Cadence Capital Limited

AGM and Investor Briefing

25 November 2020

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Agenda

1. Welcome
2. Company Update
3. Portfolio Update – Investment Manager
4. Questions

Performance Update

Fund Performance - 31st October 2020	Gross Performance (before fees)	Net Performance (after fees)	Net Performance Incl. Franking * (after fees)	All Ords Accum Incl. Franking *
1 Month	2.4%	2.1%	2.2%	2.2%
YTD	15.8%	9.3%	13.0%	3.6%
1 Year	10.9%	4.0%	8.1%	-5.3%
3 Years (per annum)	-2.0%	-4.6%	-2.8%	6.1%
5 Years (per annum)	0.5%	-1.7%	-0.1%	8.6%
8 Years (per annum)	5.1%	3.0%	4.6%	9.6%
10 Years (per annum)	11.1%	8.2%	10.6%	8.4%
Since Inception (15.1 years) (per annum)	11.9%	9.1%	11.1%	7.6%
Since Inception (15.1 years) (total return)	448.0%	270.4%	388.9%	203.5%

* including franking on dividends received

- YTD Biggest contributors to performance:
  - PINS US
  - RMC AU
  - ARB AU
  - PBH AU
  - APE AU
  - MNY AU

- YTD Biggest detractors from performance:
  - EML AU
  - WTC AU

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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
2020	2.0c	2.0c	-	4.0c	5.7c
TOTAL	**46.5c**	**46.2c**	**11.5c**	**104.2c**	**147.9c**

* Off market Equal access buy back

- Since listing CDM has paid out $1.04 in Dividends and $1.48 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
- 2020 fully franked full year yield of 5.7% fully franked (8.1% grossed-up) compared to RBA cash rate of 0.10%

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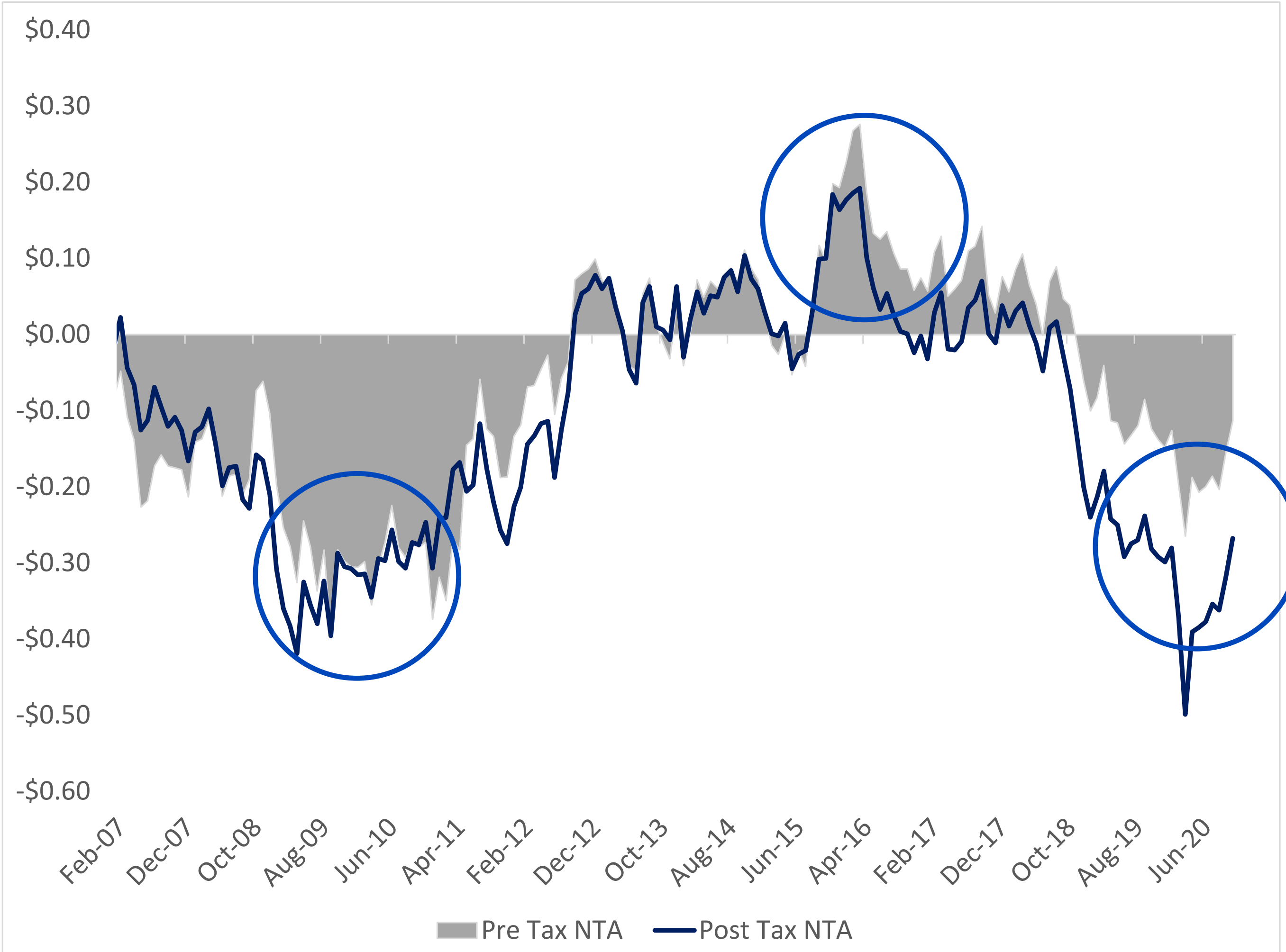
CDM Discount and Premium to NTA



