



Cadence Capital Limited (ASX Code: CDM) Quarterly Audiocast

In this audiocast, Karl Siegling firstly discusses the Company's recent performance, CDM's Total Shareholder Return (incl. franking), CDM's Share Price vs NTA and the current composition of the portfolio. Karl then discusses some of CDM's current investment themes and then looks in detail at two of its current investments, Newcrest Mining and Meta Platforms. 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-mar-2023-webcast/>



Cadence Capital Limited



March 2023 Quarterly Audiocast



Performance Update

Gross Performance* to 30th April 2023	CDM	All Ords Accum	Outperformance
1 Month	-1.1%	1.8%	-2.9%
3 Years (per annum)	13.7%	14.4%	-0.7%
5 Years (per annum)	0.8%	8.4%	-7.6%
10 Years (per annum)	4.7%	8.1%	-3.4%
Since Inception (17.6 years) (per annum)	11.1%	7.2%	+3.9%
Since Inception (17.6 years) (total return)	535.6%	237.6%	+298.0%

*Gross Performance: before Management and Performance Fees

- Top contributors to performance for the first 4 months of CY 2023 were Patriot Battery Metals, Capstone Copper, Newcrest Mining, Iris Energy, Meta Platforms, Arafura Resources and QBE Insurance.
- The largest detractors from performance for first 4 months of CY 2023 were Terracom, AMP, Syrah Resources, Domino's Pizza, Whitehaven Coal, Tietto Minerals, New Hope and Australia Pacific Coal.
- Underperformance in this period has been driven by :
 - Coal positions have provided large positive contributions over the past 2 years, however more recently they have rolled over from their peak prices and we have sold them.
 - Investing in potential turnaround situations too early and too many trading positions
 - The fund has had about half its portfolio in cash over this period.





Half Year Dividend

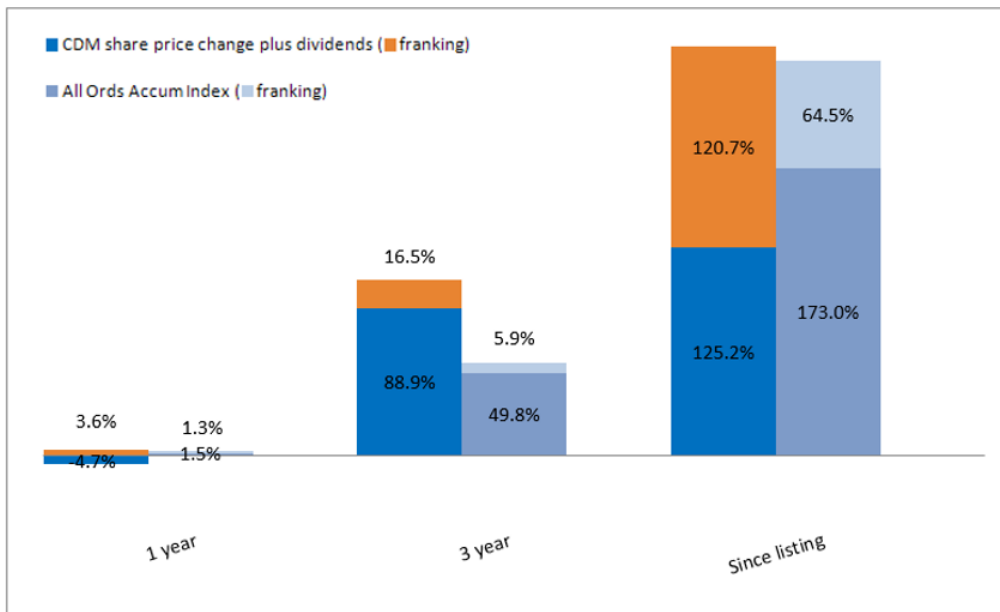
Calendar Year	Interim	Final	Special	Total	Gross (Inc. Franking)
2007	2.0c	2.0c	2.0c	6.0c	8.6c
2008	2.5c	2.2c*	-	4.7c	5.8c
2009	-	2.0c	-	2.0c	2.9c
2010	2.0c	2.0c	-	4.0c	5.7c
2011	3.0c	3.0c	3.0c	9.0c	12.9c
2012	4.0c	4.0c	4.5c	12.5c	17.8c
2013	5.0c	5.0c	1.0c	11.0c	15.7c
2014	5.0c	5.0c	-	10.0c	14.3c
2015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

