

# Cadence Opportunities Fund Limited (ASX Code: CDO) March 2024 Quarterly Webcast

In this quarterly webcast, Karl Siegling first provides an update on the Company's performance, the 6.5c fully franked interim dividend recently paid and the composition of the portfolio. Karl Siegling and Chris Garrard then discuss four of the Company's current investments (Capstone Copper, Beach Energy, Cooper Energy and Origin Energy) and finish off with the outlook for the rest of the year.

You can watch the webcast at <https://www.cadencecapital.com.au/cdo-mar-2024-webcast/>

Regards,

Wayne Davies  
Cadence Opportunities Fund Limited



# Cadence Opportunities Fund Limited

## March 2024 Quarterly Webcast



## Performance Update

Gross Performance* to 30th April 2024	CDO
1 Month	-1.7%
YTD	10.1%
3 Years (per annum)	6.1%
Since Inception (per annum)	25.1%
Since Inception (5.3 years) (total return)	229.7%

\* Gross Performance: before Management and Performance Fees

- The Fund returned -1.7% in April outperforming Index by 1.0%.
- For the 10 months ended April the fund returned +10.1%
- The fund has delivered returns with significantly lower than market volatility over the last 10 months.
- Top contributors to performance for the last 4 months (Jan to April 24) were Meta Platforms, Capstone Copper, Alumina, QBE Insurance, Austin Engineering, Meg Energy and Netflix.
- The largest detractors from performance for the last 4 months (Jan to April 24) were Zillow, Strike Energy, BHP, Tourism Holdings and Stanmore Resources.





## Interim Dividend

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
2024	6.5c	-	-	6.5c	9.3c
<b>TOTAL</b>	<b>21.5c</b>	<b>32.0c</b>	<b>3.0c</b>	<b>56.5c</b>	<b>80.7c</b>

- 6.5 cps fully franked interim dividend paid 30<sup>th</sup> April.
- The interim dividend equates to an **8.1% annualised** fully franked yield or a **11.6% gross yield** (grossed up for franking credits) based on the share price on the date of the announcement of \$1.60 per share.
- After paying this interim dividend, the Company still has 22.5 cents per share of profit reserves to pay future dividends

3



## Interim Dividend, DRP and Buy- Back

- The DRP was in operation for this interim dividend.
- Participating in the DRP is an efficient mechanism to add to existing holdings in the fund without paying brokerage.
- If you are not registered for the DRP and you would like to participate, please contact Boardroom on 1300737760.
- The Company will buy-back the shares it has issued under the DRP.
- The buy-back will operate when the CDO share price is trading at a discount to the Pre-Tax NTA.
- At the time of writing this presentation CDO share price is trading at a pre-tax NTA discount of around 19%.

4





# CDO Portfolio

## Sector Analysis of Portfolio (30 April 2024)

Sector	Long	Short	Net
Basic Materials	30.5%		30.5%
Energy	23.4%		23.4%
Communications	13.5%		13.5%
Financial	8.2%		8.2%
Insurance	7.7%		7.7%
Industrial	7.4%		7.4%
Utilities	2.7%		2.7%
Consumer, Non-cyclical	2.2%		2.2%
Technology	1.0%		1.0%
	<b>96.6%</b>	<b>0.0%</b>	<b>96.6%</b>

**Net Cash Holdings** 3.4%

- CDO has a very liquid and diversified portfolio
- Currently around 98% of the portfolio can be liquidated within one week
- The company holds around 55 positions with the largest position being a 6% holding.