Update on CDM Discount to NTA

- CDM shares have been trading at around a 15% discount to pre-tax NTA.
- What has been done:
  - Implemented an on-market share buy-back – to date the company has bought back 11% of daily traded volume. This financial year bought back around 15% of daily traded volume.
  - Buy-back increases value of NTA for **all existing shareholders.**
  - Ongoing acquisition of CDM shares by the board and management.
  - Focusing on turning performance of the fund around. The fund has strongly outperformed over the past year
  - Focused on improving the risk profile of the fund by improving the liquidity and concentration of the fund:
    - Liquidity of the portfolio has significantly improved.
    - Improved diversification of the portfolio.

Investment Manager Update

Cadence Capital Limited (CDM)

- Top 20 Holdings
- Resimac Group (RMC)
- Credit Corp (CCP)
- Costa Group (CGC)
- Lynas Corp (LYC)
- Bingo Industries (BIN)
- Aristocrat Leisure (ALL)

CDM Top 20 Holdings as at 30 Oct 2020

Code	Position*	Currency Exposure
9988 HK	Alibaba Group Holding Ltd	AUD
APE	AP Eagers Ltd	AUD
ARB	ARB Corp Ltd	AUD
CAR	Carsales.com Ltd	AUD
CGC	Costa Group Holdings Ltd	AUD
CCP	Credit Corp Group Ltd	AUD
**	Deepgreen Metals	AUD
EOS	Electro Optic Holdings Ltd	AUD
JLG	Johns Lyng Group	AUD
LYC	Lynas Corp Ltd	AUD
MQG	Macquarie Group Ltd	AUD
MNY	Money3 Corp Ltd	AUD
NVDA US	NVIDIA Corp	AUD
PINS US	Pinterest Inc	AUD
PBH	Pointsbet Holdings Ltd	AUD
QCOM US	Qualcomm Inc	AUD
REH	Reece Ltd	AUD
RMC	Resimac Group Ltd	AUD
SHJ	Shine Corporate Ltd	AUD
700 HK	Tencent Holdings Ltd	AUD

* In Alphabetical Order

** A Pre-IPO investment in the Materials sector

A more diversified and more liquid portfolio. Approx. 80% of the portfolio equity holdings can be liquidated in less than 1 week

Resimac (RMC) – PM Karl Siegling

Stock Profile RMC

Long Position

EPS Growth	**50%**
PE	**8x**
PEG	**0.16**
OCF yield	**12.5%**
FCF yield	**12.0%**
Net cash	**N/A**
Market Cap	**$780M**

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 are nonbank lenders and growing earnings
- 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 has grown at over 50% pa over three years and is conservatively valued at less than 10x 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

Credit Corp (CCP) – PM Karl Siegling

Stock Profile CCP

Long Position	
EPS Growth	**15%**
PE	**15x**
PEG	**1.0**
OCF yield	**24%**
FCF yield	**12%**
Net cash	**$48M**
Market Cap	**$1,281M**