- 4.0c fully franked Interim Dividend was paid on the 28th April 2023
- Annualised Yield of 8.6% fully franked (12.2% gross including franking)
- After paying this dividend the Company still has around 22 cents per share of profits reserves to pay future dividends

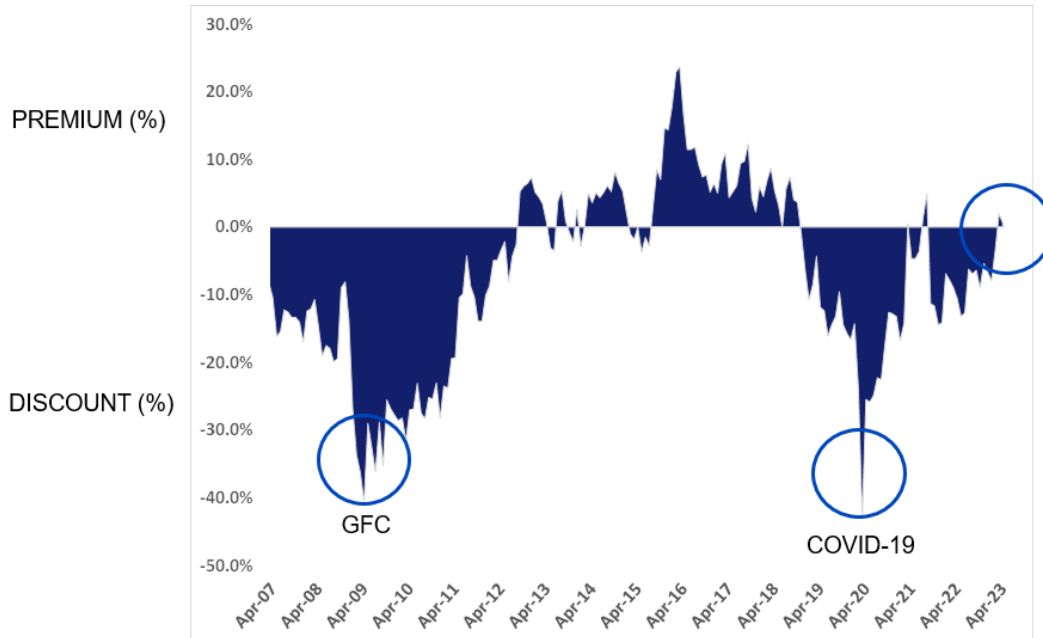


CDM Share Price (Incl. Div & Franking)





CDM Share Price vs Pre-Tax NTA



5



CDM Portfolio

Market Capitalisation of Portfolio

Market Capitalisation	Long	Short	Net
> AUD 1 Billion	42.3%	-7.6%	34.7%
AUD 500 Mill - AUD 1 Billion	5.5%		5.5%
AUD 250 Mill - AUD 500 Mill	3.3%		3.3%
AUD 100 Mill - AUD 250 Mill	1.7%		1.7%
0 - AUD 100 Mill	1.3%		1.3%
Net Cash Holdings and Tax Asset	54.1%	-7.6%	46.5%

- CDM has a liquid and diversified portfolio
- Currently, more than 95% of the portfolio can be liquidated within one week, and around 99% of the portfolio within a month.
- The company currently holds around 40 positions with the largest position 5% of the fund.
- Approx. 80% of the funds gross exposure is in Companies with a > than \$1 Billion market capitalisation.
- Approx. half (50%) of CDM's portfolio is in cash.

20 Top Holdings (Both Long and Short) 31 March 2023

Code	Position*
BHP	BHP Group Ltd
CS CN	Capstone Copper Corp
CHN	Chalice Mining Ltd
DAC US	Danaos Corp
IREN US	Iris Energy Ltd
MEG CN	MEG Energy Corp
META US	Meta Platforms Inc
NCM	Newcrest Mining Ltd
PMET CN	Patriot Battery Metals Inc
PINS US	Pinterest Inc
QAN	Qantas Airways Ltd
QBE	QBE Insurance Group Ltd
SRX	Sierra Rutile Holdings Ltd
SMR	Stanmore Resources Ltd
SYR	Syrah Resources Ltd
TEVA US	Teva Pharmaceutical Industries Ltd
TGH US	Textainer Group Holdings Ltd
TIE	Tietto Minerals Ltd
THL	Tourism Holdings Rentals Ltd
WHC	Whitehaven Coal Ltd

* In Alphabetical Order

6



Current Investment Themes

- Global indexes have drifted higher during the new calendar year 2023, with the S&P 500 Index up 8.6% and the All-Ordinaries Accumulation Index up 5.4%.
- Participation in this uplift has not been widespread across stocks, for example, the top 15 stocks in the S&P 500 Index accounted for 97% of the S&P 500 year to date performance, and Apple alone accounted for 26%.
- More focus is being placed on company fundamentals such as earnings and cashflows as opposed to peak valuation metrics such as enterprise value/revenue.
- CDM portfolio holdings such as QBE Insurance and Meta Platforms are good examples of this with these companies having PEG ratios of less than one and strong earnings growth forecasts for next year.

