



Cadence Capital Limited



AGM and Investor Briefing 18 November 2019



Agenda

1. Welcome
2. Company Update
3. Portfolio Update – Investment Manager
4. Questions
5. AGM Resolutions
6. Tea



Full Year Performance

Fund Performance - 30 June 2019	Gross Performance (before fees)	Net Performance (after fees)	Net Performance Incl. Franking * (after fees)	All Ords Accum Incl. Franking
1 Month	-4.3%	-4.4%	-4.3%	3.5%
1 Year	-20.6%	-21.3%	-20.5%	12.5%
3 Years (per annum)	3.2%	1.7%	3.0%	14.1%
5 Years (per annum)	1.5%	-0.1%	1.0%	10.4%
8 Years (per annum)	6.2%	4.6%	6.5%	10.7%
10 Years (per annum)	13.7%	11.1%	13.4%	11.4%
Since Inception (13.6 years) (per annum)	12.4%	9.8%	11.7%	8.6%
Since Inception (13.6 years) (total return)	397.6%	259.7%	355.6%	211.5%

* including franking on dividends received

■ Biggest detractors from performance:

- ARQ Group
- Emeco Holdings
- Navigator Global Investments
- Shine Corporate
- Teva Pharmaceutical

■ Biggest contributors to performance:

- Bingo Industries
- Champion Iron
- Deepgreen Metals
- Softbank Group
- Stanmore Coal



Full Year Performance

- In 2019 the fund delivered one of its worst performances since the company's inception 13 years ago.
- There was significant volatility through the year with a 18% correction in global equities in the December quarter followed by a 21% rally back to previous highs by June 2019.
- The correction in late 2018 provided an opportunity for the fund to initiate positions at compelling valuations in several domestic and international companies.
- Some of these stocks are significant positive contributors to fund performance as we scale into these positions.
- More specifically for CDM, a small number of stocks contributed large negative returns for the fund; ARQ, EHL, TEVA



YTD Performance

Fund Performance - 31 October 2019	Gross Performance (before fees)	Net Performance (after fees)	Net Performance Incl. Franking * (after fees)	All Ords Accum Incl. Franking
1 Month	-1.0%	-1.1%	-1.0%	-0.3%
YTD	-0.7%	-1.0%	-0.7%	2.9%
1 Year	-10.5%	-11.3%	-10.6%	20.9%
3 Years (per annum)	0.9%	-0.4%	0.8%	13.9%
5 Years (per annum)	1.2%	-0.4%	0.7%	10.2%
8 Years (per annum)	5.7%	4.2%	5.9%	11.7%
10 Years (per annum)	10.3%	8.1%	10.3%	9.7%
Since Inception (14.0 years) (per annum)	12.0%	9.4%	11.3%	8.6%
Since Inception (14.0 years) (total return)	394.2%	256.1%	352.4%	220.5%

* including franking on dividends received

- Biggest detractors from performance:

- ARQ Group
- Ausnutria Dairy Corp
- Champion Iron
- Seven Group Holdings
- Stanmore Coal

- Biggest contributors to performance:

