

Cadence Capital Limited (ASX Code: CDM) June 2021 Year End Webcast (Audiocast)

In this year end audiocast, Karl Siegling firstly provides an update on the Company's record full year results, fully franked final dividend and the portfolio composition. Charlie Gray and Jackson Aldridge then discuss a few of the Company's investments. Karl Siegling finishes with an update on Deepgreen Metals and the outlook for 2021.

You can listen to the audiocast at <https://www.cadencecapital.com.au/ccl-june-2021-webcast-2/>



Cadence Capital Limited

June 2021 Year End Webcast (Audiocast)



Karl Siegling
Portfolio Manager



Charlie Gray
Portfolio Manager



Jackson Aldridge
Portfolio Manager



Record Profit and other Highlights

- Record Profit before tax of \$106.1m
- Record Profit after tax of \$75.0m
- CDM ended the year up 43.2% for the 12 months, outperforming the index by 13.0%
- The fund was on average 78.5% invested, holding 12.5% cash
- The CDM share was up 83.5% (including dividends but excluding franking)
- CDM shares are trading closer to NTA with buying interest from both new, existing and past CDM shareholders
- On-market share buyback now bought back 24.3 million shares for a total consideration of \$18.4m (\$0.76 per share)
- Board and management, who are the largest investors in the Company, continued to add to their positions in CDM
- CDM's tax asset per share is currently around 9 cents, from around 18 cents per share. The Company can utilize this tax shield as and when it so chooses





Year end Performance

Gross Performance* to 30th June 2021	CDM	All Ords Accum	Outperformance
1 Month	3.5%	2.6%	+0.9%
YTD	43.2%	30.2%	+13.0%
1 Year	43.2%	30.2%	+13.0%
3 Years (per annum)	2.6%	10.3%	-7.7%
5 Years (per annum)	8.4%	11.5%	-3.1%
8 Years (per annum)	7.0%	10.3%	-3.3%
10 Years (per annum)	8.2%	9.4%	-1.2%
Since Inception (15.8 years) (per annum)	12.9%	7.6%	+5.3%
Since Inception (15.8 years) (total return)	577.6%	215.5%	+362.1%

* Gross Performance: before Management and Performance Fees

- This performance has been delivered across both new and existing positions, both domestically and internationally
- Stocks that have performed well over the past year have been Resimac Group, Lynas Corp, Uniti Group, ARB Corp, Pinterest, Money3 Corp, Cettire, Bed Bath & Beyond and Pointsbet Holdings. Stocks that have underperformed over the past year have been EML Payments and Redfin.

3



Final Dividend

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
TOTAL	48.5c	49.2c	11.5c	109.2c	155.0c

* Off market Equal access buyback

- 3.0 cps fully franked final dividend, being a 50% increase in dividends, bringing 2021 total dividend up to 5.0 cps.
- Annualised dividend yield of 4.5% fully franked (6.4% grossed-up) based on the share price of \$1.12 as at the date of the announcement of the dividend.
- Ex date 18th Oct 21, Payment date 29th Oct 20
- DRP will be active for the final dividend – no DRP discount applied to the final dividend

4





Top 20 Holdings 30th June 2021

Code	Position*	Direction	Currency Exposure
GOOGL US	Alphabet Inc	Long	AUD
APX	Appen Ltd	Short	AUD
ARB	ARB Corp Ltd	Long	AUD
ASAN US	Asana Inc	Long	AUD
BET	Betmakers Technology Group Ltd	Long	AUD
BSL	Bluescope Steel Limited	Long	AUD
BLD	Boral Ltd	Long	AUD
CTT	Cettire Ltd	Long	AUD
CHN	Chalice Gold Mines Ltd	Long	AUD
CCP	Credit Corp Group Ltd	Long	AUD
**	Deepgreen Metals	Long	AUD
JLG	Johns Lyng Group	Long	AUD
360	Life360 Inc	Long	AUD
MGH	Maas Group Holdings Ltd	Long	AUD
MNY	Money3 Corp Ltd	Long	AUD
NTO	Nitro Software Ltd	Long	AUD
RMC	Resimac Group Ltd	Long	AUD
SHOP US	Shopify Inc	Long	AUD
UWL	Uniti Group Limited	Long	AUD
WHC	Whitehaven Coal Ltd	Long	AUD