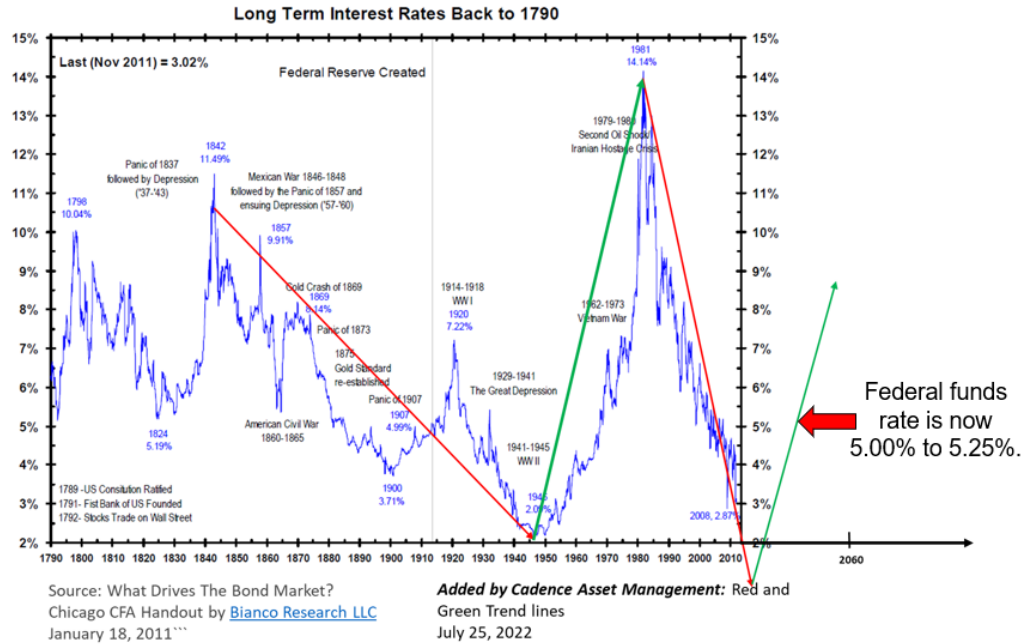


Current Investment Themes

- A key change in trend over the last 12 months has been the directional change in interest rates, which fell for 30 years to near zero, bottomed out, and started moving upwards at the fastest pace in history (now 3.85%).
- What has performed well in similar previous cycles are companies with pricing power, precious metals and energy.
- Insurance companies typically have strong pricing power, and despite a cyber-attack, Medibank Private has performed resiliently and shown the businesses strength to hold customers and put prices up.
- Boral, which is in the early stages of a multiyear turnaround has successfully put through price rises and expects this to continue.
- Gold positions in the fund such as Newcrest Mining and Resolute Mining have performed strongly as the gold price has traded over USD 2,000 per ounce (AUD 3,000), and toward multi decade highs.