Fundamental Analysis

- CCP is a company that we have analysed and owned historically which has a long history of producing good results and a strong management team
- Due to the Covid-19 pandemic CCP raised money earlier this year and we saw this as an opportunity to invest into a good company at compelling long-term valuations (short term CCP appears fully valued)
- We are invested into a maturing Australian business and an early stage and growing US business in debt collection.
- CCP have been very disciplined historically in purchasing debt ledgers and then collecting on those ledgers. We see buying these ledgers at the right price as critical for success
- We see the Covid-19 pandemic as temporary and CCP will once again grow in a controlled and disciplined way
- Covid-19 has given us an opportunity to invest into a very good company at reasonable **long-term valuations**

Credit Corp - PM Karl Siegling

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Costa Group- PM Jackson Aldridge

Stock Profile CGC

Long Position (FY21f)	
EPS Growth	45%
PE	22x
PEG	0.5
OCF yield	10.5%
FCF yield	5.1%
Net debt	$215M
Market Cap	$1,325M

Fundamental Analysis

- CGC is Australia’s leading grower, packer and marketer of fresh fruit and vegetables
- We initiated a long position in May as the business showed early sings of a turnaround post 3 earnings downgrades and a capital raise.
- CY2019 was extremely tough for the business, with severe drought conditions, hail-storms, fires, extreme water pricing and general pricing softness in the industry.
- The company has invested heavily in a capex program over the past few years, which is yet to flow through to the PnL.
- We still see upside in the shares despite the significant re-rate since initial purchase – we believe continued pricing momentum and a number of issues in 2019 that were ‘one off in nature’ will provide strong earnings growth in the short to medium term

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Costa Group- PM Jackson Aldridge