* In Alphabetical Order

** A Pre-IPO investment in the Materials sector

5



Portfolio Composition 30th June 2021

Market Capitalisation	Long	Short	Net
> AUD 1 Billion	61.8%	-5.4%	56.4%
AUD 500 Mill - AUD 1 Billion	20.1%	-1.1%	18.9%
AUD 250 Mill - AUD 500 Mill	1.2%		1.2%
AUD 100 Mill - AUD 250 Mill	0.2%		0.2%
0 - AUD 100 Mill *	3.7%		3.7%
	87.0%	-6.6%	80.4%

Net Cash Holdings and Tax Asset

19.6%

* Includes a pre-IPO investment in the Materials sector

- Liquidity has significantly improved with approximately 82% of the portfolio able to be liquidated within 1 week and 92% within a month
- 62% of the portfolio is invested in Companies with >\$1 Billion market capitalisation
- Concentration risk has also improved. The company currently holds around 60 positions. The largest long position is 5% of the fund and the largest short position is 2% of the fund

6





ALQ – Core Position (Long)

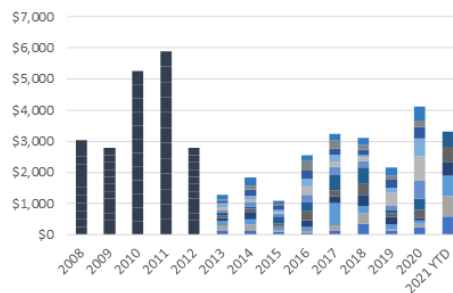
- ALS is the global leader in mineral sample testing
- Global mining capital raising activity has been very strong
 - Toronto venture exchange capital raisings are up 184% in 2021 compared with 2020 and 186% above the 8 year average
- There is significant leverage to the exploration cycle in ALS's Geochemistry business
- In addition, Life Sciences has been turned around and is performing well
- At its recent AGM the company provided guidance for 1H21 of \$105m-\$115m NPAT, implying 50% growth on 1H20
- We believe this is conservative and there are more upgrades to come
- ALQ is on a PE of 22x in FY22 and a PEG ratio of 0.5
- We initiated a position in May and have added to the position as it trended higher

7



ALQ – Core Position (Long)

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021
Jan	123.9	119.5	109.9	53.5	119.6	350.9	143.4	238.9	594.0
Feb	173.2	190.6	45.6	72.6	186.5	337.1	42.7	119.7	653.3
Mar	138.6	186.2	86.3	120.7	714.0	235.2	153.8	111.2	652.2
Apr	90.0	225.6	44.7	214.0	212.8	366.2	227.6	61.6	440.8
May	78.3	110.6	94.7	282.7	190.0	342.1	135.2	278.7	494.3
Jun	108.1	78.5	202.5	284.2	487.7	540.1	73.2	358.3	479.0
Jul	69.7	131.5	91.1	257.5	277.7	187.9	151.3	561.7	
Aug	107.4	93.2	32.4	270.6	159.5	120.9	423.5	782.6	
Sep	119.1	110.4	89.3	241.9	235.4	73.3	154.3	587.5	
Oct	54.6	196.3	127.0	254.6	186.4	181.4	268.7	378.1	
Nov	67.0	125.9	77.7	307.7	258.7	145.0	121.9	186.0	
Dec	153.1	264.7	91.4	193.4	208.1	228.9	270.6	444.7	
Total	1283.0	1833.0	1092.5	2553.1	3236.5	3108.9	2166.2	4108.9	3313.6



Source: TSXV, Carter Barr

8





ASAN US – Trade Position (Long)

- Cloud software platform for teams to track, organise and manage work
- CEO Dustin Moscovitz, a Facebook co-founder, driving growth strategy
- Under the radar, not well-owned by institutions, significant discount to peers
- We purchased the stock at \$34 in April and scaled into the position
- The company has provided revenue guidance of \$340m for 2021, up 50% on 2020
- There is scope for revenues to grow many fold over time, only 3% penetrated within existing customer base
- How structural is remote working?
- CEO bought over US\$160m in shares on-market in June
- Stock is currently at \$71 and technically has been in an uptrend since May

