

Cadence Capital Limited (ASX Code: CDM) Half-Year Audiocast

In this half-year audiocast, Karl Siegling firstly provides an update on the Company's performance, the 4.0c fully franked interim dividend and the current composition of its portfolio. Karl and Jackson Aldridge then discuss some of the Company's current investments. Karl Siegling finishes with the outlook for the rest of the year.

You can listen to the audiocast at <https://www.cadencecapital.com.au/ccl-dec-2022-webcast/>



Cadence Capital Limited



Half Year Audiocast



Performance Update

Gross Performance* to 31st Jan 2023	CDM	All Ords Accum	Outperformance
1 Month	4.8%	6.4%	-1.6%
YTD	8.8%	16.7%	-7.9%
1 Year	0.9%	10.5%	-9.6%
3 Years (per annum)	12.3%	6.4%	+5.9%
5 Years (per annum)	3.5%	8.6%	-5.1%
10 Years (per annum)	6.4%	8.9%	-2.5%
Since Inception (17.3 years) (per annum)	12.0%	7.3%	+4.7%
Since Inception (17.3 years) (total return)	613.5%	240.8%	+372.7%

*Gross Performance: before Management and Performance Fees

- Year to date fund is up 8.8%
- Past three years fund is up 12.3% per annum
- Top contributors to performance for the first half year were Whitehaven Coal, New Hope, Terracom, BHP, AMP, Tietto Minerals and Stanmore Resources.
- The largest detractors from performance were City Chic Collective, Life360, Australian Pacific Coal, Renascor Resources and Fortescue Metals.





Half Year 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
2022	4.0c	4.0c	-	8.0c	11.4c
2023	4.0c	-	-	4.0c	5.7c
TOTAL	56.5c	53.2c	11.5c	121.2c	172.1c

*Off market Equal access buyback

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Half Year Dividend

- 4.0c fully franked Interim Dividend
- Annualised Yield of 8.6% fully franked (12.2% gross including franking) based on share price on date of the announcement of \$0.935
- CDM shares are trading at a discount to NTA
- After paying this dividend the Company still has around 22 cents per share of profits reserves to pay future dividends
- The Ex-Date is the 14th April 2023 and payment date is the 28th April 2023
- The dividend re-investment plan (DRP) will not be in operation for this half year dividend as the Company's shares are trading at a discount to the underlying NTA.

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Portfolio Composition 31 January 2023

Market Capitalisation	Long	Short	Net
> AUD 1 Billion	69.7%	-7.5%	62.2%
AUD 500 Mill - AUD 1 Billion	10.7%	-0.7%	10.0%
AUD 250 Mill - AUD 500 Mill	0.8%	-0.1%	0.7%
AUD 100 Mill - AUD 250 Mill	2.4%	0.0%	2.4%
0 - AUD 100 Mill	2.0%	0.0%	2.0%
	85.6%	-8.3%	77.3%

Net Cash Holdings and Tax Asset **22.7%**

- CDM has a very liquid and diversified portfolio
- Currently, more than 93% of the portfolio is able to be liquidated within one week, and over 97% of the portfolio within a month.
- The company currently holds around 60 positions with the largest position 7% of the fund.
- Approximately 82% of the funds gross exposure is in Companies with a greater than one billion dollar market capitalisation.

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Top 20 Holdings – 31 January 2023

Code	Position*	Direction	Currency Exposure
AMP	AMP Ltd	Long	AUD
BGL	Bellevue Gold Ltd	Long	AUD
BHP	BHP Group Ltd	Long	AUD
CS CN	Capstone Copper Corp	Long	AUD
DAC US	Danaos Corp	Short	AUD
DMP	Domino's Pizza Enterprises	Long	AUD
LYC	Lynas Rare Earths Ltd	Long	AUD
MPL	Medibank Private Ltd	Long	AUD
MEG CN	Meg Energy Corp	Long	AUD
NHC	New Hope Corp Ltd	Long	AUD
PLS	Pilbara Minerals Ltd	Long	AUD
QAN	Qantas Airways Ltd	Long	AUD
QBE	QBE Insurance Group	Long	AUD
SMR	Stanmore Coal Ltd	Long	AUD
SYR	Syrah Resources Ltd	Long	AUD
TER	Terracom Ltd	Long	AUD
TEVA US	Teva Pharmaceutical Industries	Long	AUD
TIE	Tietto Minerals Ltd	Long	AUD
THL	Tourism Holdings Rentals Ltd	Long	AUD
WHC	Whitehaven Coal Ltd	Long	AUD

* In Alphabetical Order

A diversified and liquid portfolio

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Coal investments in the portfolio

- The thermal coal price has changed trend; spot has fallen to US\$190 from highs of over US\$450 a few months ago
- Indonesian supply has increased, while the European winter has been mild so far
- While coal equities have fallen, it has not been as pronounced as commodity moves given valuation and dividend support
- In line with our process, we have sold more than three quarters of our thermal coal related investments.
- Coking coal on the other hand is at its highs on the back of China’s reopening; this has benefitted SMR
- Resource companies are a leveraged play on their underlying commodity – the commodity price trend is the most important factor in driving these share prices

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Tourism Holdings (THL) – Long Position

Stock Profile THL

Long Position

EPS Growth	49%
PE	12.0x
PEG	0.3
OCF yield	8.3%
FCF yield	-13.1%
Net debt	\$270m
Market Cap	\$730m