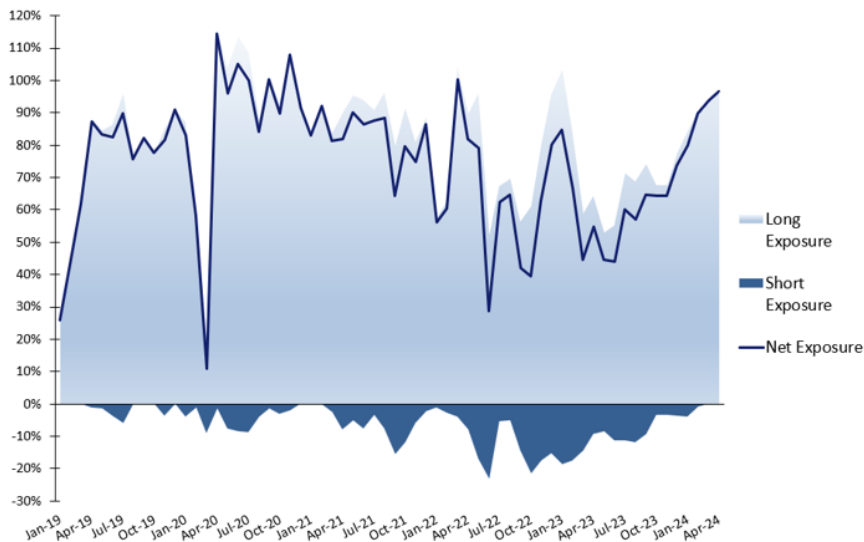
## 20 Top Holdings (Both Long and Short) 31 March 2024 (Delayed)

Stock Code	Position *
ACF	Acrow Ltd
AWC	Alumina Ltd
ANG	Austin Engineering Ltd
BHP	BHP Group Ltd
BLD	Boral Ltd
CS CN	Capstone Copper Corp
GNW US	Genworth Financial Inc
JLG	Johns Lyng Group Limited
MEG CN	MEG Energy Corp
META US	Meta Platforms Inc
NFLX US	Netflix Inc
QBE	QBE Insurance Group Ltd
SIQ	Smartgroup Corp Ltd
SMR	Stanmore Resources Ltd
STX	Strike Energy Ltd
TIE	Tietto Minerals Ltd
THL NZ	Tourism Holdings Ltd
WGX	Westgold Resources Ltd
WHC	Whitehaven Coal Ltd
Z US	Zillow Group Inc

\* In Alphabetical Order



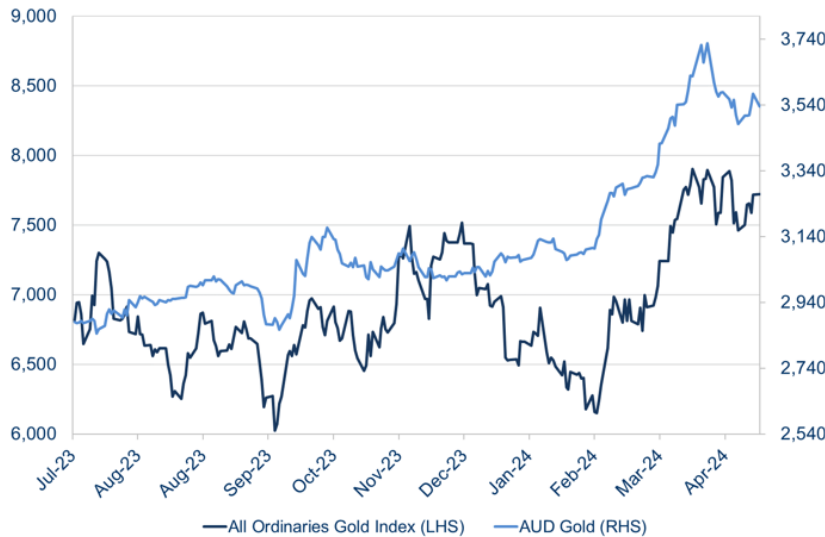
# CDO Exposure



- CDO has been investing its cash as more new investments were identified and as existing investments that continued to trend up were added to.



# Gold vs Gold stocks



- The AUD gold price has been steadily rising since the start of the financial year, but ASX listed gold miners have not performed as well.

7



# Capstone Copper (CS CN) – Long (Core)

## Fundamental Analysis

### Stock Profile CS CN

#### Long Position (FY25e)

EPS Growth	157%
PE	10.5x
PEG	0.1
OCF yield	15%
FCF yield	7%
Net debt	\$1.6b
Market Cap	\$8.0b

