

Cadence Opportunities Fund Limited

(ASX Code: CDO)

December 2024 Half Year Webcast

In this half year webcast, Karl Siegling first discusses the Company's half year results, its 6.5c fully franked interim dividend, the current composition of the portfolio and some of the Company's recent trading investments. He then gives some feedback from the recent reporting season, where he discusses price earnings expansion in some detail, before looking into the Company's investments in the gold sector and giving an update on some of Australia's other main resources. Karl finishes off by giving an update on the third quarter and the outlook for the rest of the year.

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

Regards,

Wayne Davies
Cadence Opportunities Fund Limited



Cadence Opportunities Fund Limited

Half Year Webcast December 2024



Half Year December 2024

- The portfolio was down 1.1% with a loss after tax of \$0.3m
- The top contributors to performance were Echo IQ, Netflix, Iperionx, Queensland Pacific Metals, Base Resources and Evolution Mining.
- The largest detractors from performance during the first half were Whitehaven Coal, Resolute Mining, Capstone Copper, Step One Clothing, Alcoa and BHP.
- A downturn in commodity prices led to Metals and Mining companies performing poorly over the last six months with the S&P/ASX 300 Metals & Mining Total Return Index down 3.1% during this time. A number of our investments were impacted by this downturn and have been reduced in size.
- Trading opportunities have improved over the past 6 months. CDO participated in the Echo IQ, Iperionx, Queensland Pacific Metals and Titomic equity raises which have all produced excellent returns for the fund.





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	7.0c	-	13.5c	19.3c
2025	6.5c	-	-	6.5c	9.3c
TOTAL	28.0c	39.0c	3.0c	70.0c	100.0c

- 6.5 cps fully franked interim dividend.
- The interim dividend equates to an **7.6% annualised** fully franked yield or a **10.9% gross yield** (grossed up for franking credits) based on the share price on the date of the announcement of \$1.70 per share.

3



Interim Dividend - DRP

- After paying this final dividend, the Company still has 13.5 cents per share of profit reserves to pay future dividends.
- The Ex-Date for the dividend is 10th April 2025. The payment date for the dividend is 30 April 2025.
- The DRP is in operation for this interim dividend. The DRP will be priced at the weighted average share price over the relevant DRP pricing period. At the time of writing this presentation CDO share price is trading at a pre-tax NTA discount of around 15%.
- 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 issues under the DRP.
- The buy-back will operate when the CDO share price is trading at a discount to the Pre-Tax NTA.

4





CDO Portfolio

Sector Analysis of Portfolio (28 February 2025)

Sector	Long	Short	Net
Basic Materials	30.5%		30.5%
Communications	12.5%		12.5%
Financial	8.9%		8.9%
Energy	7.6%		7.6%
Technology	6.5%		6.5%
Insurance	6.1%		6.1%
Consumer, Non-cyclical	3.9%		3.9%
Industrial	1.3%		1.3%
Utilities	1.2%		1.2%
Consumer, Cyclical	2.8%	-3.5%	-0.7%
Net Cash Holdings and Tax Asset			22.1%

- CDO has a very liquid and diversified portfolio
- The company holds around 45 positions with the largest position 7% of the fund.
- CDO has recently been increasing its cash holding

20 Top Holdings (Both Long and Short) 31 January 2025 (Delayed)

Code	Position*
AA US	Alcoa Corp
AEL	Amplitude Energy Ltd
XYZ US	Block Inc
EQ	Echoiq Ltd
EVN	Evolution Mining Ltd
GYG	Guzman Y Gomez Ltd
META US	Meta Platforms Inc
NFLX US	Netflix Inc
QBE	QBE Insurance Group Ltd
QPM	Queensland Pacific Metals Ltd
RPL	Regal Partners Ltd
RBX CN	Robex Resources Inc
SVR	Solvar Ltd
STP	Step One Clothing Pty Ltd
SUN	Suncorp Group Ltd
TCG	Turaco Gold Ltd
WAF	West African Resources Ltd
WGX	Westgold Resources Ltd
WHC	Whitehaven Coal Ltd
YAL	Yancoal Australia Ltd

* In Alphabetical Order

5



Trading Activity

Trading opportunities have improved over the past 6 months.