Lynas Corp - PM Jackson Aldridge

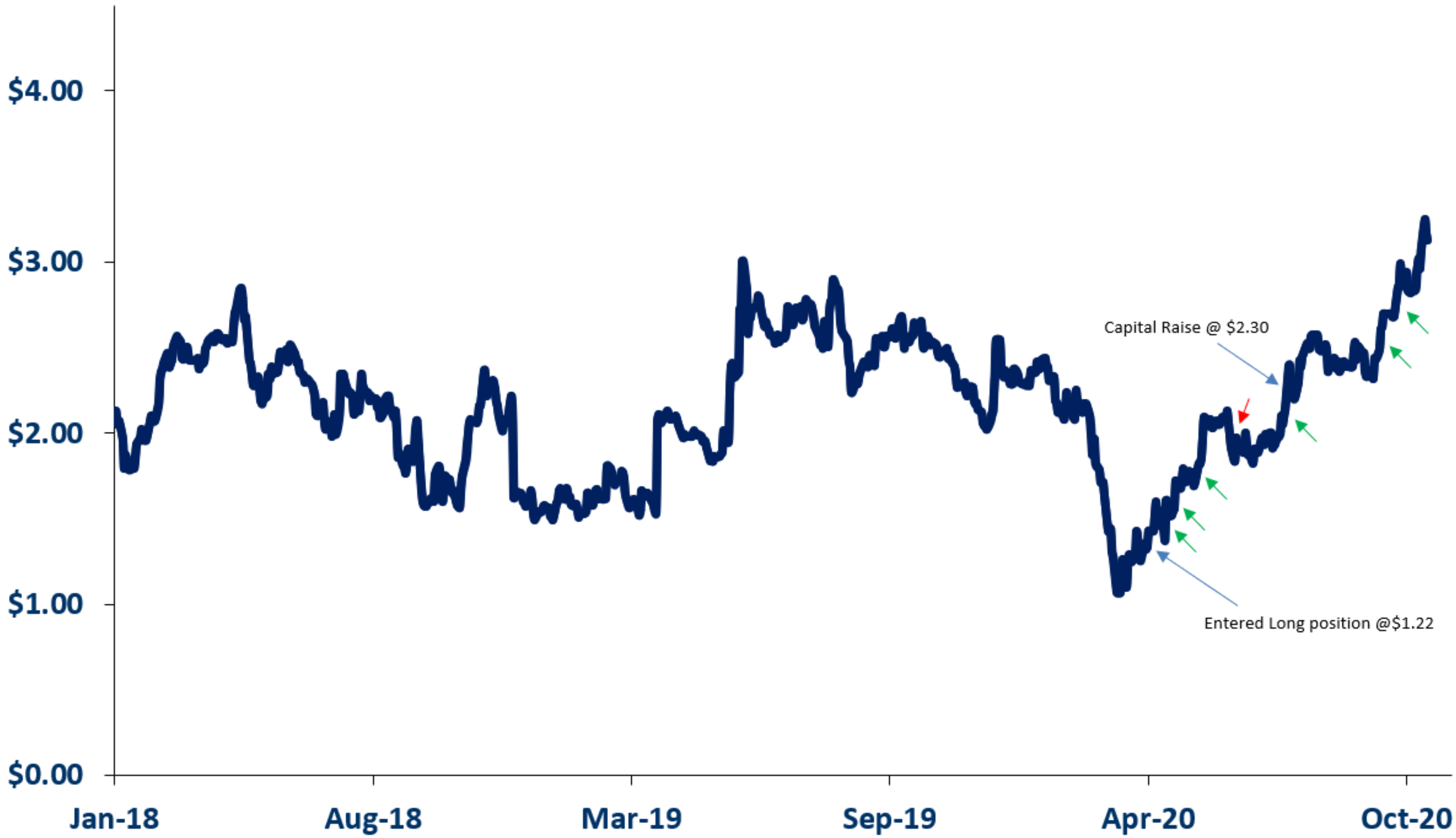
Stock Profile LYC

Long Position (FY22f)	
EPS Growth	113%
PE	20x
PEG	0.2
OCF yield	10.2%
FCF yield	7.1%
Net cash	$373M
Market Cap	$2,850M

Fundamental Analysis

- LYC is a fully integrated producer of refined rare earths and is the largest producer ex-China.
- A Key product for Lynas, NdPr, is a critical input into permanent magnets – which are used in a variety of consumer electronics and industrial technology applications such as Electric/Hybrid Vehicles, Green energy technologies and advanced robotics.
- Recently undertook a $425m capital raise which will fund the Lynas 2025 capex program
- Global geopolitical tensions and COVID supply chain disruptions have put a heightened focus on an ex-china Rare earths market – forecasts are for significant supply shortages in 2023
- Lynas recently signed a contract with the US Department of Defence for Phase One of a Heavy Rare Eaths Facility in Texas – this could be the first of many
- NdPr pricing remains relatively low compared to global forecasts, and the production increase coming through the Lynas projects over the coming years will provide significant leverage to NdPr pricing

Lynas Corp - PM Jackson Aldridge



Bingo Industries - PM Charlie Gray

Stock Profile BIN

Long Position (FY22f)	
EPS Growth	30%
PE	26x
PEG	0.8
OCF yield	6.1%
FCF yield	3.5%
Net debt	$250M
Market Cap	$1.7B

Fundamental Analysis

- Bingo Industries is a waste management business with operations in Sydney and Melbourne
- After scaling out of our previous investment in February and March, we have recently re-established a position
- The company is coming off a period of significant capital investment and M&A, setting the foundation for a multi-year period of strong earnings growth
- The investments into recycling facilities in particular we believe will generate strong returns, with high operating leverage and limited ongoing capex required
- Lower interest rates and supportive fiscal policies are positive for the outlook for the property and infrastructure sectors

Bingo Industries - PM Charlie Gray

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Aristocrat Leisure - PM Charlie Gray

