



AGM Investor Briefing



Cadence Capital Limited (CDM) &
Cadence Opportunities Fund Limited (CDO)



CDM 2024 Year-End Results

- Fund up 10.4% for the 2024 financial year
- Profit after tax of \$21.6m
- Last financial year the fund displayed significantly lower than market volatility resulting in good risk adjusted returns.
- The top contributors to performance last financial year were Meta Platforms, Alumina, Netflix, Karora/Westgold Resources, Whitehaven Coal, Capstone Copper and Austin Engineering.
- The largest detractors from performance were Sierra Rutile, Zillow and Syrah Resources.
- Investing in turnaround situations, such as Meta Platforms and Netflix, was a strong driver of returns for the fund.
- Performance of resource companies was mixed. Investments in copper, aluminium and gold companies, such as Capstone Copper, Alumina, and Westgold Resources performed well while investments in lithium miners performed poorly.
- Whitehaven Coal performed well after acquiring the Daunia and Blackwater coal mines from BHP at an attractive price.



Cadence Capital Limited (CDM)

Gross Performance* to 31st Oct 2024	CDM	All Ords Accum	Outperformance
1 Month	1.5%	-1.3%	+2.8%
5 Years (per annum)	7.0%	8.5%	-1.5%
10 Years (per annum)	4.1%	8.6%	-4.5%
Since Inception (19.1 years) (per annum)	10.7%	7.6%	+3.1%
Since Inception (19.1 years) (total return)	594.6%	301.2%	+293.4%

* Gross Performance: before Management and Performance Fees

- Fund up 1.5% in October outperforming index by 2.8%.
- Past 19 years fund up +10.7% p.a. outperforming index by 3.1% p.a.
- Over past few months we have been sitting on larger than normal cash balances.
- Opportunity to buy CDM at a discount to NTA

Market Capitalisation	Long	Short	Net
> AUD 1 Billion	52.6%		52.6%
AUD 500 Mill - AUD 1 Billion	2.9%		2.9%
AUD 250 Mill - AUD 500 Mill	6.7%		6.7%
AUD 100 Mill - AUD 250 Mill	1.1%		1.1%
0 - AUD 100 Mill	1.8%		1.8%
	65.2%	0.0%	65.2%
Net Cash Holdings and Tax			34.8%

- CDM has a liquid and diversified portfolio
- The company holds around 35 positions with the largest position around 6% of the fund.
- Approx. 81% of the funds gross exposure is in Companies with a > than \$1 Billion market capitalisation.
- Currently, 87% of the portfolio can be liquidated within one week, and around 92% of the portfolio within a month.



CDM Top 20 Holdings (19th Nov 2024)

Code	Position*	Direction
AA US	Alcoa Corp	Long
AEL	Amplitude Energy Ltd	Long
ANG	Austin Engineering Ltd	Long
BHP	BHP Group Ltd	Long
SQ US	Block Inc	Long
CS CN	Capstone Copper Corp	Long
CHN	Chalice Gold Mines Ltd	Long
EVN	Evolution Mining Ltd	Long
META US	Meta Platforms Inc	Long
NFLX US	Netflix Inc	Long
ORG	Origin Energy Ltd	Long
PAE	Petro Australis - Unlisted	Long
QBE	QBE Insurance Group Ltd	Long
RPL	Regal Partners Ltd	Long
RSG	Resolute Mining Ltd	Long
RBX CN	Robex Resources Inc	Long
SUN	Suncorp Group Ltd	Long
WAF	West African Resources Ltd	Long
WGX	Westgold Resources Ltd	Long
WHC	Whitehaven Coal Ltd	Long

* In Alphabetical Order

- Exposure to gold stocks has reduced around 5% in November through both a reduction of gold stock share prices and selling of holdings.



CDO 2024 Year-End Results

- Fund up 10.8% for the 2024 financial year
- Profit after tax of \$2.3m
- Last financial year the fund displayed significantly lower than market volatility resulting in good risk adjusted returns.
- The top contributors to performance last financial year were Meta Platforms, Alumina, Austin Engineering, Netflix, Capstone Copper, Westgold/ Karora and Whitehaven.
- The largest detractors from performance were Sierra Rutile, Zillow, Strike Energy and Syrah Resources.
- Investing in turnaround situations, such as Meta Platforms and Netflix, was a strong driver of returns for the fund.
- Performance of resource companies was mixed. Investments in copper, aluminium and gold companies , such as Capstone Copper, Alumina, and Westgold Resources, performing well while investments in lithium miners performed poorly.
- Whitehaven Coal performed well after acquiring the Daunia and Blackwater coal mines from BHP at an attractive price.



Cadence Opportunities Fund Limited

Gross Performance* to 31st Oct 2024	CDO
1 Month	1.8%
3 Years (per annum)	-4.3%
5 Years (per annum)	21.5%
Since Inception (per annum)	23.6%
Since Inception (5.8 years) (total return)	244.9%

* Gross Performance: before Management and Performance Fees

- CDO is an active trading version of the Cadence Capital process, using shorter duration trends to produce alpha opportunities.
- Fund up 1.8% in October outperforming index by 3.1%.
- Past 6 years fund up +23.6% p.a. outperforming index by 12.7% p.a.
- Opportunity to buy CDO at a discount to NTA

Market Capitalisation	Long	Short	Net
> AUD 1 Billion	60.9%	-1.7%	59.2%
AUD 500 Mill - AUD 1 Billion	4.2%		4.2%
AUD 250 Mill - AUD 500 Mill	16.6%		16.6%
AUD 100 Mill - AUD 250 Mill	8.8%		8.8%
0 - AUD 100 Mill	2.9%		2.9%
	93.4%	-1.7%	91.7%

Net Cash Holdings and Tax Asset	8.3%
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- CDO has a liquid and diversified portfolio
- The company holds around 45 positions with the largest position 7% of the fund.
- Currently, around 92% of the portfolio can be liquidated within one week, and 97% of the portfolio within a month.



CDO Top 20 Holdings (19th Nov 2024)