Fundamental Analysis

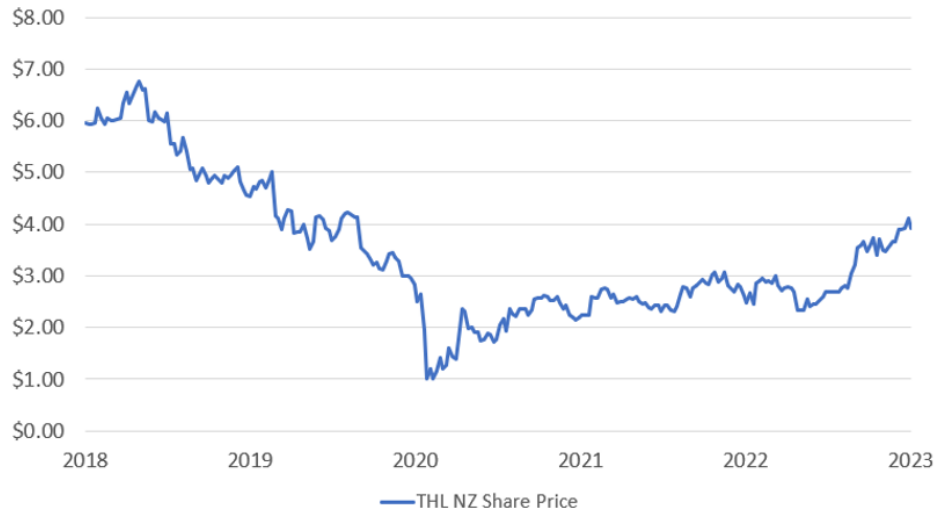
- Tourism Holdings is the largest campervan rental business across Australia, New Zealand and Canada
- The company recently merged with Apollo Tourism, its closest competitor and #2 in the market
- We believe this is a very well-timed move for the business that puts it in prime position to benefit from the return of international travellers
- Management are significant shareholders and have performed well in resizing the fleet and managing rates and occupancy through many cycles
- In our view the combined business’s improved competitive position and the inherent leverage in the model will lead to profit growth ahead of the market’s expectations

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Tourism Holdings (THL)



City Chic Collective (CCX) – Long Position

Stock Profile CCX

Long Position (FY24 f)

EPS Growth	75%
PE	25x
PEG	0.3
OCF yield	33.5%
FCF yield	26.8%
Net Debt	\$13.5m
Market Cap	\$149m

Fundamental Analysis

- The share price has fallen 90% from its peak, due to a retail slowdown, high levels of inventory and multiple compression
- The net working capital balance is approximately \$0.48
- The company recently announced a change in banking covenants, that will likely see CCX trade through to a net cash position without further equity required.
- The Australian in store business historically has earned \$10m in EBITDA, and we believe the international online business we are getting for free at these prices
- Famous retail investor Brett Blundy has recently taken a 7.3% stake in the business.



City Chic Collective (CCX)



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Capstone Copper (CS CN) – Long Position

Stock Profile CS CN

Long Position (FY 24f)

EPS Growth	137%
PE	7.0x
PEG	0.1
OCF yield	22.1%
FCF yield	12.0%
Net debt	\$330m
Market Cap	\$4.2bn

Fundamental Analysis

- Short term, the major driver of demand comes from Chinese infrastructure – which is currently over 50% of global demand for copper.
- Nearly 14% of global copper supply comes from Peru and Central America, suffering from major political instability
- Longer term, copper will be in a significant deficit from 2023, as the electrification demand grows exponentially
- Recent merger between Capstone Mining and Mantos Copper provides a 500m lb producer of global significance
- Capstone is set to increase production by 60% by 2024 and 100% by 2025
- Costs are projected to fall from \$2.40/lb to \$1.85/lb
- At spot, group could generate \$1.3b EBITDA

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Capstone Copper (CS CN)



Genworth (GNW US)- Long Position

Stock Profile GNW US

Long Position

EPS Growth	5%
PE	4.4x
PEG	0.9
OCF yield	15%
FCF yield	15%
Net debt	\$0.7b
Market Cap	\$3.1b

Fundamental Analysis

- Genworth has two main divisions:
 - 81.4% of Enact, a mortgage insurer publicly listed in the US with a market cap of \$3.9b
 - A life insurance division with \$71b of Assets and \$65b of liabilities.
- The life insurance division contains many "Long Term Care" insurance policies, that will end up costing Genworth much more than expected when the policies were sold.
- Genworth expects that it can meet the increased costs by increasing customer premiums, but the market is valuing the life insurance division at almost zero.
- Genworth has stated it will not transfer more capital to the life insurance division, so the worst-case scenario for investors is that it is worthless.
- The best-case scenario has significant upside considering the life insurance division already has a book value of \$6b.



Genworth (GNW US)



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Outlook

- The Australian stock market has climbed a 'wall of worry' to near all-time highs
- International markets have lagged with the S&P500 and NASDAQ 13% and 24% below their highs respectively
- The resources sector continues to lead the ASX higher with China's re-opening the latest catalyst
- The AUD has bounced recently after trending lower in 2022
- Australian consumer has remained resilient to-date but some early signs of softness in 2023
- Expecting further weakness given lagged impact from interest rate increases and reducing savings buffers
- Higher interest rate and elevated cost environment will favour active stock-picking approach that combines fundamental and technical research

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