- Eclix Group
- Imdex
- Resimac Group
- Shine Corporate
- Strike Energy



CDM Dividend Information

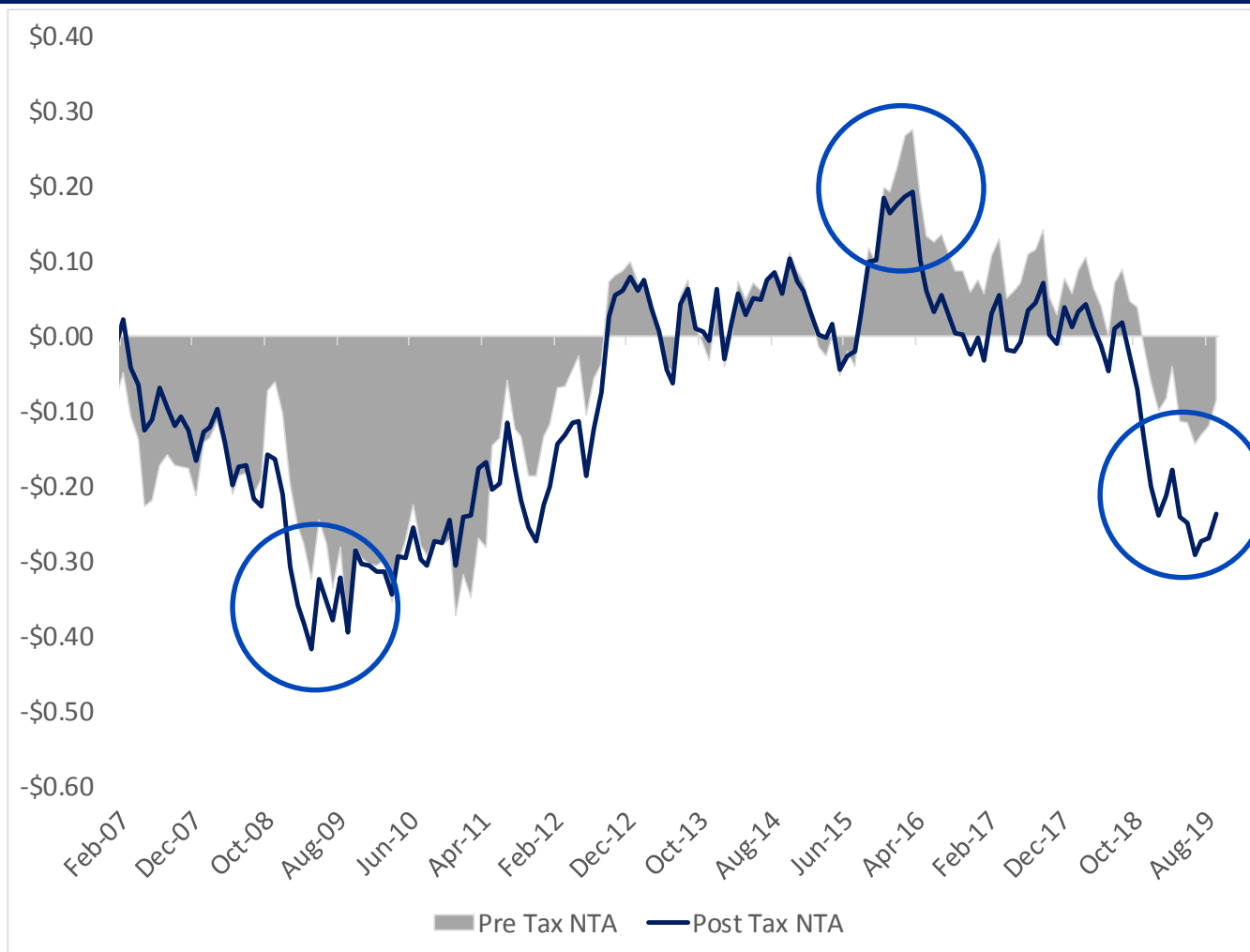
Calendar Year	Interim	Final	Special	Total	Gross (Inc. Franking)
2007	2.0c	2.0c	2.0c	6.0c	8.6c
2008	2.5c	2.2c*	-	4.7c	5.8c
2009	-	2.0c	-	2.0c	2.9c
2010	2.0c	2.0c	-	4.0c	5.7c
2011	3.0c	3.0c	3.0c	9.0c	12.9c
2012	4.0c	4.0c	4.5c	12.5c	17.8c
2013	5.0c	5.0c	1.0c	11.0c	15.7c
2014	5.0c	5.0c	-	10.0c	14.3c
2015	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
TOTAL	44.5c	44.2c	11.5c	100.2c	142.2c

* Off market Equal access buy back

- Since listing CDM has paid out \$1.00 in Dividends and \$1.42 if you include Franking (more than the current share price)
- Currently no DRP as the shares are trading at a large discount to the underlying NTA per share
- 2019 fully franked full year yield of 6.7% fully franked (9.5% grossed-up) compared to RBA cash rate that has halved over last 5 months to 0.75%



CDM Discount and Premium to NTA





Update on CDM Discount to NTA

- CDM shares have been trading at around a 13% discount to pre-tax NTA.
- What has been done:
 - Implemented an on-market share buy-back of up to 10% of CDM shares per annum – to date the company has bought back 5.7 million shares at an average price of around 75.5 cents per share.
 - Buy-back increases value of NTA for **all existing shareholders**.
 - Ongoing acquisition of CDM shares by the board and management.
 - Increased marketing to existing and potential new investors:
 - Investor presentations in major cities around Australia
 - Presentations to Brokers and Financial planners.
- Liquidity of the portfolio has significantly improved.
- Improved diversification of the portfolio.