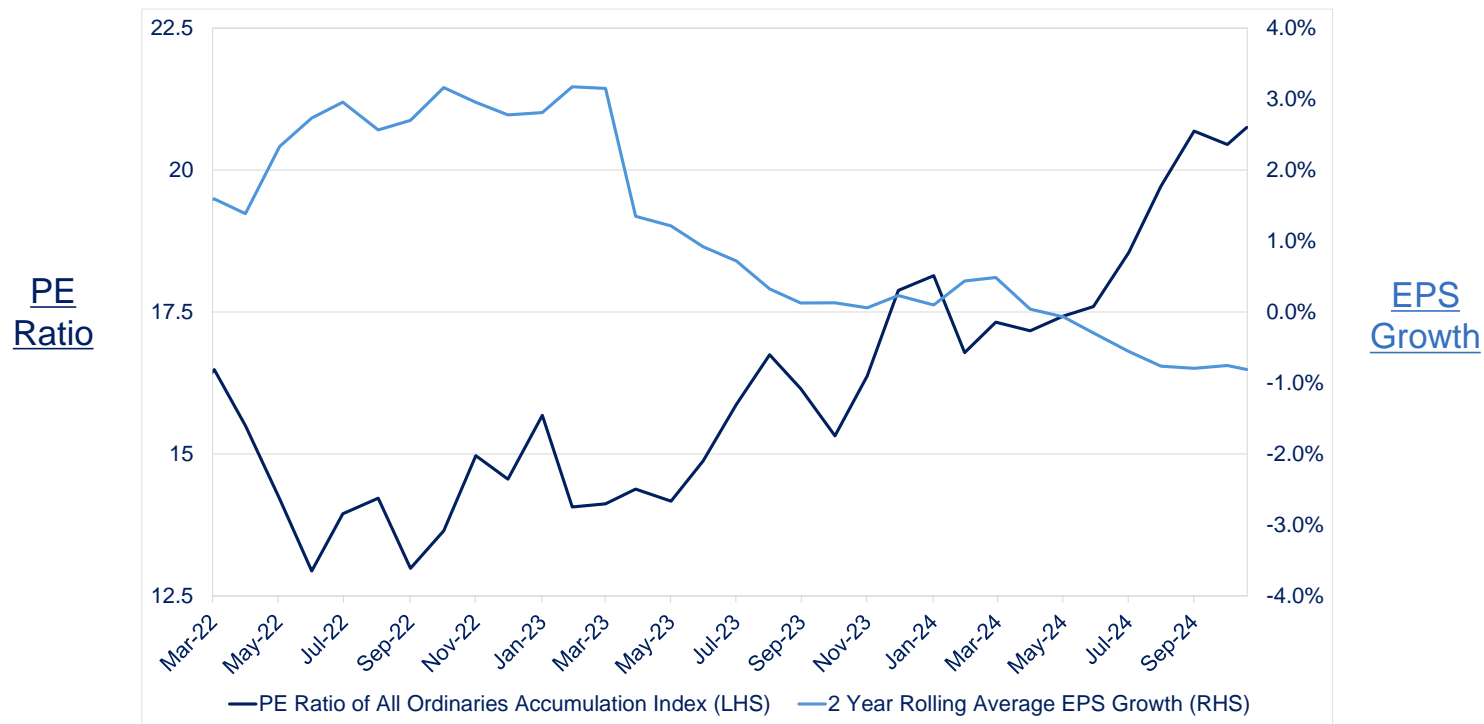
Code	Position*	Direction
AA US	Alcoa Corp	Long
AEL	Amplitude Energy Ltd	Long
ANG	Austin Engineering Ltd	Long
SQ US	Block Inc	Long
CS CN	Capstone Copper Corp	Long
DEG	De Grey Mining Ltd	Long
EIQ	Echoiq Ltd	Long
EVN	Evolution Mining Ltd	Long
IPX	Iperionx Ltd	Long
META US	Meta Platforms Inc	Long
NFLX US	Netflix Inc	Long
QBE	QBE Insurance Group Ltd	Long
QPM	Queensland Pacific Metals Ltd	Long
RPL	Regal Partners Ltd	Long
RSG	Resolute Mining Ltd	Long
RBX CN	Robex Resources Inc	Long
SVR	Solvar Ltd	Long
STP	Step One Clothing Pty Ltd	Long
WGX	Westgold Resources Ltd	Long
WHC	Whitehaven Coal Ltd	Long

* In Alphabetical Order

- Exposure to gold stocks has reduced around 7% in November through both a reduction of gold stock share prices and selling of holdings.



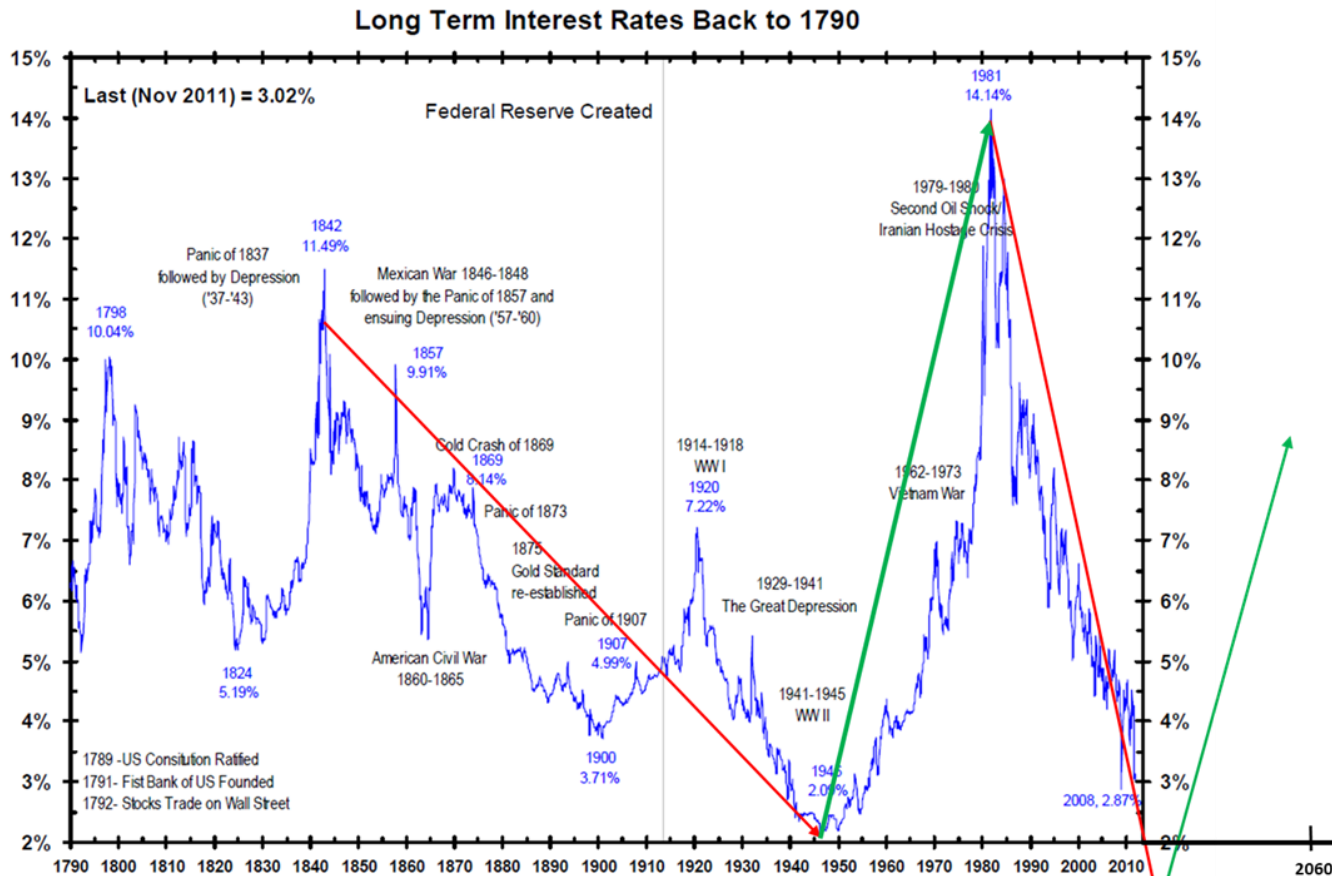
Fund update/ reporting season feedback



- A large number of stocks are not meeting our fundamental investment criteria.
- We are seeing PE ratio expansion on limited to no earnings growth, unfavourable PEG ratios and most often unfavourable cashflow multiples.
- We can't short them as they keep going up in price
- Continue investing using our investment criteria