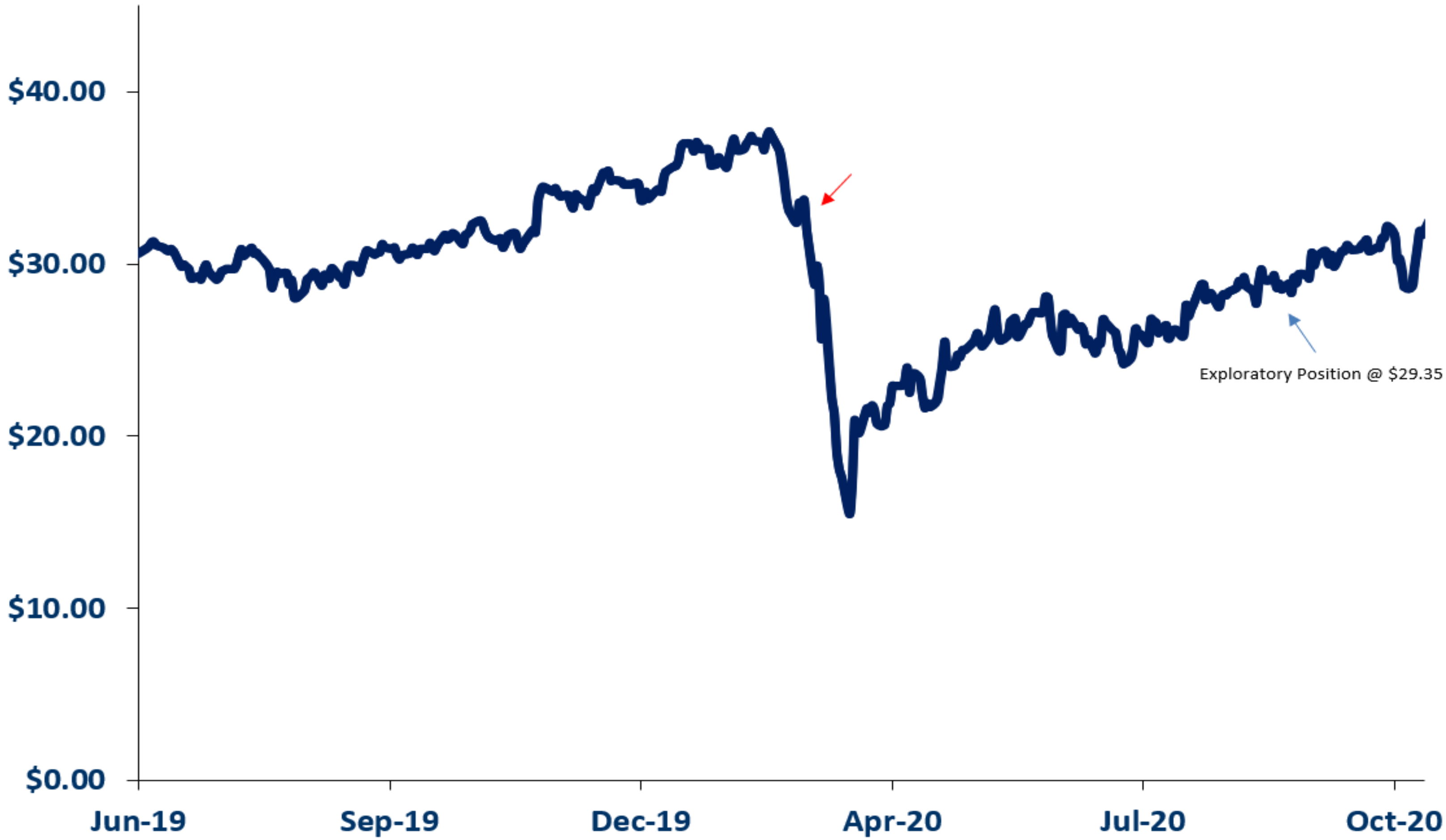
Stock Profile ALL

Long Position (FY22f)	
EPS Growth	40%
PE	20x
PEG	0.5
OCF yield	6.8%
FCF yield	5.2%
Net debt	$1.8B
Market Cap	$21.0B

Fundamental Analysis

- ALL is a global leader in the social and casino gaming sector
- ALL's M&A strategy and significant R&D investment into digital gaming supported the business through lockdowns as the traditional business was impacted by casino closures
- As casinos have reopened, Aristocrat's land-based business has accelerated its market share gains as operators have prioritised spend to the best performing machines
- We expect earnings to recover strongly over the next 12 – 24 months as Casinos return to more normal operations and the digital business benefits from continued investment
- With over two thirds of revenues generated from the digital business and the participation model we believe there is scope for a material re-rating of the shares relative to historical multiples
- The balance sheet retains significant capacity for further M&A into digital now that acquisitions from recent years have been integrated and are performing well