Trading in CDM shares

- Recently around 7.5 Million shares a month are traded.
- There have been more buyers in our stock than sellers – Financial YTD there were 956 buyers of CDM stock and 898 sellers of CDM stock.
- In October there were 254 buyers and 218 sellers.
- Around 50% of the CDM buyers are new shareholders.
- The average buy parcel size is around 23,000 shares and the average sell parcel size is around 30,000 shares.
- Around half of CDM shareholders are SMSF Trustees.



Corporate Governance Best Practice Review 4th Edition

1) Lay solid foundations for management and oversight:

A listed entity should clearly delineate the respective roles and responsibilities of its board and management and regularly review their performance.

2) Structure the board to be effective and add value:

The board of a listed entity should be of an appropriate size and collectively have the skills, commitment and knowledge of the entity and the industry in which it operates, to enable it to discharge its duties effectively and to add value.



A majority Independent Nomination committee with independent chair was formed and a Charter disclosed.



Included Entity's Statement of Values and Code of Conduct.



A Board Skills Matrix has been disclosed in the Corporate Governance Statement



Clearly defining the roles of The Chair, Manager and Co Sec to align with 4th Edition recommendations.



Defined Roles around approval of Budgets and Major Capex, Integrity of accounting and corporate reporting systems.



Further disclosure around how Board background checks are performed.



Corporate Governance Best Practice Review 4th Edition

3) Instil a culture of acting lawfully, ethically and responsibly:

A listed entity should instil and continually reinforce a culture across the organisation of acting lawfully, ethically and responsibly.

4) Safeguard the integrity of corporate reports:

A listed entity should have appropriate processes to verify the integrity of its corporate reports.

5) Make timely and balanced disclosure:

A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.



Further articulate and disclosed core Values.



Implementation and Disclosure of Whistle-blower Policy.



Implementation and Disclosure of anti-bribery and corruption Policy.



Independent RCA Appointed as the Chair of the Audit Committee. Majority of Members Independent.



New and Substantive Investor or analyst Presentations released ahead of the presentation.



Corporate Governance Best Practice Review 4th Edition

6) Respect the rights of security holders:

A listed entity should provide its security holders with appropriate information and facilities to allow them to exercise their rights as security holders effectively

7) Recognise and manage risk:

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

8) Make timely and balanced disclosure:

A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders and with the entity's values and risk appetite.



Updated the Website for a
"Corporate Governance"
Landing Page



Included a statement of
entity's Values



Further Disclosure on Investor
relations program that
facilitates two way
communication with Investors



Investment Manager Update

Cadence Capital Limited (CDM)

- Top 20 Holdings
- Eclix Group (ECX)
- Resimac Group (RMC)
- ARQ Update (ARQ)
- Imdex (IMD)
- Bingo Industries (BIN)



CDM Top 20 Holdings as at 30 Oct 2019

Code	Position	Direction	Currency	Holding
ECX	Eclixp Group Ltd	Long	AUD	5.2%
MQG	Macquarie Group Ltd	Long	AUD	4.5%
RMC	Resimac Group Ltd	Long	AUD	4.4%
MNY	Money3 Corp Ltd	Long	AUD	4.4%
STX	Strike Energy Ltd	Long	AUD	3.3%
SHJ	Shine Corporate Ltd	Long	AUD	3.3%
**	Deepgreen Metals	Long	AUD	3.1%
WEB	Webjet Ltd	Long	AUD	2.9%
ARQ	ARQ Group Ltd	Long	AUD	2.8%
IEL	IDP Education Ltd	Long	AUD	2.8%
IMD	Imdex Ltd	Long	AUD	2.6%
STO	Santos Ltd	Long	AUD	2.5%
QCOM US	Qualcomm Inc	Long	AUD	2.3%
BABA US	Alibaba Group Holding	Long	AUD	2.2%
ALL	Aristocrat Leisure Ltd	Long	AUD	2.0%
BIN	Bingo Industries Ltd	Long	AUD	1.5%
GNW	Genworth Financial	Long	AUD	1.5%
RIO	Rio Tinto Ltd	Long	AUD	1.4%
1717 HK	Ausnutria Dairy Corp Ltd	Long	AUD	1.3%
BHP	BHP Group Ltd	Long	AUD	1.2%
Top Portfolio Holdings Net Exposure				55.1%