Long term interest rates



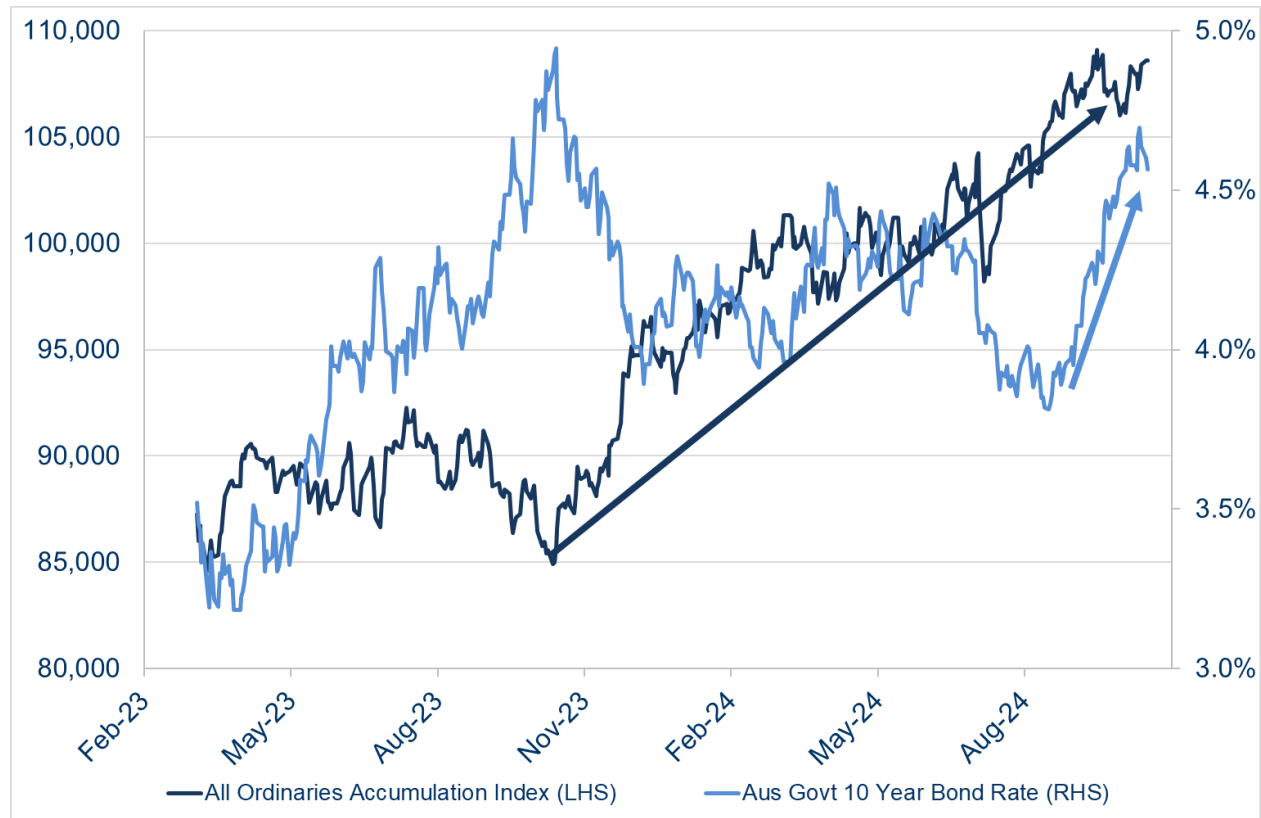
We showed this chart at the 2022 AGM. US interest rates rose very quickly from 0.25% in March 2022 to 5.5% in July 2023. Rates have since been cut to 4.75% but it is too early to make a call that interest rates are now trending down.

Source: What Drives The Bond Market?
Chicago CFA Handout by [Bianco Research LLC](#)
January 18, 2011

