



Cadence Capital Limited



CDM Broker Update August 2015



Performance and Yield

Performance* to 31 July 2015	CDM**	All Ords	Outperformance
1 Month	6.78%	4.23%	+2.55%
1 Year	16.12%	5.41%	+10.71%
2 Years	36.03%	22.87%	+13.16%
3 Years	63.51%	50.72%	+12.79%
4 Years	77.21%	50.47%	+26.74%
5 Years	211.74%	56.43%	+155.31%
8 Years	178.25%	29.44%	+148.81%
Since Inception (9.8 years)	450.16%	86.75%	+363.41%
Since Inception Annualised (9.8 years)	18.93%	6.56%	+12.37%

* Gross Performance: before Management and Performance Fees

**Includes the franking value of RHG dividend received in May 2011

- *5 cent final and 1 cent special dividend equating to **7.6% fully franked annualised yield (10.9% grossed up).***
- September 2015 we will have **10 year numbers.**
- Outperformance over time and through different market cycles.



A Discount to NTA

NTA, Share and Option Prices 31st July 2015	Amount (\$)
CDM Share Price	\$1.445
CDM Option Price	\$0.006
CDMO Strike Price (Expires 31st August 2015)	\$1.430
Pre Tax NTA	\$1.487

- CDM has market capitalisation of \$325M and is 'liquid'.
- Shares trading **below** NTA.
- Options, plus strike payment, trading **below** share price and **below** NTA.
- All options exercised entitled to 6.0 cents (8.57 cents gross) fully franked dividend.
- Chairman Karl Siegling intends exercising his options.



Overseas Investments Performance

- Overseas investments outperformed and enabled the payment of an additional **1.0 cent fully franked special dividend**.
- In 2015 overseas investments delivered four times the returns of domestic investments. Currency contributed 1.3% to overall fund performance.
- CDM is a **trader** for tax purposes. CDM pays **Australian income tax** on **any** profits made (including on overseas investments). This enables CDM to pay **fully franked dividends** on **all** profits.
- CDM has continued to add to its overseas investments – currently approximately 59% of the portfolio:
 - 21% of domestic investments earn the majority of income overseas
 - 38% invested directly in global listed equities
- The investment universe and liquidity of the portfolio has significantly improved due to expansion into overseas investments.



Portfolio Top 20 Positions

Code	Position	Direction	Currency	Holding
MQG	Macquarie Group Limited	Long	AUD	12.9%
LUX IM	Luxottica Group SPA	Long	EUR	8.4%
HGG	Henderson Group Plc	Long	AUD	8.0%
GILD US	Gilead Sciences Inc	Long	USD	6.3%
MLB	Melbourne IT Ltd	Long	AUD	6.1%
MA US	Mastercard Inc	Long	USD	5.9%
NAB	National Australia Bank Ltd	Long	AUD	4.2%
RFG	Retail Food Group	Long	AUD	3.7%
BOQ	Bank of Queensland Ltd	Long	AUD	3.5%
V US	Visa Inc.	Long	USD	3.4%
ANZ	Australia & New Zealand Banking Group	Long	AUD	3.4%
MNK US	Mallinckrodt Plc.	Long	USD	3.4%
IIN	Ilnet Limited	Long	AUD	3.1%
AGN US	Allergan Plc.	Long	USD	2.7%
AIG US	American International Group	Long	USD	2.7%
WBC	Westpac Banking Corp.	Long	AUD	2.7%
RIO	Rio Tinto Ltd	Short	AUD	2.5%
CBA	Commonwealth Bank of Australia	Long	AUD	2.2%
C US	Citigroup Inc.	Long	USD	2.1%
AMGN US	Amgen Inc	Long	USD	1.6%
Top Portfolio Holdings Gross Exposure				88.80%



Outlook

- One year ago we said the AUD\$, Iron ore and Oil were in a downward trend. These trends are still firmly in place.
- Investing with the trend rather than against the trend is prudent
- In 2015/16 investing with the trend continues to mean avoiding or 'shorting' resources, investing further funds into global equities and holding overseas assets.
- A falling interest rate environment in Australia and a rising interest rate environment, particularly in the USA, will put increased pressure on the AUD\$. Interest on cash deposits are very low.
- A recovering USA, a stabilised Europe, an emerging South America and a strongly growing, though volatile Asia, should assist global markets in 'climbing a wall of worry'.
- 'Climbing a wall of worry' commenced after the GFC and has continued since, with pauses along the way.