** A Pre-IPO investment in the Materials sector

A more
diversified and
more liquid
portfolio.
Approx. 80% of
portfolio can be
liquidated in less
than 1 month



ARQ Group (ARQ)- Update

- Cadence first invested in 2013 pre a capital return and special fully franked dividend and added to our position as the stock was trending up through 2 capital placements for acquisitions.
- Cadence lets its winners run which leads to concentrated, profitable positions such as ZFX, MLB, MQG, RHG and RKN.
- In the case of ARQ liquidity in the stock **did not improve** with growth in market cap or entry into the ASX 300 Index.
- Over the past year the company delivered two earnings downgrades. We like many other investors were shocked at the speed of these downgrades and the lack of communication with shareholders. We have been engaging with the Board over an extended period on these issues.
- The ARQ Board have given the market an update on the Strategic Review announced on the 23rd September 2019.
- The Strategic review is progressing and importantly a number of different inbound approaches have been received to acquire either ARQ's SMB division or Enterprise Services (ES) Division
- The announcement of the 16th October 2019 indicates that the Board of ARQ 'has determined to test the market for the sale of these businesses.'
- ARQ is also undertaking a cost review program and has identified potential ongoing cost savings.
- We view these recent announcement as a positive development and consistent with the 23rd September 2019 Strategic Review announcement.



Eclix (ECX)- PM Karl Siegling

Stock Profile ECX

Long Position

EPS Growth	15%
PE	13x
PEG	0.9
OCF yield	11%
FCF yield	7%
Net debt	\$168M
Market Cap	\$550M

Fundamental Analysis

- ECX is one of Australia's largest car leasing and fleet services businesses.
- After several earnings downgrades, the stock fell to levels representing 4-5x PE, significantly cheaper than its peers.
- This ascribed no earnings or value to non-core businesses, Right2Drive and Grays. Market Capitalisation fell \$1.2 billion on \$220 million of acquisitions.
- Management change is typically an important driver of strategic and operational turnarounds. Large cost savings and rationalization have been flagged as has further asset sales.
- Corporate activity remains a possibility; two suitors have approached ECX recently.



Resimac (RMC) – PM Karl Siegling

Stock Profile RMC

Long Position

EPS Growth	15%
PE	12x
PEG	0.8
OCF yield	8.4%
FCF yield	8.1%
Net cash	N/A
Market Cap	\$380M

Fundamental Analysis

- In all the banking turmoil nonbanks have started to gain market share off a low base and grow earnings
- Similar to two other nonbank positions in our portfolio ECX and MNY, all growing in nonbank lending
- RMC has a strong skill set in RMBS origination, essentially packaging up loans and selling them at a margin
- RMC is expanding its 'prime' offer and has a strong traditional business in 'near prime' lending
- RMC has also more recently started to integrate and improve its distribution model, particularly non bricks and mortar distribution
- RMC is growing at around 15% per annum and is conservatively valued at around 12x PE
- We have spoken on this stock before and the rerate from 50 cents per share has begun and is on track as the business model rolls out



Index (IMD) - PM Charlie Gray

Stock Profile IMD

Long Position

EPS Growth	19%
PE	17x
PEG	0.9
OCF yield	7.6%
FCF yield	4.7%
Net cash	\$23M
Market Cap	\$600M

Fundamental Analysis

- Index is a leading provider of drilling solutions to mining companies globally.
- The company is transforming from a mining services business into a mining technology business after making substantial investments into its products and services over the past several years.
- IMD's 'cloud-connected' product suite is delivering significantly improved productivity outcomes for clients while generating higher revenues and margins for IMD.
- The company's net cash balance sheet and good cash flow profile provides optionality around further investments or acquisitions.
- We expect strong earnings growth as well as a re-rating of the shares over the next 12-24 months as the transformation unfolds and IMD's new drilling technologies become a significant contributor to group earnings.