Added by Cadence Asset Management: Red and Green Trend lines
July 25, 2022



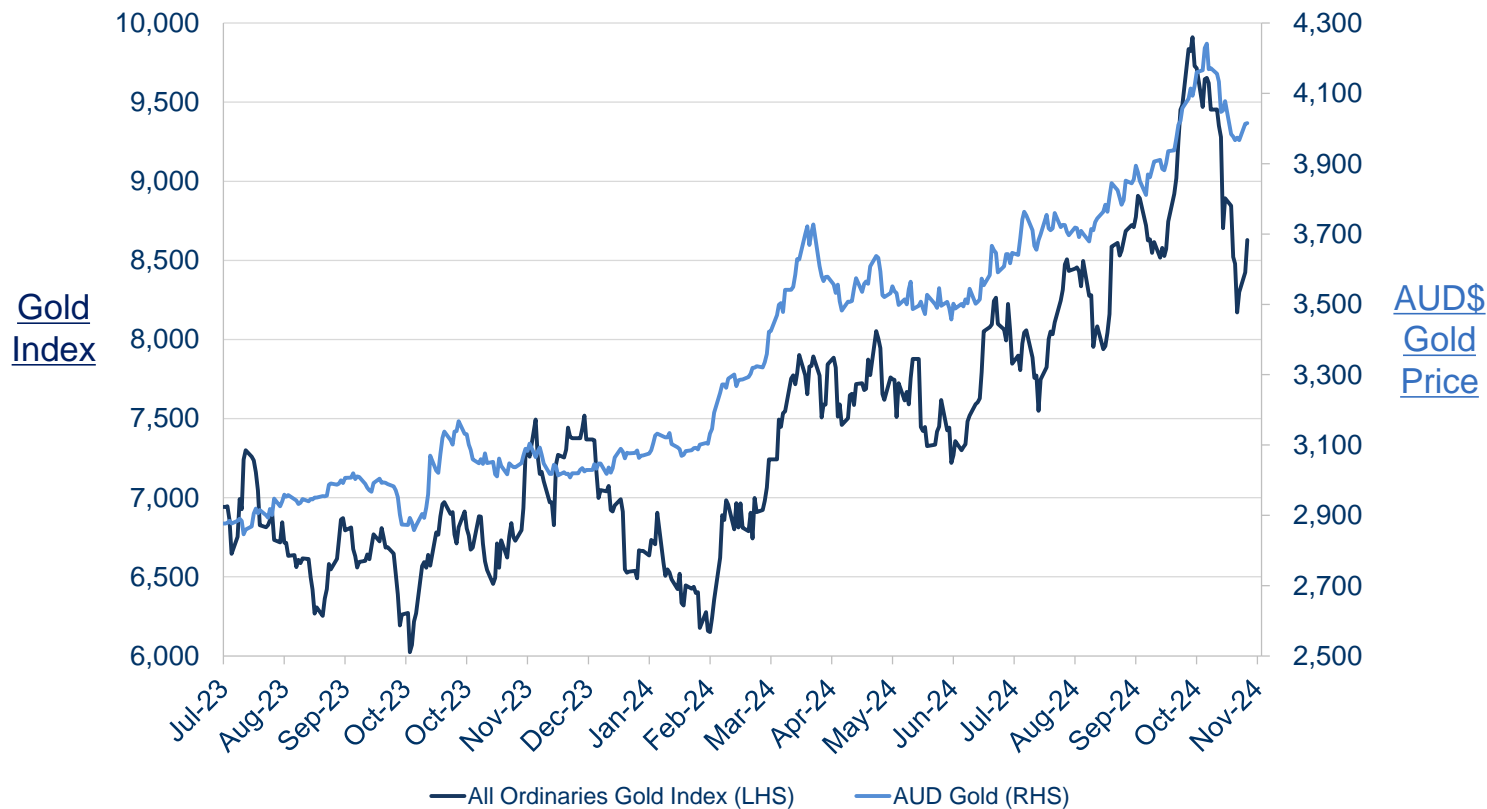
Short term interest rates



- The Reserve Bank has kept the official interest rate steady in Australia over the past year. It can be seen on the above chart that 10-year bond rates (which give us an indication of where the market thinks interest rates are headed) have recently moved upwards. Despite this change the stock market uptrend that began in late 2023 has continued.



Gold vs Gold stocks



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

- As Ed Seykota famously said in his interview for 'Masters of the Market'; 'Commodities are the purest form of trading in the world and resource companies are a leveraged version of the same trade'.
- For this reason, Gold miners should have outperformed Gold, but they have not.



Evolution Mining (EVN) – Long (Core)

Stock Profile EVN

Long Position (FY25e)

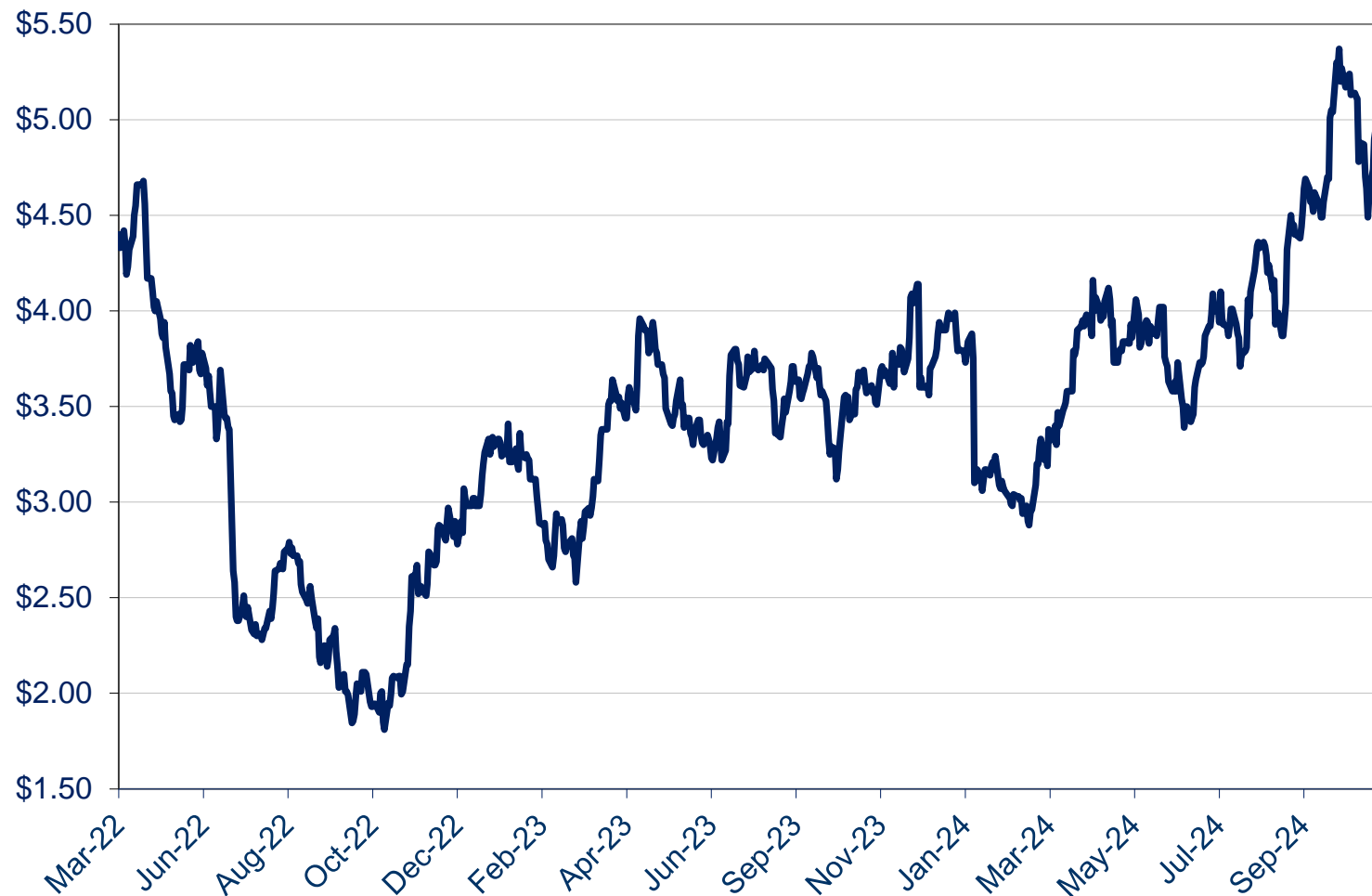
EPS Growth	54%
PE	15x
PEG	0.28
OCF yield	14%
FCF yield	8%
Net debt	\$1.5b
Market Cap	\$9.8b

Fundamental Analysis

- EVN has successfully integrated the Northparkes asset into the portfolio following its acquisition in Dec 2023.
- A combination of strong operating performance and gold price tailwinds resulted in EVN delivering record EBITDA and NPAT in FY24 of \$1.5bn and \$0.5bn, respectively.
- High margin portfolio with All In Sustaining Costs (AISC) of US\$1,030/oz allowing for rapid balance sheet de-leveraging.
- Gearing has dropped from 33% (post the Northparkes acquisition) to 24% at the end of the September quarter.
- FY25 guidance suggests production growth to continue which we estimate will translate into further growth in earnings and cash flow generation.