9



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ABNB US – Trade Position (Long)

- Airbnb is the global platform disrupting the hotel industry, with nearly 6 million 'rooms' or listings
- The business has excellent profitability potential long-term
 - Total addressable market estimated \$3.4 trillion vs 2020 revenue est. \$5.5bn
 - Clipping both sides of transaction and 80% gross margins
 - 90% of traffic to Airbnb is organic
 - 25% of hosts were originally guests
 - Minimal capex required
 - Well positioned in structural change underway in travel industry
- In the March 2021 quarter revenues were \$887m, up 5% on 2020, while other travel peers such as Booking.com, Expedia & Marriott posted revenues still 40-50% down
- Second share lock-up expiry occurred in May
- We recently initiated a small position as the stock is potentially recovering

10



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BBBY US - Core Position (Long)

- Mark Tritton, formerly of Target, brought in to turn around US listed bricks and mortar homewares retailer Bed Bath & Beyond
- Share price fell 85% from its peak in 2015
- Good progress has already been made with the company on its way to deliver on its FY23 target of \$850m - \$1bn EBITDA
 - Closing 200 underperforming stores
 - Increasing private label penetration from 10% to 30%, which could be a \$200m opportunity
 - Streamlining supply chain and inventory management, potentially \$250m in savings
- Significant support from capital management, with a \$825m buyback implemented last year against a total market capitalisation of \$3bn - 25% of the company
- Based on this, the stock is trading on a FY23 PE of 6x with a 25% OCF yield and a PEG of 0.1

11



APX – Core Position (Short)

- Emergence of self supervised learning capabilities from customers cause some concern about medium to long term growth in annotated data.
 - Some evidence of new technologies can be found at:
 - <https://ai.facebook.com/blog/dino-paws-computer-vision-with-self-supervised-transformers-and-10x-more-efficient-training/>
 - <https://ai.googleblog.com/>
- There have been several other red flags in recent times
 - Management sell downs, Changing reporting segments/currency, Restructuring, Rising levels of capitalization
- PE of 24x and negative earnings (Negative PEG) in 2021
 - Analysts forecast a rebound in earnings of 24% EPS growth in 2022??

12





DeepGreen Metals Investment Update

- In late June DeepGreen Metals shareholders approved the merger of DeepGreen and Sustainable Opportunities Acquisition Corporation (SOAC).
- The British Columbia Supreme Court has also approved the plan of arrangement between DeepGreen and SOAC.
- The merger needs to be approved by SOAC's shareholders and needs to satisfy other customary closing conditions.
- The combined entity will be renamed The Metals Company and is expected to begin trading on the NASDAQ under the ticker symbol TMC. This is expected to occur in this current quarter.
- CDM's DeepGreen Metals investment, is approximately 2.8% of the CDM portfolio.
- The most recent raising of US\$330 million was done at a price of US\$10 per share. Our investment is currently valued at US\$1.38 per share.
- The proposed listing is at a valuation substantially higher than our current valuation
- Upon listing this would equate to a substantial uplift in pre and post tax NTA for CDM shares.

***Once the TMC shares are listed and trading freely we will value this investment at market price.
Currently NTA announcements do not include the accretion of this corporate action***

13



Outlook

- The World is slowly coming to terms with Covid 19
- Financial markets have largely recovered from the Covid 19 'panic'
- Corporate profits have rebounded and in many cases are at all time highs
- Interest rates are expected to remain at zero, or low, across much of the world
- Progress in vaccinations in Western Europe and the US... AUS behind but catching up
- The Australian dollar is down around 10% increasing export earnings and making imports more expensive
- Is it possible that Gold has 'rolled over'
- Energy prices continue to rise. Metals and mineral price trends are up
- We are continuing to find good investment opportunities for the fund across a broad range of sectors, both domestically and internationally
- Opportunity exists through stock selection rather than 'all boats rising in a rising tide'

14