Bingo Industries (BIN) - PM Charlie Gray

Stock Profile BIN

Long Position (FY21f)

EPS Growth	22%
PE	21x
PEG	0.9
OCF yield	7.6%
FCF yield	4.6%
Net debt	\$320M
Market Cap	\$1,800M

Fundamental Analysis

- BIN is a waste management business with operations in metro NSW and VIC.
- We initiated a position in February when the shares were sold off after an earnings downgrade.
- The DADI acquisition approved in February added the strategic Eastern Creek asset to the portfolio which will underpin earnings growth in the medium to long term.
- The company is also investing into 'post-collections' recycling assets which are generating good returns on capital and should benefit from regulatory change.
- Earnings in the short-term have been affected by the residential construction slowdown, however this is being offset by price rises.
- We still see upside in the shares despite the significant re-rate since the beginning of the year. We believe the market is underestimating the medium-term growth profile.



Investment Manager Update

Cadence Opportunity Fund

- Top Holdings
- EML Payments (EML)
- Opticomm (OPC)
- Strike Energy (STX)
- Zip Co (Z1P)



Cadence Opportunities Fund

Top Holdings as at 30 Oct 2019

Stock Code	Position	Direction	Exposure	Stock	Position	Direction	Exposure
AMS AU	Atomos Ltd	Long	AUD	LNG AU	Liquefied Natural Gas	Long	AUD
BABA US	Alibaba Group Holdings	Long	AUD	MEC AU	Morphic Ethical Equities Fund	Long	AUD
CGC AU	Costa Group Holdings Ltd	Long	AUD	MLX AU	Metals X Ltd	Long	AUD
**	DeepGreen Metals Inc.	Long	AUD	OPC AU	Opticomm Ltd	Long	AUD
EAR AU	Echo Resources Ltd	Long	AUD	PBP AU	Probiotec Ltd	Long	AUD
ECX AU	Eclix Group Ltd	Long	AUD	QCOM US	Qualcomm Inc	Long	AUD
EGI AU	Ellerston Global Investments	Long	AUD	RMC AU	Resimac Group Ltd	Long	AUD
EML AU	EML Payments Ltd	Long	AUD	SLC AU	Superloop Limited	Long	AUD
EVO AU	Evolve Education Group Ltd	Long	AUD	ST1 AU	Spirit Telecom Ltd	Long	AUD
FAR AU	Far Ltd	Long	AUD	STX AU	Strike Energy Ltd	Long	AUD
FLC AU	Fluence Corp Ltd	Long	AUD	TDI AU	360 Capital Digital Infrastructure Fund	Long	AUD
GNW US	Genworth Financial	Long	AUD	UWL AU	Uniti Group Ltd	Long	AUD
GPR AU	Geopacific Resources Ltd	Long	AUD	WEB AU	Webjet Ltd	Long	AUD
IEL AU	IDP Education Ltd	Long	AUD	WGO AU	Warrego Energy Ltd	Long	AUD
IMD AU	Imdex Ltd	Long	AUD				

** A Pre-IPO investment in the Materials sector



Cadence Opportunities Fund Positions

EML Payments (EML)

- Financial Services company specializing in payment solutions and processing services
- What interested us was EML provided payment solutions for some of the largest gaming operators in UK/Australia i.e. bet365/Sportsbet – which put them in a market leading position for US gaming opportunities
- Our initial position was purchased at \$1.75 – the company was trading on a PEG of 0.6x and technically, the stock had broken an 18 month downtrend – the stock now trades at \$3.80

Opticomm (OPC)