Evolution Mining (EVN)





WestGold Resources (WGX) – Long (Core)

Stock Profile WGX

Long Position (FY25e)

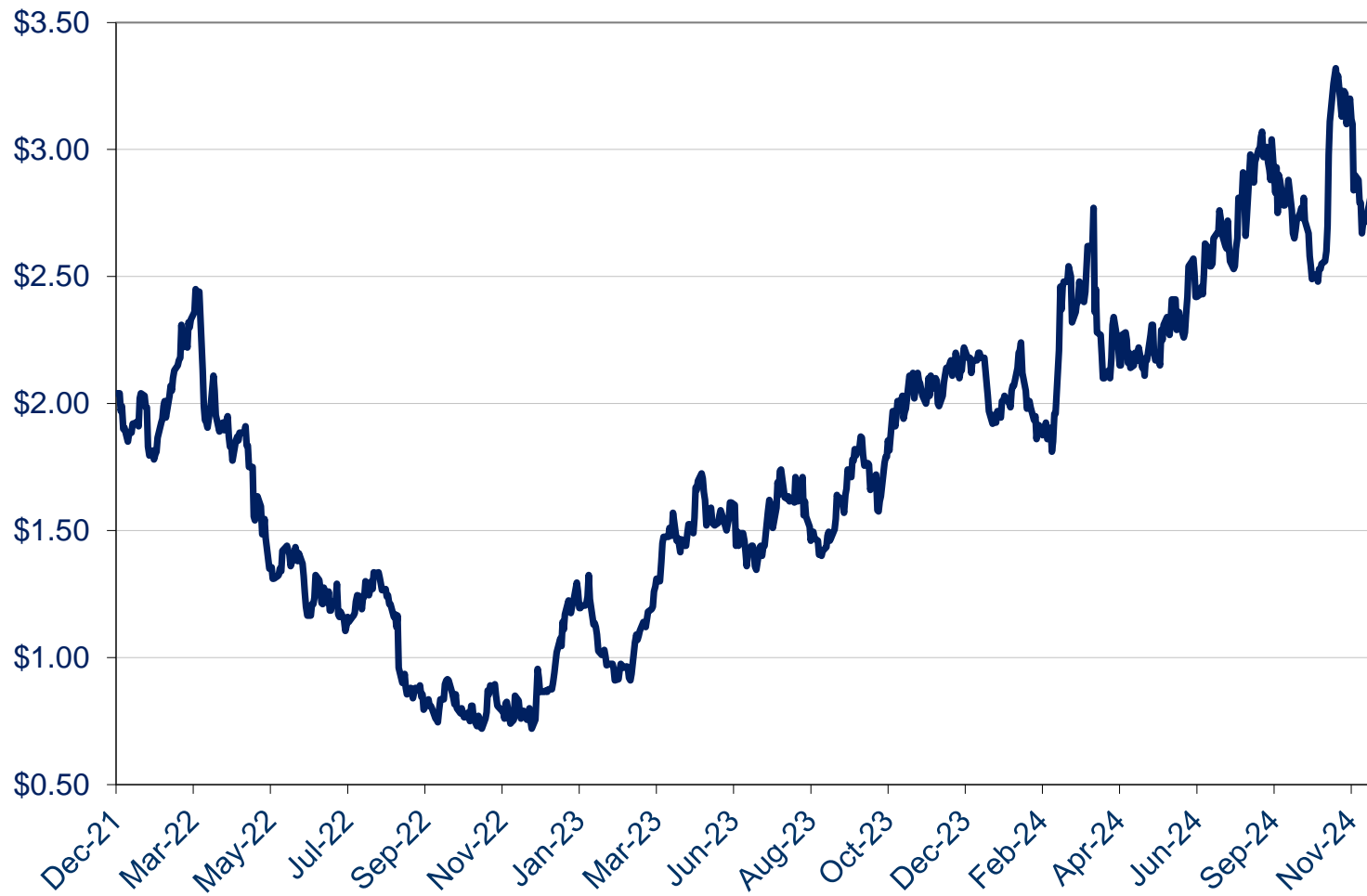
EPS Growth	73%
PE	7.9x
PEG	0.11
OCF yield	20%
FCF yield	15%
Net debt	\$27m
Market Cap	\$2.6b

Fundamental Analysis

- We have been adding to our WGX position following management's successful turnaround of the gold operations, delivering improved earnings.
- WGX has recently completed its merger with Karora Resources, taking its gold production from ~225koz per annum to over 400koz per annum.
- This makes WGX the fourth largest gold producer in Australia with a relatively low cost of production when compared to similar mid-cap listed gold companies in Australia.
- WGX management recently announced a 37% expansion to its Bluebird – South Junction mineral resource estimate. The company will continue its capex program for further expansion.
- WGX provided a 1Q25 update, producing 77koz of gold at a AISC of \$2,422/oz.
- Management reiterated FY25 guidance, and the share price reacted positively to the quarterly update.



WestGold Resources (WGX)





Other gold positions

Resolute Mining (RSG)

The RSG share price more than doubled in the first 10 months of 2024 due to gold price rises and good operational performance. The share price has now fallen back to where it was at the start of the year after the company announced that its CEO had been detained in Mali by Government Officials following disputes over business practices and tax. The company believes the claims are unsubstantiated but has agreed to pay the Mali government USD 160m to settle the claims.

West Africa Gold (WAF)

WAF is a gold producer operating in South Africa with an excellent management team that has a strong track record of delivery. South Africa has a very low cost of production compared to Australia. WAF is expected to double its gold production in FY25, which will see the company have a FCF yield of 21% and a PE 4.7x.

Kingsgate Consolidated (KCN)

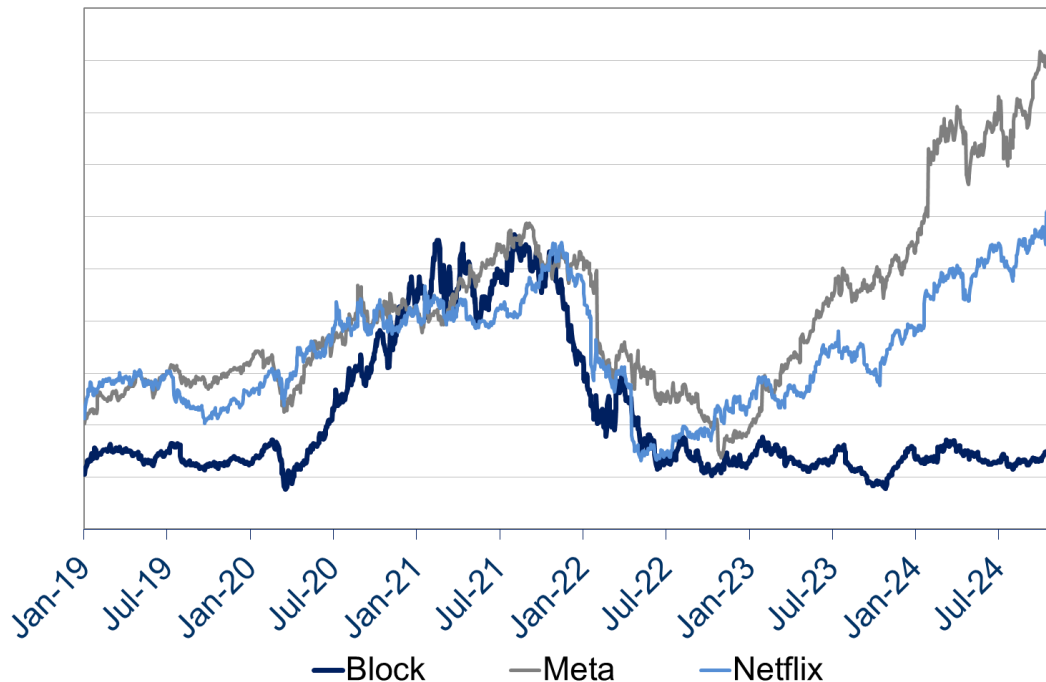
KCN operates a gold mine based in Thailand. The company is currently ramping up production after recently restarting the mine. KCN has guided to produce 85koz of gold in FY25, which should generate ~\$100m free cash flow. KCN has a market cap of \$330m.

