

INVESTMENT UPDATE

September 2023

Cadence Opportunities Fund returned a positive gross performance of 0.4% in September, outperforming the All Ordinaries Accumulation Index by 3.2% for the month. The top contributors to performance during September were Whitehaven Coal, Stanmore Resources, New Hope, QBE Insurance and MEG Energy. The largest detractors from performance were Tietto Minerals, Netflix and Capstone Copper.

The price of coal rose significantly in September, which benefitted our investments in coal mining companies. We spoke about Whitehaven Coal recently in our year end audiocast, and how it was cheap at current coal prices. Stanmore Resources is also in a similar position, with a PE ratio below 5 based on its recently released half year result. With the recent hard coking coal price increases we expect Stanmore's second half result to be stronger than the first.

The QBE Insurance share price has continued its upward trend of the past three years after posting a first half result that included strong premium growth, and higher investment returns. One of the investment themes we discussed in our year end audiocast was that in periods of rising interest rates and inflation, sectors and stocks with pricing power tend to perform well, and this has been true for QBE Insurance.

Fully Franked Year-end Dividend

On 30th August 2023, the Company announced a 6.5 cents per share fully franked year-end dividend, bringing the full year dividend to 14.0 cents per share fully franked. This full year dividend equates to an 7.8% fully franked yield or a 11.1% gross yield (grossed up for franking credits) based on the share price of \$1.795 per share on the date the dividend was announced. After paying this dividend the fund still has 29 cents per share of profits reserves to pay future dividends.

The Ex-Date for the dividend is 16th October 2023. The payment date for the dividend is 31st October 2023.

The dividend re-investment plan (DRP) will be in operation for this final dividend. The DRP will be priced at the weighted average share price over the relevant DRP pricing period. The Company has implemented an on-market buy-back to buy-back the shares it issues under the DRP. This buy-back will operate when the CDO share price is trading at a discount to the Pre-Tax NTA. Cadence Opportunities Fund Limited is looking to support its DRP registered shareholders to reinvest their dividends at a discount to NTA, instead of leaving them to manage market orders for reinvesting their dividends. If you are not registered for the DRP and you would like to participate, please contact Boardroom on 1300737760.

CDO Share Price discount to NTA

At the time of writing this newsletter, CDO is trading at a pre-tax NTA discount of around 15% whilst holding significant cash balances. If all the shares in the portfolio fell by 21% the pre-tax NTA would still be above the share price. To put it another way, the shares in the portfolio can be bought at a 21% discount to their underlying value.

Fund NTA

Net Tangible Assets as at 30th September 2023	Amount (\$)
Pre Tax NTA*	\$1.936
Post Tax NTA*	\$2.052
Share Price (ASX Code: CDO)*	\$1.620

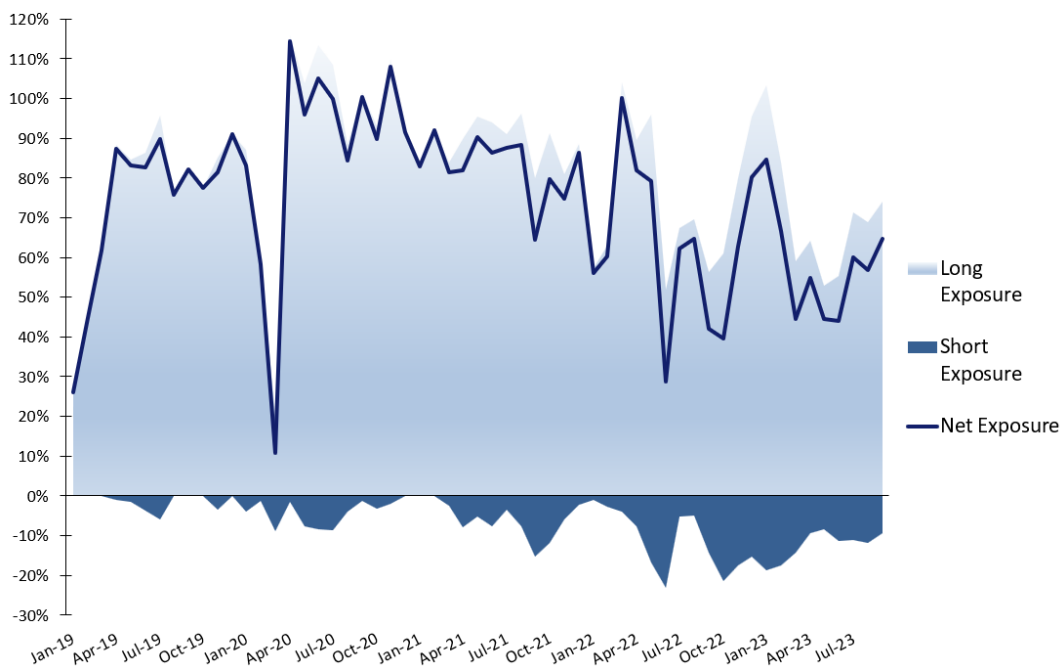
*Before the 6.5c fully franked final dividend (Ex date on 16 Oct 2023)

Fund Performance

Gross Performance* to 30th September 2023	CDO
1 Month	0.4%
3 Years (per annum)	12.0%
Since Inception (per annum)	25.8%
Since Inception (4.8 years) (total return)	197.0%

* Gross Performance: before Management and Performance Fees

Historic Portfolio Exposure



Franked Dividends Declared

Calendar Year	Interim	Final	Special	Total	Gross (Inc. Franking)
2020		6.0c	-	6.0c	8.6c
2021		12.0c	3.0c	15.0c	21.4c
2022	7.5c	7.5c	-	15.0c	21.4c
2023	7.5c	6.5c	-	14.0c	20.0c
TOTAL	15.0c	32.0c	3.0c	50.0c	71.4c

* Off market Equal access buy back

Portfolio Sector Analysis

Sector	Long	Short	Net
Basic Materials	21.0%	-6.3%	14.8%
Energy	18.5%		18.5%
Communications	8.2%		8.2%
Financial	7.9%	-0.9%	7.0%
Consumer, Non-cyclical	7.5%		7.5%
Insurance	5.5%		5.5%
Industrial	2.7%	-0.4%	2.3%
Utilities	1.8%		1.8%
Technology	1.0%		1.0%
Banks	0.0%	-1.3%	-1.3%
Consumer, Cyclical	0.0%	-0.5%	-0.5%
	74.0%	-9.4%	64.6%
Net Cash Holdings			35.4%

News

If you have not already done so, we would encourage you to watch the recently released [Year-end Audiocast](#). In this audiocast, Karl Siegling firstly provides an update on the Company's 2023 financial year performance, the 6.5c fully franked year-end dividend, the portfolio's composition and CDO's discount to NTA. Karl Siegling and Chris Garrard then discuss their investments in Meta Platforms, Whitehaven Coal and Westgold Resources. Karl Siegling then finishes with an update on the outlook for FY 2024.

To view all previous Cadence webcasts and interviews please visit the [Media Section](#) of the website.

We encourage you to visit our [52 books you should read before buying your next stock](#) page on our website. We have compiled a list of books/ documentaries that have influenced our investment style or helped provide insight into the investment process.

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.

For more information contact Cadence Opportunities Fund on 02 8298 2450 or email info@cadencecapital.com.au
Register to receive our FREE newsletter at www.cadencecapital.com.au/register-for-free-newsletter