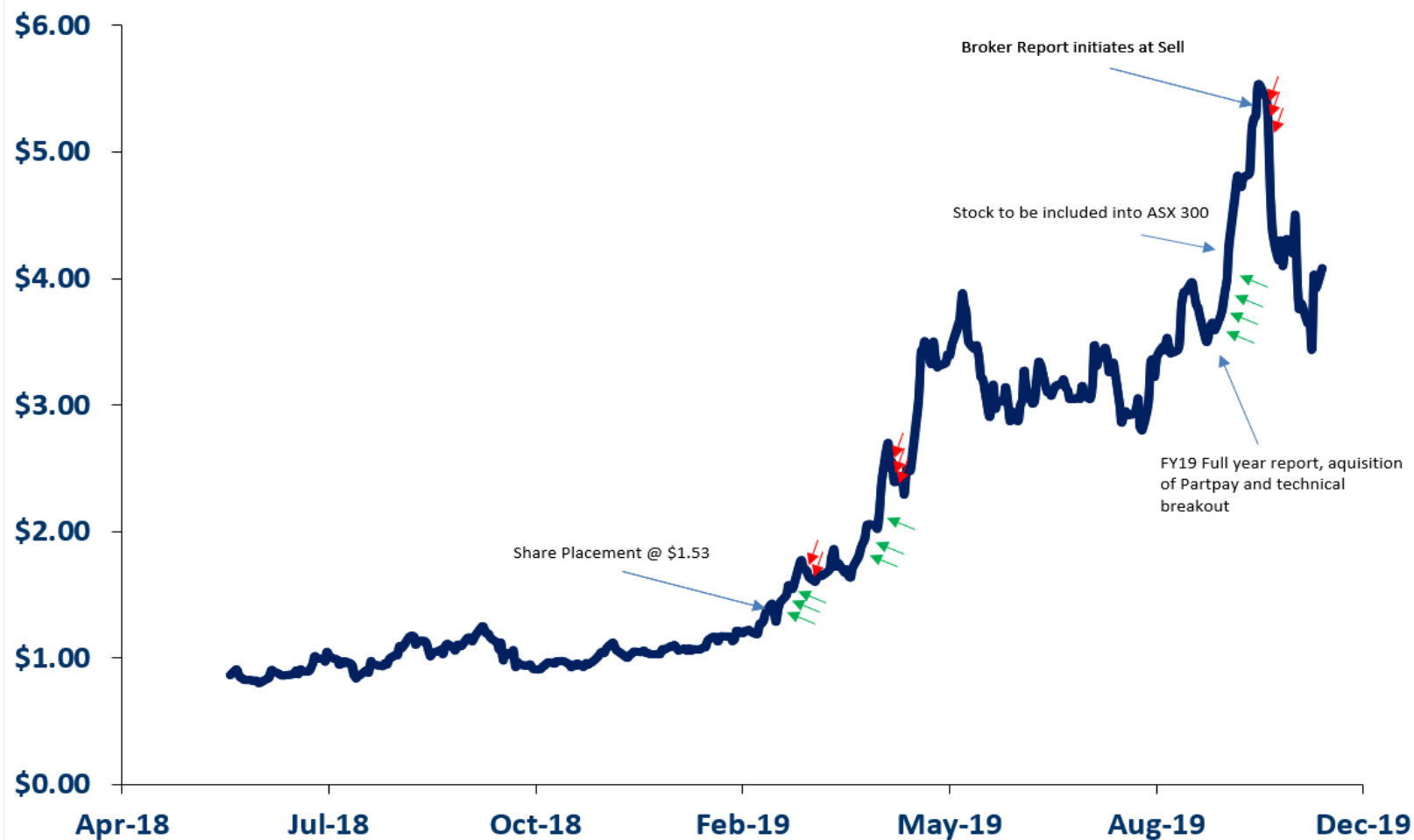
- Largest private broad acre fibre infrastructure operator in Australia
- What interested us was it was an attractively priced IPO for a strategic telecom company with a large percentage of profitable recurring revenue and strong foreseeable growth
- Our initial position was \$2.00 in the IPO – it now trades at \$4.15

Strike Energy (STX)

- Western Australian oil and gas exploration company
- What interested us was the \$0.06 placement was at a significant discount, with little value attributed to potential exploration success
- Strike went on to find a very large amount (between 1.1-1.7 TCF) of gas within the region, and has a number of other potential tenements to explore.
- The share price rose from \$0.06 to \$0.215 as of 12/11/2019



Trading Process – Z1P





2020 Outlook

- The US market continues to make all time highs despite all the uncertainty and worry contained in the daily financial press.
- Macro economic uncertainty and geopolitical concerns continue.
- Interest rates in Australia have halved in the last five months to a current low of 0.75% (RBA Cash Rates).
- The financial press has written extensively about many IPO's and capital raisings that have failed to get listed or raise the desired level of capital.
- Stable businesses with conservative balance sheets can access cheap debt in the current environment.
- Stretched valuations and a challenging earnings outlook environment remain ongoing themes for these companies and the market overall.
- Nonetheless, opportunity always present and our process continues to throw up a number of opportunities although less opportunities than at different stages in the market cycle and our cash levels have risen during the quarter as a result.



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