Turaco Gold (TCG)

TCG is a gold explorer in Cote d'Ivoire. The company is led by a strong management team and continues to release exceptional drilling results.



Turnaround Situations



- Meta, Netflix and Block all had large share price falls in late 2021 and early 2022.
- This was part of a broader market sell off, with the S&P 500 falling 25% and the NASDAQ falling 35%.

- Meta and Netflix became cheap fundamentally, and when the share price began trending up, we invested in both.
- Block has only recently met our fundamental criteria, and a share price uptrend may have begun after moving sideways for the past few years.
- We have recently invested in Block which has performed well so far.



Meta Platforms (META US) – Long (Core)

Stock Profile META US

Long Position (FY24e)

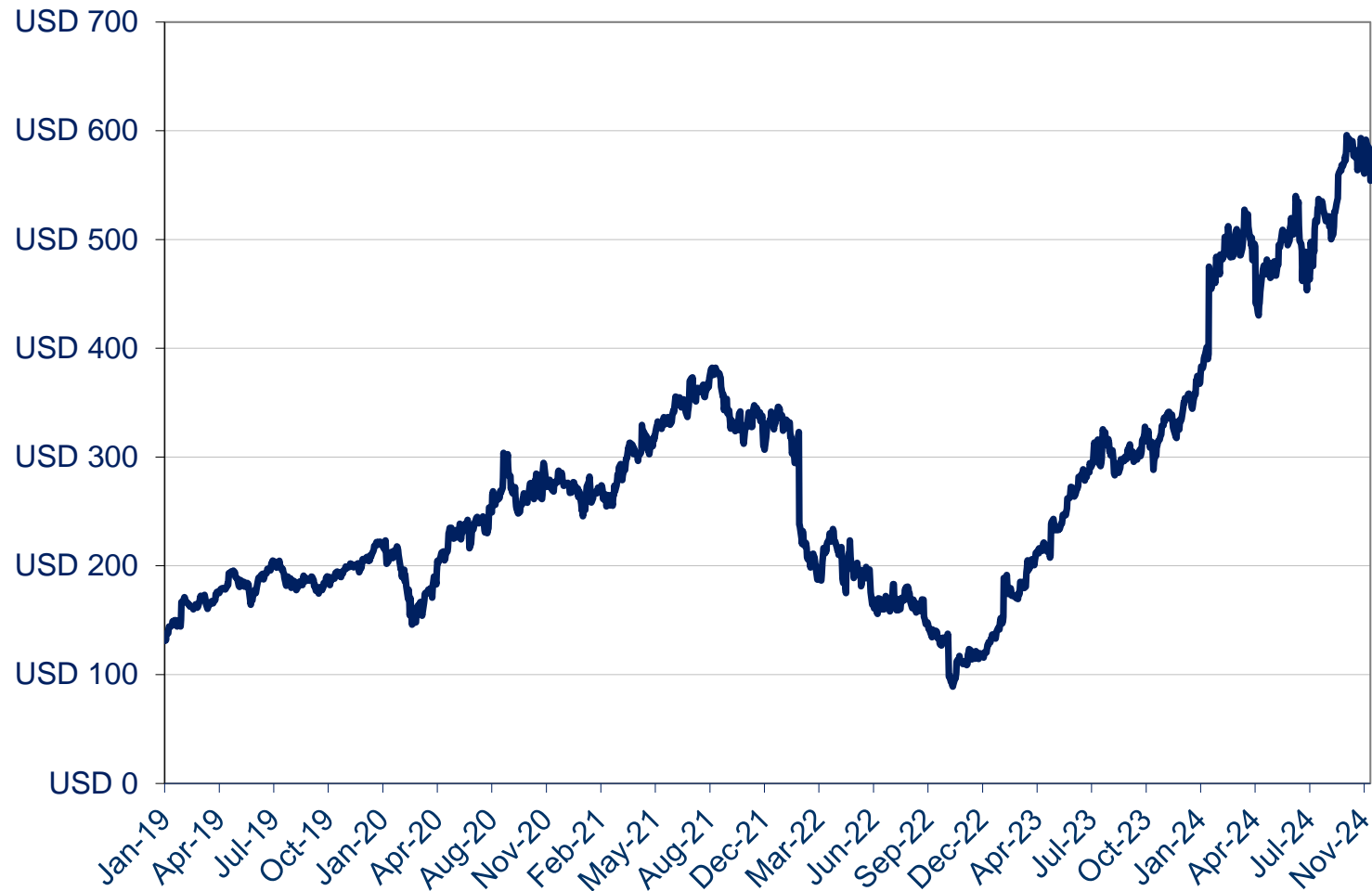
EPS Growth	45%
PE	24x
PEG	0.5
OCF yield	6.8%
FCF yield	4.3%
Net cash	\$47b
Market Cap	\$1.4t

Fundamental Analysis

- Meta Platforms shares were up over 75% during the last financial year.
- The benefits from Mark Zuckerberg’s “year of efficiency” as well as improved revenue from advertisers drove net income of \$55.5b for the last 12 months, almost double the \$29.7b earned in the 12 months prior to that.
- There have been concerns from some investors that young people are using Facebook less, but on the second quarter results call Mark Zuckerberg said that Meta is seeing good results on their efforts to get more 18 to 29 year olds using Facebook.
- He also said that user growth in the US was a “bright spot”.
- Even after the share price rise Meta is on an undemanding PE ratio of 24 times with good growth prospects.
- Meta is currently investing heavily in AI and is well positioned to benefit from its integration into Facebook, Instagram, and WhatsApp.



Meta Platforms (META US)





Netflix (NFLX US) – Long (Core)

Stock Profile NFLX US

Long Position (FY24e)

