Years (per annum)	5.9%	8.4%	-2.5%
10 Years (per annum)	3.6%	8.2%	-4.6%
Since Inception (18.9 years) (per annum)	10.6%	7.5%	+3.1%
Since Inception (18.9 years) (total return)	573.8%	293.0%	+280.8%

*Gross Performance: before Management and Performance Fees

Portfolio Market Capitalisation Analysis

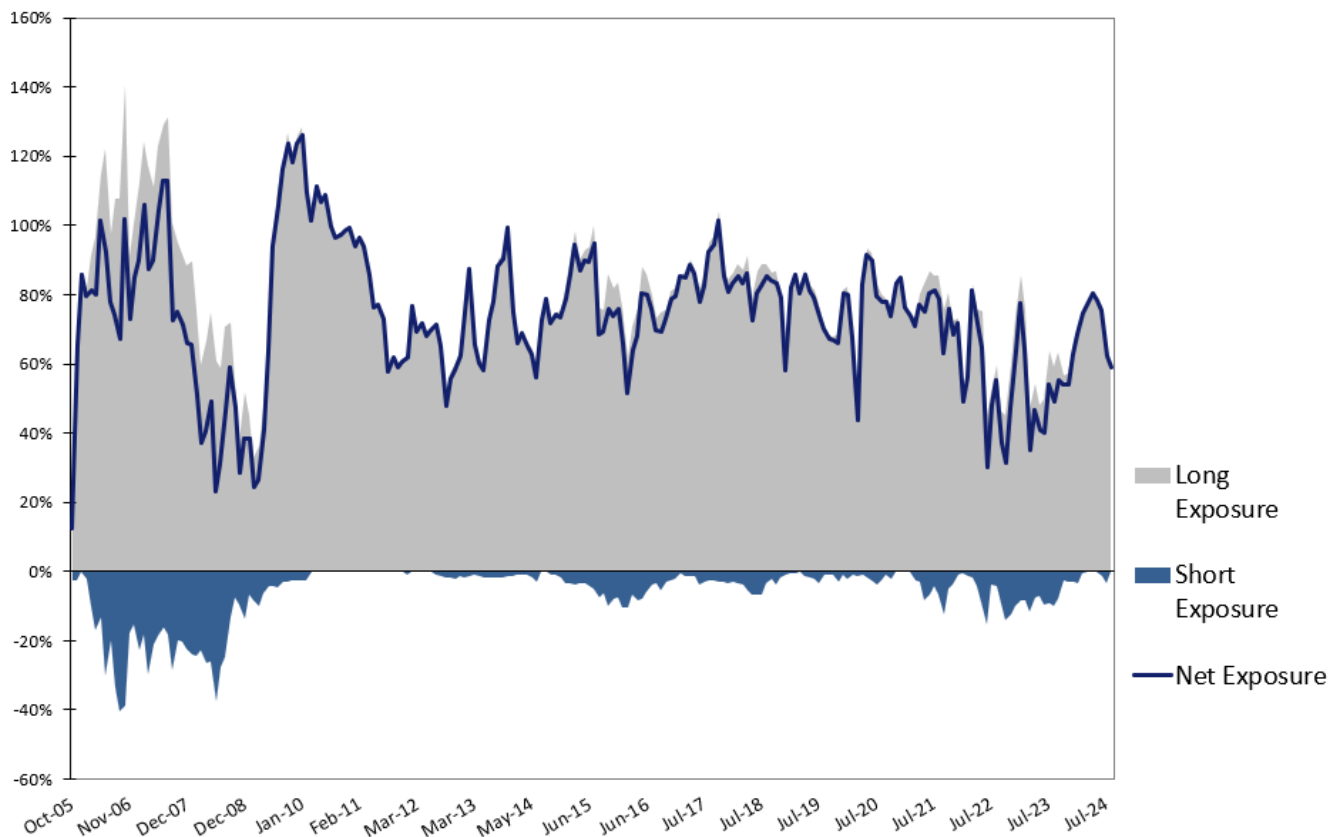
Market Capitalisation	Long	Short	Net
> AUD 1 Billion	44.8%		44.8%
AUD 500 Mill - AUD 1 Billion	2.6%		2.6%
AUD 250 Mill - AUD 500 Mill	7.3%		7.3%
AUD 100 Mill - AUD 250 Mill	1.7%		1.7%
0 - AUD 100 Mill	2.7%		2.7%
	59.1%	0.0%	59.1%

Net Cash Holdings and Tax Asset **40.9%**

Portfolio Sector Analysis

Sector	Long	Short	Net
Basic Materials	26.4%		26.4%
Energy	12.8%		12.8%
Insurance	5.9%		5.9%
Communications	5.5%		5.5%
Utilities	2.9%		2.9%
Financial	2.4%		2.4%
Industrial	1.4%		1.4%
Consumer, Non-cyclical	1.0%		1.0%
Technology	0.9%		0.9%
	59.1%	0.0%	59.1%
Net Cash Holdings and Tax Asset			40.9%

Historic Portfolio Exposure



Franked Dividends Declared Since Listing

Calendar Year	Interim	Final	Special	Total	Gross (Inc. Franking)
2007	2.0c	2.0c	2.0c	6.0c	8.6c
2008	2.5c	2.2c*	-	4.7c	5.8c
2009	-	2.0c	-	2.0c	2.9c
2010	2.0c	2.0c	-	4.0c	5.7c
2011	3.0c	3.0c	3.0c	9.0c	12.9c
2012	4.0c	4.0c	4.5c	12.5c	17.8c
2013	5.0c	5.0c	1.0c	11.0c	15.7c
2014	5.0c	5.0c	-	10.0c	14.3c
2015	5.0c	5.0c	1.0c	11.0c	15.7c
2016	5.0c	4.0c	-	9.0c	12.9c
2017	4.0c	4.0c	-	8.0c	11.4c
2018	4.0c	4.0c	-	8.0c	11.4c
2019	3.0c	2.0c	-	5.0c	7.1c
2020	2.0c	2.0c	-	4.0c	5.7c
2021	2.0c	3.0c	-	5.0c	7.1c
2022	4.0c	4.0c	-	8.0c	11.4c
2023	4.0c	3.0c	-	7.0c	10c
2024	3.0c	3.0c	-	6.0c	8.4c
TOTAL	59.5c	59.2c	11.5c	130.2c	184.8c

* Off market Equal access buy back

After paying the final dividend the company will have around 12.5 cents per share of profits reserves to pay future dividends.

News

To view all previous Cadence webcasts and interviews please visit the [Media Section](#) of the website.

We also encourage you to visit our [52 books you should read before buying your next stock](#) page on our website. We have compiled a list of books/ documentaries that have influenced our investment style or helped provide insight into the Cadence investment process.

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