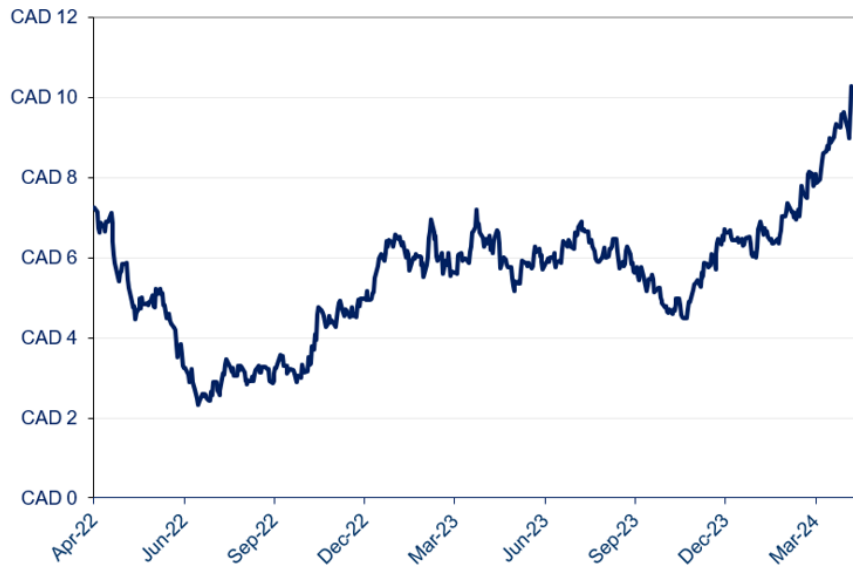
- We have held Capstone Copper for several years but have been adding to our position since the beginning of this calendar year.
- Capstone Copper has recently dual listed in Australia (also listed in Canada) to provide local investors with access to a global copper play.
- Capstone copper will significantly increase production over the next 3 years, whilst significantly lowering cost per produced pound at a time when the copper price is moving higher.
- Capstone copper has a very experienced management team within a truly large-scale business.
- Whilst a global copper shortage has been mooted over the last decade, recently we have seen signs of market dislocation, smelter shortages and disruption in the supply chain.
- At the same time, we have seen companies like BHP trying to acquire large scale copper assets as the demand side for copper is finally materializing.

8





# Capstone Copper (CS CN)



# Beach Energy (BPT) – Long (Core)

## Stock Profile BPT

### Long Position (FY25e)

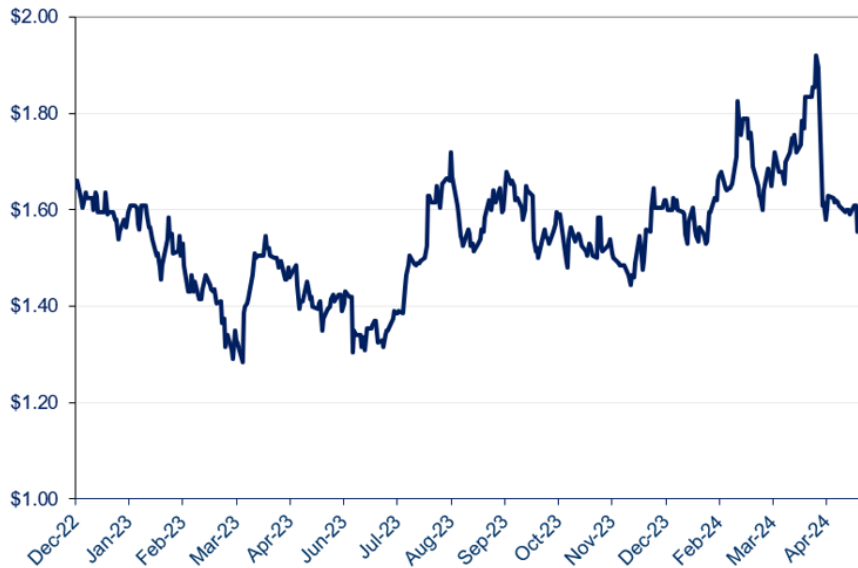
EPS Growth	73.5%
PE	6.2x
PEG	0.08
OCF yield	31%
FCF yield	8%
Net debt	\$0.2b
Market Cap	\$3.7b

## Fundamental Analysis

- We have met with BPT new management several times over the past few months to understand their stated strategy in relation to East Coast gas in Australia.
- Gas prices continue to rise in Australia.
- BPT fixed price contracts roll over on a 2-3 year time frame with new contract prices significantly higher than older contracted prices. Some of the revised prices are nearly double older contracted prices.
- Both sides of Australian politics are more lately acknowledging the role gas will play in the energy transformation.
- BPT has embarked on an extensive cost cutting exercise in recent months.
- Energy shortages both domestically and globally are an ongoing theme and global energy demand continues to rise.