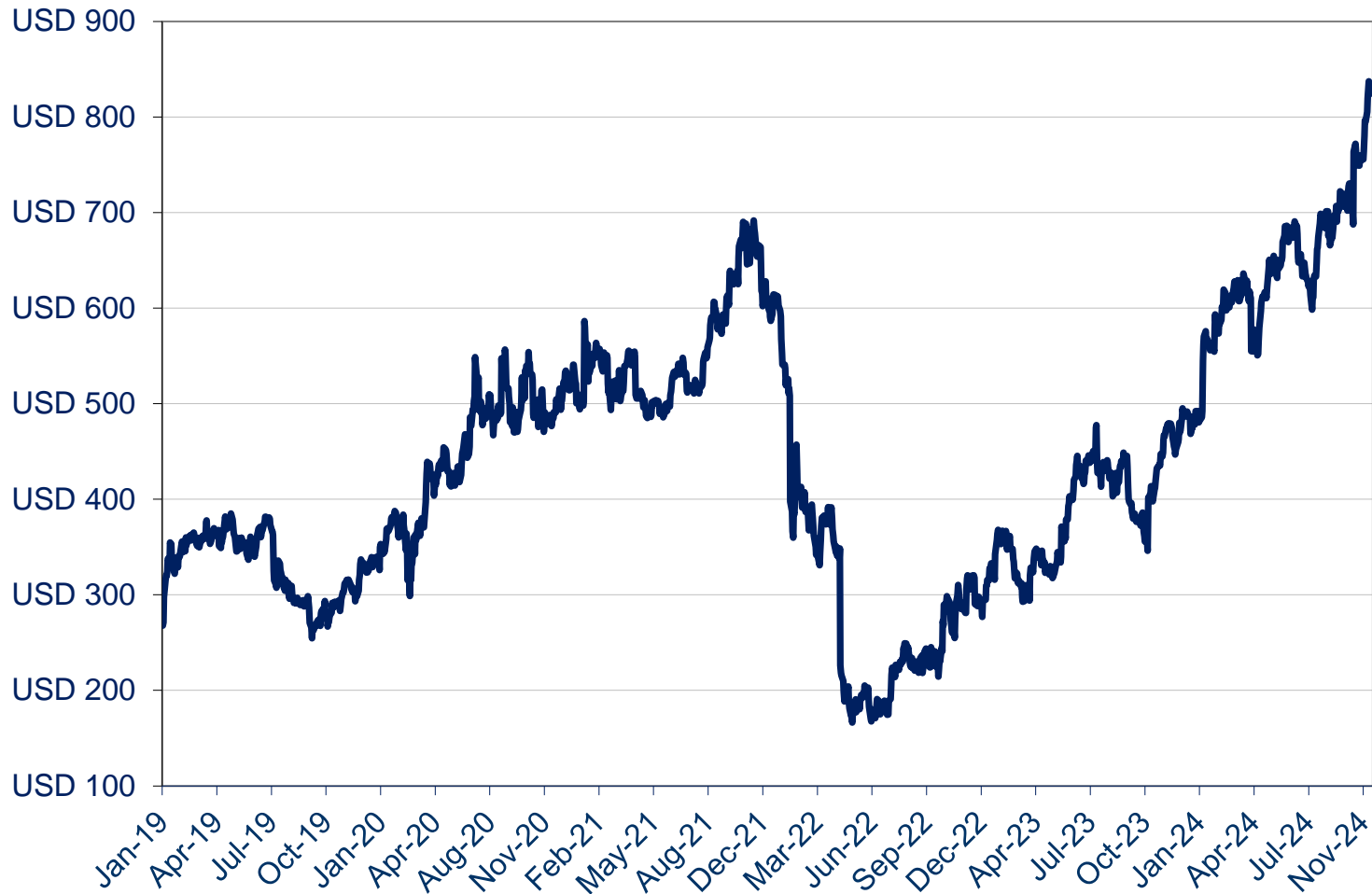
EPS Growth	57%
PE	45x
PEG	0.8
OCF yield	2.3%
FCF yield	2.1%
Net debt	\$7.4b
Market Cap	\$384b

Fundamental Analysis

- Netflix continues to perform well. Over the past year Netflix has benefited from a focus on reducing password sharing, as well as the introduction of ad supported plans that are cheaper for subscribers but are expected to be just as profitable as ad free plans for Netflix.
- These initiatives have driven continued subscriber growth, and the Netflix share price rose more than 50% last financial year.
- On the next chart we can see that the Netflix share price is in a strong uptrend that began in the middle of 2022.
- We are confident that Netflix can continue to achieve excellent growth. They are the market leader in subscription video streaming and have excellent economies of scale. The extra cost to Netflix of adding a subscriber is very small, so most of the revenue from new subscribers drops directly to the profit line.



Netflix (NFLX US)





Block (SQ US) – Long (Core)

Stock Profile SQ US

Long Position (FY25e)

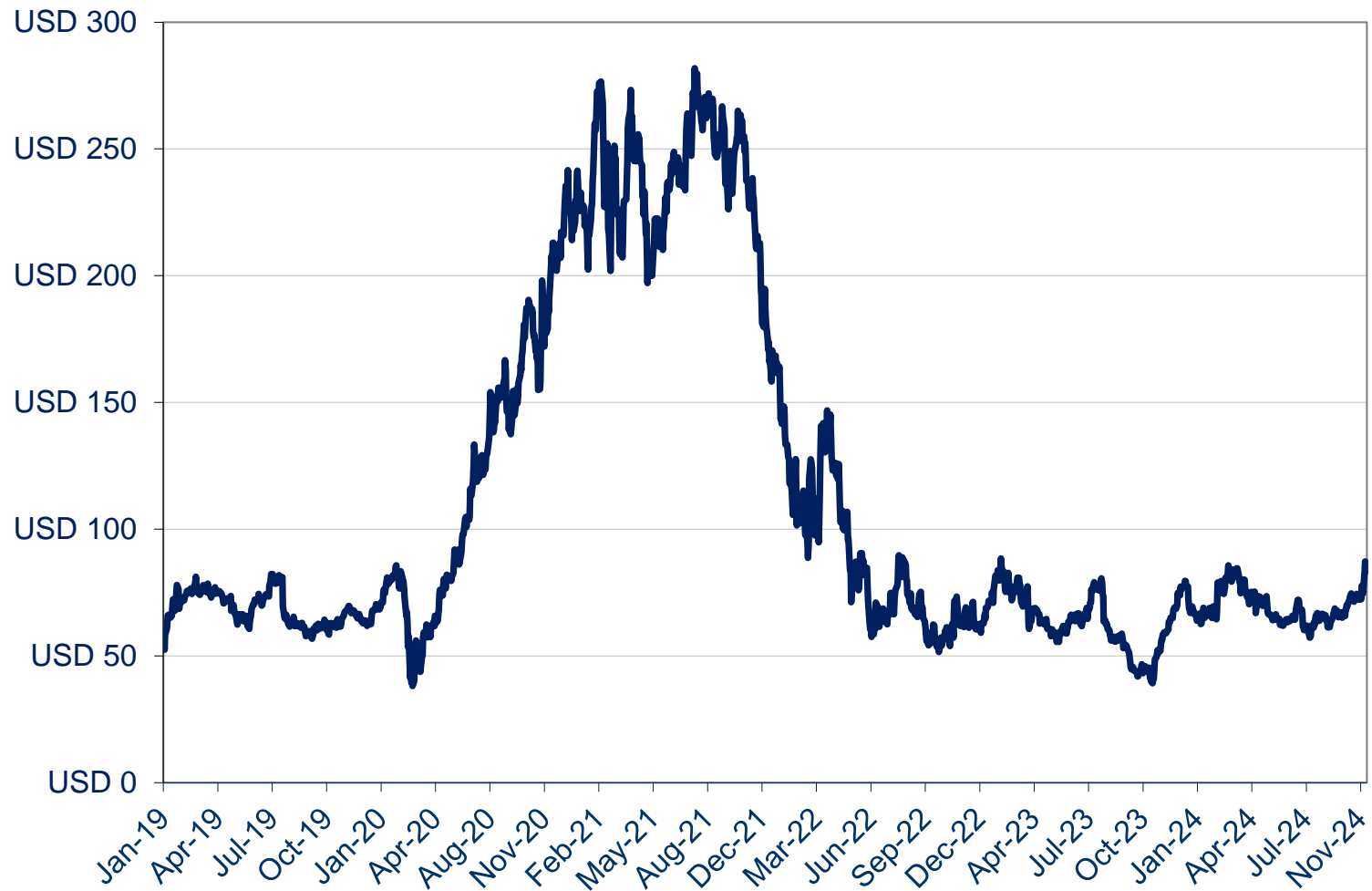
EPS Growth	30%
PE	20x
PEG	0.7
OCF yield	7.5%
FCF yield	6.3%
Net cash	\$4b
Market Cap	\$57b

