

## **Cadence Capital Limited (ASX Code: CDM) March 2020 Quarterly Webcast (Audiocast)**

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In this Audiocast, Karl Siegling provides an update on recent market movements (following the spread of COVID-19 globally), the Company's performance, current exposure levels and its current cash holdings. He then discusses the upcoming dividend and the CDM's discount to NTA. He closes by discussing the current outlook for the market and the Company.



## Cadence Capital Limited



## Webcast (Audiocast) March 2020



## Fund update

- Global financial markets have fallen over 30% in the past four weeks, signalling that major indices have entered their first bear market since the GFC.
- Investor sentiment has swung from greed to fear on the back of the economic impacts of the spread of the Corona Virus.
- The market correction over the past four weeks can be broken down into three stages:
  - Investors initially largely dismissed the extent of the social and economic impact of COVID-19. Stocks that led the market higher in recent years largely held up, as investors saw this as a 'buy the dip' opportunity
  - The second phase was acceptance that the coronavirus may be much more serious than we initially thought, and in general, all stocks sold off
  - The current phase has displayed levels of panic, where the market darlings have sold off heavily. For example, the anointed 'WAAX' stocks have sold off heavily; from the top, Afterpay is down 70%, Wisetech 60%, Appen 31% and Xero 30%.





## Fund update

- The fund has moved from being 80% invested as at 31<sup>st</sup> January 2020 to 44% invested as at the 19<sup>th</sup> March. We are currently holding 56% in cash and tax asset.
- The current cash balance (excluding the tax asset) now represents approximately 37 cents per share compared with the CDM share price of 35 cents per share as at close on the 19<sup>th</sup> March.
- The portfolio declined by 6.0% in February while the All Ordinaries Accumulation Index fell 8.1%.
- As at 19<sup>th</sup> March 2020 the estimated Pre-tax NTA is \$0.615 and the estimated Post-tax NTA is \$0.849.
- On the 23<sup>rd</sup> March our weekly NTA will be published on the ASX as per usual.

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## Fund update

- The Ex-date for the interim dividend of 2.0 cents fully franked is 29 April, and the payment date is 13<sup>th</sup> May.
- This reflects an annualised dividend yield of 11.4% fully franked (16.3% grossed-up) based on the closing share price of \$0.35 as at 19<sup>th</sup> March.
- There is no DRP on this interim dividend as the shares are trading at a large discount to the underlying NTA per share
- As at close on the 19<sup>th</sup> March CDM shares are trading at roughly a 43% discount to pre-tax NTA.
- The on-market share buy-back is ongoing - to date the company has bought back 12 million shares.
- Board and management continue to buy CDM shares.

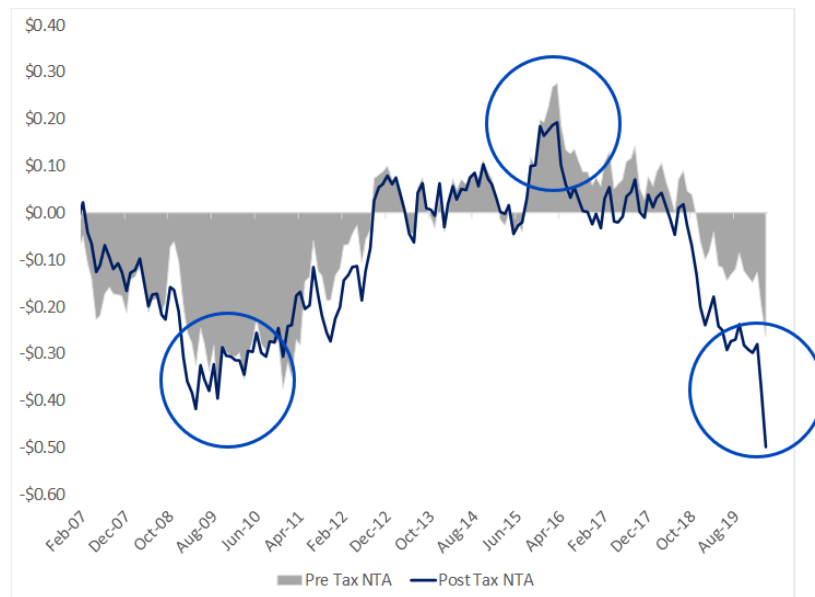
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## CDM Discount and Premium to NTA



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## Outlook

- The World has entered a period of uncertainty as a result of the Corona Virus and also as a result of the global economic response to the Corona Virus.
- Unemployment will rise domestically and abroad and impact the world economy and GDP.
- It is difficult to estimate what the ultimate impact will be on different businesses and we have seen many companies withdraw earnings guidance.
- Interest rates have been cut to 0.25% by the RBA and to zero by other major central banks.
- Central banks and governments have announced significant stimulus packages in various forms and are likely to announce further measures to support the economy.
- There will be elements of 'panic' globally.
- After significant share price falls in many stocks, there are now a larger number of companies meeting our fundamental criteria than we have seen in some time.
- Eventually the Corona Virus and global reaction to the virus will dissipate, markets will stop falling and opportunity will present.
- Cadence currently has high cash levels to invest into the eventual recovery.

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