# Beach Energy (BPT)



# Cooper Energy (COE) – Long (Core)

## Fundamental Analysis

### Stock Profile COE

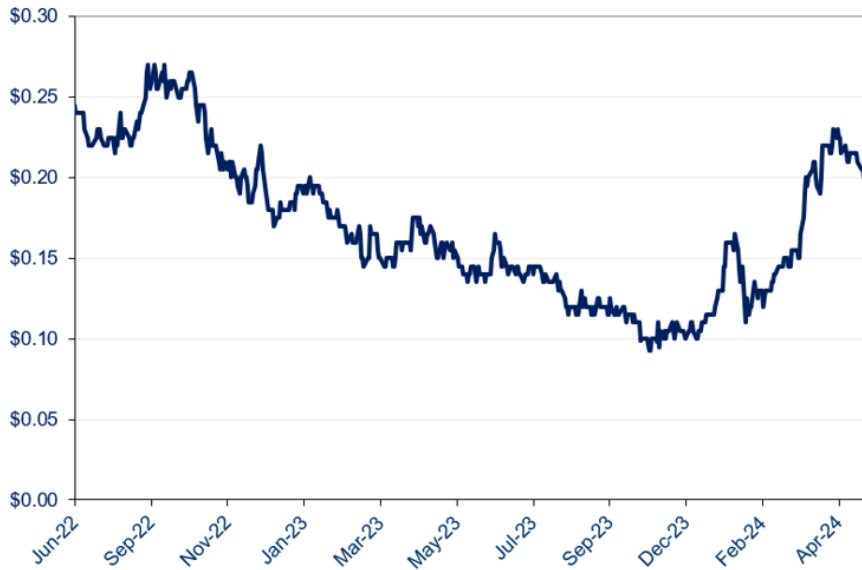
#### Long Position (FY25e)

EPS Growth	100%
PE	13.6x
PEG	0.14
OCF yield	22%
FCF yield	19%
Net debt	\$337m
Market Cap	\$620m

- We have met with COE management several times over the past few months.
- The new management team have made significant inroads into the rehabilitation program they have inherited and have informed the market that these issues should hopefully be resolved before the end of the financial year.
- The team has extensive experience and are on track with the 'turnaround' of the business.
- Like BPT they will be negotiating new gas contracts at significantly higher prices over the next 2-3 years.
- COE have also indicated to the market that they are optimising gas production. This should result in more volume of gas sold as well as higher prices.
- We initiated a position early this year and have been adding to the position.



# Cooper Energy (COE)



13



# Origin Energy (ORG) – Long (Core)

## Fundamental Analysis

### Stock Profile ORG

#### Long Position (FY24e)

EPS Growth	67%
PE	13.6x
PEG	0.2
OCF yield	9%
FCF yield	6%
Net debt	\$3.1b
Market Cap	\$17b

- Origin Energy produces electricity and gas which is sold to retail customers in Australia. Gas is also processed into LNG and exported.
- Origin also has a 23% stake in Octopus Energy which has quickly become the number one electricity supplier to domestic customers in the UK.
- Octopus is not listed, but recently did a share placement that increased its value by 15% to 13.6b. The value of Origin's 23% stake increased by 420m to 3.1b.
- Assuming a 3.1b valuation for Origin's 23% stake in Octopus, the remaining Origin assets are trading on a PE of 11 for 2024.
- Last year Brookfield bid \$9.39 per share to takeover Origin which was rejected by shareholders in December. The current share price is \$9.92.

14







## Origin Energy (ORG)



15



## Outlook

- This quarter has seen a continuing theme of high energy prices and higher contracted energy prices particularly for Australian businesses.
- This quarter has also seen a continuing theme of higher gold prices and higher precious metal prices.
- As outlined in previous webcasts, interest rates have risen quickly in Australia off a low base and more recently have remained steady at higher rates. Commentators believe interest rates may rise, fall or stay the same. Three years ago, most commentators believed interest rates would remain the same after which they rose the most in modern history.
- Inflation is high in many parts of the world and whilst it appears to have stabilised in recent times, remains high. The consequences of high inflation are being felt throughout the economy.
- We are spending our time visiting companies that are meeting both our fundamental and technical criteria, which is only a subset of the overall economy. A large percentage of listed stocks do not currently meet our fundamental criteria.

16





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17



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18