Fundamental Analysis

- Block has two divisions. Square provides point of sale systems for businesses, and Cash App is an app that allows users in the US to send and receive money easily with low fees.
- Block is targeting “Rule of 40” in 2026, which is defined as Gross Profit Growth plus Adjusted Operating Income Margin.
- In effect rule of 40 targets both growth and profitability. Until recently Block has prioritised growth over profitability and has not met our fundamental investment criteria.
- On the recent quarterly results call Block stated they are targeting 15% Gross Profit growth and 25% Adjusted Operating Income Margin in 2026.
- If this can be achieved Block’s 2026 PE ratio will be below the 20 times we expect in 2025 and will be cheap for a company with good growth prospects.
- We believe Block may be at the start of a significant uptrend that is supported by strong fundamentals.



Block(SQ US)





Energy Positions

Whitehaven Coal (WHC)

- In April Whitehaven completed the acquisition of the Daunia and Blackwater metallurgical coal mines. This roughly doubled its production base and created a dual-pronged revenue stream in metallurgical coal (65%) and thermal coal (35%).
- In August Whitehaven sold a 30% share of the Blackwater mine for US\$1.08 billion to de-lever the balance sheet. Proceeds are expected to be received in Q3 FY25.
- WHC has commenced a period of rapid de-leveraging underpinned by material free cash flow generation.
- Commentary from WHC's Sept quarterly report suggests the integration of QLD coal assets is tracking well with cost guidance tracking towards the bottom end of FY25 guidance. WHC has a PEG Ratio of 0.9 and operating cash flow yield of 21%.
- Thermal coal prices have stabilised with near-term demand expected to be robust as the winter season in Europe approaches. Longer-term metallurgical coal prices are expected to be underpinned by India's growth aspirations.



Energy Positions

Yancoal Australia (YAL)

- YAL produces a combination of metallurgical and thermal coal primarily from NSW & QLD operations.
- YAL generates a substantial amount of free cash flow - \$430m in Sept 2024 quarter (\$1.7bn annualised).
- Expected FY25 free cash flow yield of 17% and a PEG of 0.4
- YAL's balance sheet is very strong - \$1.98bn in net cash – to be used for future growth or shareholder returns.

Stanmore Resources (SMR)

- SMR is a pure-play metallurgical coal producer in QLD's Bowen Basin.
- SMR has successfully de-levered its balance sheet, reducing financial risk, following its acquisition of BMA's metallurgical coal assets in May 2022. In March 2024, SMR paid a maiden dividend of 13c with further future returns to shareholders likely.
- Expected FY25 free cash flow yield of 14%.



PE Expansion Positions

- We have been invested in Suncorp (SUN), QBE Insurance (QBE) and Origin Energy (ORG) for a number of years.
- When we invested in these positions all three companies were on a low PE ratio and had good growth prospects. Suncorp and QBE were able to increase premiums in an inflationary environment, and Origin was seeing significant growth from its 23% shareholding in Octopus Energy in the UK.
- The share price of all three companies has been trending up over the last few years and their PE and PEG ratios have increased.
- A key part of the Cadence process is to follow the trend and while these three companies may not meet our fundamental criteria for investment at the moment (because they now have a PEG ratio above 1) we only look to sell when the share price trend changes.
- At this stage the share price of all three companies is still trending up



Some CDO Trading Positions

Trading opportunities have started to present and CDO has been taking on new trading positions. In cases where the stocks have enough liquidity, the trades are also done in CDM.

IperionX (IPX)

IPX is a US based company that has developed technology to produce titanium at a significantly lower cost than current industry methods. The company is scaling up its production facility and is winning contracts with the US government and OEMs.

Echo IQ (EIQ)

EIQ is a medical technology company that uses artificial intelligence to detect heart failure. The company's technology received FDA approval in October and recently announced an integration agreement with Beth Israel Deaconess Medical Centre, Boston USA.

Titomic Limited (TTT)

TTT has developed cold spray technology to be used in additive metal manufacturing and advanced coatings & metal repairs. The cold spray creates stronger and more durable parts for aerospace, defence, and industrial applications. The company is expanding its manufacturing footprint into the US.

Solvar (SVR)

SVR is a lending business that is being turned around with an improving business profile. The company is trading at <1x book value and is exiting its loss-making NZ business.



Outlook

- We expect asset and commodity price volatility to remain high in the coming months.
- Growth in China / Asia appears to be slowing with the property sector dragging on the economy and causing weak consumer and investor confidence. China is continuing to stimulate and re-stimulate until the economy and financial markets starts to improve.
- Trump winning the US election has created more uncertainty. The US is going for growth at the expense of the rest of the world.
- Gold prices have fallen following the US election. The geopolitical environment has become more uncertain, bond yields have risen, and any tariffs should cause more inflation. Gold prices are now recovering to be on trend again.
- The U.S. Government continues to issue USD \$1 trillion of new debt every 100 days. The results of the election do not appear to have changed this.
- Huge amount of public spending in Australia. IMF have requested Australia to include all expenses in their budget instead of placing some of their expenses into special purpose vehicles.



Outlook (Continued)

- Interest rates have been rising since 2020. We continue to believe that the current uptrend in interest rates is one of the most important trends to monitor in determining the direction of future asset prices.
- There was media speculation the Reserve Bank would cut rates, but this has not happened, and rates appear to be on hold for now.
- Interest rates are mooted to be falling in USA faster than in Australia. Australia was slower to raise interest rates than USA and they are uncharacteristically low in Australia compared to the USA.
- Top 5 exports in Australia:
 - Coal
 - LNG
 - Iron Ore
 - Inbound Tourism
 - Education (This previously was the 4th largest now the 5th largest)



Outlook (Continued)

- Demand for electric vehicles has collapsed in Europe and other western countries. Electric vehicle growth in China remains strong. China is largely 'dominating' EV's globally after adopting the strategy a long time ago.
- Stock markets are still rising despite interest rate expectations increasing and companies recording lower profit growth.
- The PE ratio of the Australian stock market is now above 20.
- Fewer stocks are meeting both our fundamental and technical criteria, but they do exist. We have found international stocks meeting our criteria.
- Opportunity always emerges especially as a patient investor.
- We continue to focus on implementing the Cadence process that has served us well through market cycles.



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