Interest Rates – AGM 16/11/2022

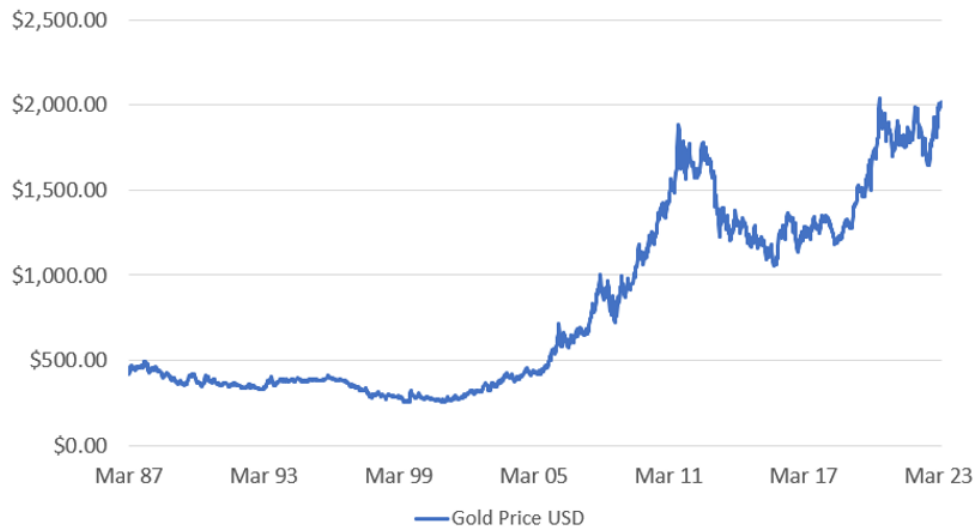


The Australian Dollar





Gold Price Chart – USD per ounce



11



Newcrest Mining (NCM) – Long (Trade)

Stock Profile NCM

Long Position (FY24)

EPS Growth	11%
PE	36x
PEG	3.3
OCF yield	6.7%
FCF yield	2.8%
Net debt	\$1.9b
Market Cap	\$25.3b

Fundamental Analysis

- Gold Price has hit multi decade highs, currently trading over \$2,000 USD per ounce (AUD\$3,000 per ounce)
- We initiated a position as gold price started to move up again and initial indications of a Newmont Corporation takeover was being discussed
- Newmont Corporation share price had fallen substantially before and during the takeover talks.
- The Newmont bid was improved and the strategy involves significant medium and longer term synergies
- We estimate that at current spot and with these synergies in place NCM could be worth around AUD\$40 per share inside Newmont
- Provided the gold price stays around these levels Newmont should trades between 10%-20% higher in the medium term
- Should the gold price move higher and synergies are realised sooner then Newmont is worth more

12



Newcrest Mining (NCM)



Meta Platforms (META US) – Long (Core)

Stock Profile META US

Long Position (FY23)

EPS Growth	22%
PE	22x
PEG	1.0
OCF yield	8.4%
FCF yield	3.5%
Net cash	\$4.7b
Market Cap	\$615b

Fundamental Analysis

- 2022 results were lower than 2021 primarily due to increased costs and higher CAPEX associated with the Metaverse
- Mark Zuckerberg has called 2023 the “year of efficiency” – as the company reduces its cost base and reduces growth CAPEX
- The company recently announced a \$40 billion dollar increase to its existing share buyback program, bringing the total amount for 2022 and 2023 to \$80 billion.
- The stock has rallied on the back of the last two quarterly results being ahead of market expectations, however still only trades on 18x FY24 PE, with a PEG of 0.8.



Meta Platforms (META US)



15



Outlook

- Central banks globally have been increasing their purchases of physical gold – 228t in Q1, 34% higher than the previous Q1 record in 2013.
- The Australian budget recorded a \$4.2 bln surplus in 2022/23, aided by high commodity prices in Iron Ore and Coal, projections are for multi-year deficits of \$14bln p.a.
- Negotiations have progressed over the US debt ceiling.
- Western economies continue to run high levels of debt – with Australia having a net debt position of \$517 billion – costing over \$112 billion in interest over 5 years. Whereas countries such as China and Russia run net surpluses.
- Interest rates have risen at the fastest pace in history over the past 12 months, the effects of this are still yet to be fully absorbed.
- This is an investing environment where fundamental stock picking is once again generating profits.
- CDM is currently trading at around a 10% discount to pre-tax NTA and holding 50% cash. CDM share price is implying the shares we own will fall by around 20%.

16



Keep up-to-date with Cadence

- Make sure you are registered to receive our monthly newsletter, webcasts and periodic results. To register visit www.cadencecapital.com.au/newsletter/
- Watch Cadence recently interviewed on Ausbiz, Eureka Report with Alan Kohler, TCN's Emerging ASX Gems Conference and the BIP Show at the following address www.cadencecapital.com.au/category/videos/



Disclaimer

The information contained in this report has been prepared with all reasonable care by Cadence Asset Management Pty Ltd and is of a general nature only. It is provided for information purposes only and should not be construed as an offer or solicitation. Nothing contained in this document constitutes investment, legal, financial, business, tax or other advice. It should not be relied upon as the sole basis for making an investment decision, nor should a decision be made until the risks of the investment are fully understood. Cadence Asset Management Pty Ltd assumes no responsibilities for errors, inaccuracies or omissions in this summary. The information is provided without warranty of any kind. Past performance is not indicative of future performance. Investors may not get back the full amount originally invested.