- Echo IQ (EQ) - Placement

EQ 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.

- Iperionx (IPX) – Placement

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. We took a position in IPX through an equity placement and sold it for a profit after the share price started to turn down from its highs.

- Queensland Pacific Metals (QPM) - Placement

QPM is an emerging gas and energy company. Management acquired the Moranbah Gas Project for bargain prices, have restarted the project and delivered a significant increase in production and reserves. QPM is now poised to grow as a standalone gas business. If management continue to execute, QPM will soon become a position that meets our core criteria.

6





Trading Activity (Cont'd)

- Base Resources/ Energy Fuel Scheme of Arrangement

CDO took advantage of an arbitrage opportunity by going long Base Resources and short Energy Fuels. When the scheme of arrangement became effective in September our positions offset each other, and the arbitrage profit was realised.

- Titomic (TTT) – Placement

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. TTT is expanding its US manufacturing footprint.

- De Grey Mining (DEG) – Placement

DEG is a gold development that is expected to go into production in the second half of CY26. The company raised equity and refinanced its debt to fund its Hemi Gold Project. We sold the position after the share price ran and started to rollover.

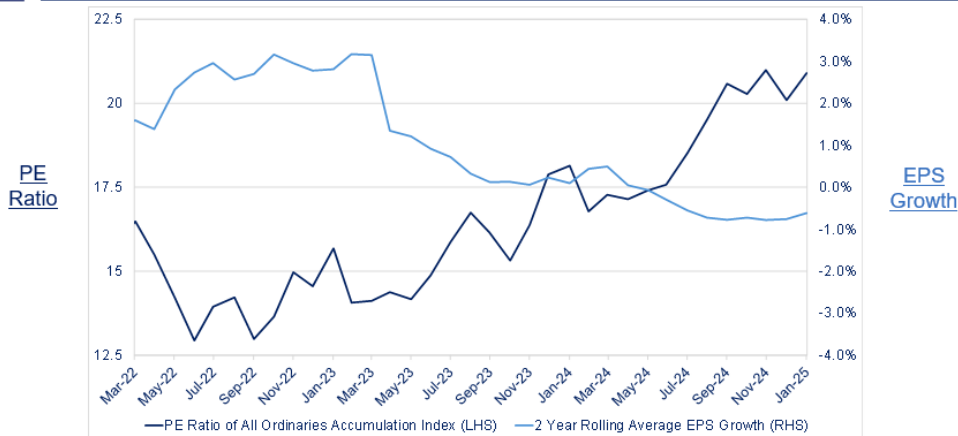
- Spartan Resources (SPR) – Placement

SPR is a gold producer in WA focused on growing high-grade gold ounces. They recently raised equity to develop their underground mine and announced a proposed merger with Ramelius.

7



Price Earnings (PE) Expansion (updated)