Aristocrat Leisure - PM Charlie Gray



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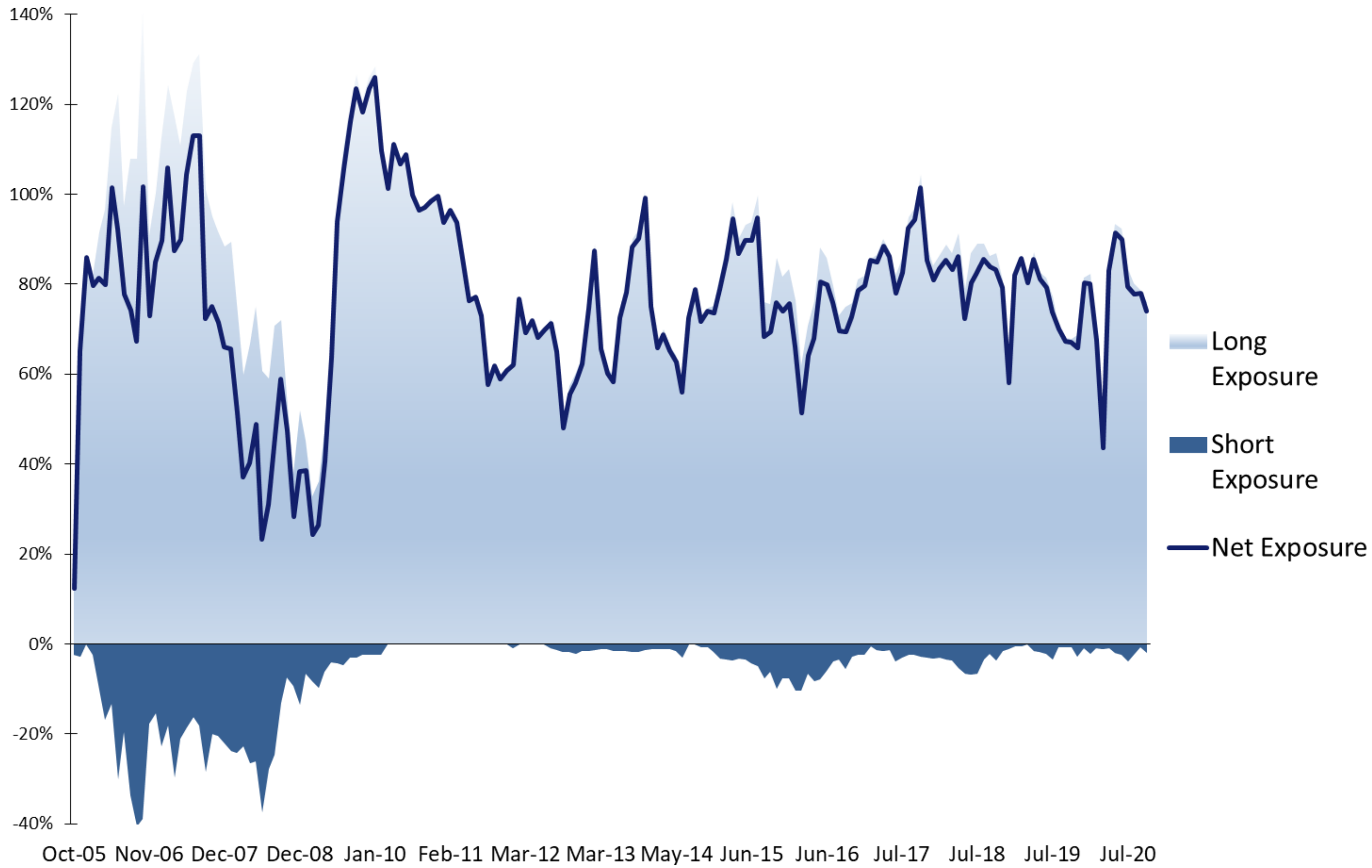
Portfolio Exposure throughout COVID



Covid-19 Observations

- A lot has been written about the Covid-19 pandemic and our task is to process this information and try and put it into meaningful data that we can use in our investment process
- Commentary that suggests that the pandemic will last ‘forever’ or ‘close to forever’ is not a view that we share, the pandemic will eventually pass as have all previous pandemics. The conclusion then is that the pandemic is temporary.
- Conversely, suggestions that a vaccine is discovered and the whole pandemic will be ‘instantly solved’ is not a view we share. Vaccines will take time to discover, produce and implement. The Covid-19 virus will be with us for some time but not ‘forever’.
- Times of ‘crisis’ test business models and accelerate rates of change in business and also produce temporary profit opportunities that pass when the ‘crisis’ passes.
- Our investment process accepts that some of the best performers prior to the pandemic became the worst performers and will once again become good performers. Conversely, poor performers may have a moment of good performance and then once again become poor performers. This environment is creating a lot of investment opportunity.
- Direct correlation between a countries stock market performance and rates of Covid-19 infection is weak.

2020/21 Outlook

- Global financial markets have recovered significantly since the lows in March
- Recent weeks have seen volatility increase and markets 'whip-saw' as investors grapple with significant events and opposing forces;
  - Zero interest rates, massive money printing and government stimulus
  - Second and third waves of the pandemic in Europe and the US, significantly larger than the first
  - Two very positive results on vaccine development
  - A change in government in the US
- Australia is well placed for the economic recovery over the next 12 – 24 months
- There are significant market share opportunities in each sector as the recovery progresses
- Profit growth can surprise in the recovery phase as revenue returns on a significantly reduced cost base
- The fund's improved liquidity and diversification profile means it is well positioned to adjust to any changes in trends

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