- 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

8





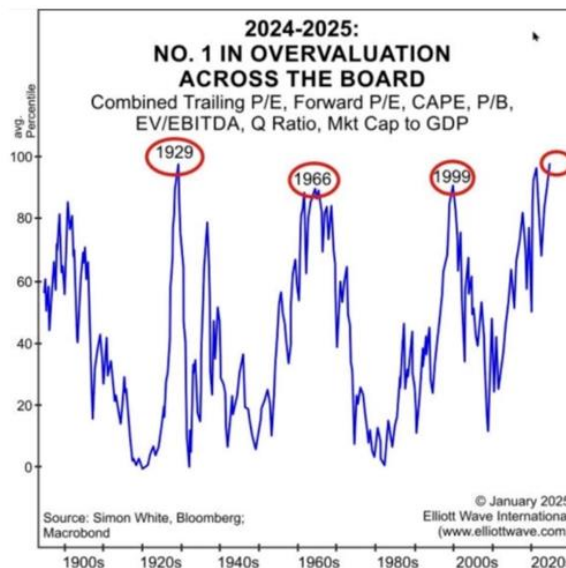
Price Earnings (PE) Expansion

- Commonwealth Bank (CBA) and Sigma Healthcare were the top two contributors to the All-Ordinaries index performance over the last six months.
- Both are high PE stocks that are becoming more expensive
- CBA is on a PE of 25 growing at 3% to 4% per year.
- Sigma has just merged with Chemist Warehouse and is on a PE of 60 in 2026. Chemist Warehouse sales grew 13% compared to last year.
- Both of these stocks are on a PEG ratio well above one, and do not meet the Cadence fundamental criteria.
- PE expansion has benefitted our existing Suncorp and QBE investments, which were made a number of years ago when Suncorp and QBE were able to increase premiums in an inflationary environment.
- A key part of the Cadence process is to follow the trend and while Suncorp and QBE may not meet our fundamental criteria and are currently therefore trades (because they now have a PEG ratio above 1) we only look to sell when the share price trend changes.

9



Price Earnings (PE) Expansion

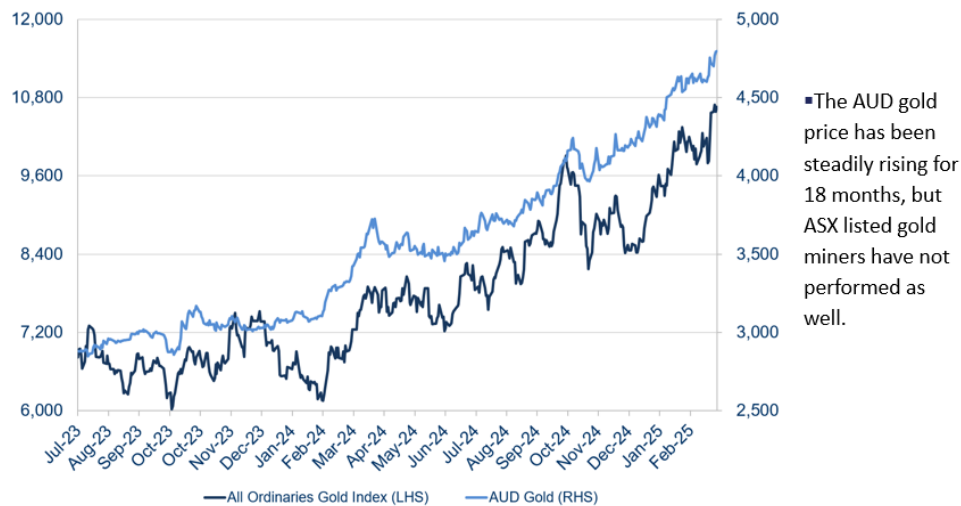


10





Gold vs Gold stocks



■ 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.

11



Evolution Mining (EVN) – Long (Core)

Stock Profile EVN

Long Position (FY25e)

EPS Growth	101%
PE	15x
PEG	0.2
OCF yield	12%
FCF yield	6%
Net debt	\$1.2b
Market Cap	\$12.8b

Fundamental Analysis

- EVN has positioned itself as a leading gold and copper producer with assets in the Tier 1 jurisdictions of Australia and Canada.
- A combination of strong operating performance and gold price tailwinds resulted in EVN delivering record 1H FY25 underlying profit of A\$385m.
- Its low-cost base with AISC of A\$1,638/oz helped deliver A\$435m of net mine cash flow and a reduction in its net debt position with gearing now 23%.
- EVN is targeting a further reduction in gearing to 20% during FY25.
- FY25 guidance suggests sustained production rates and incrementally higher net mine cash flows.

12





Evolution Mining (EVN)



13



Other gold positions

Calibre Mining (CXB CN)

CXB is a mid-tier gold producer in the Americas. A recent C\$345m acquisition of Marathon Gold provides a large scale, long-life, low-cost asset called Valentine in Canada which will help materially grow production, diversify the asset base, and reduce the risk profile. Valentine is expected to pour first gold in Jun.Q'25 with construction over 90% complete. Gold production is expected to increase from 240kozpa in 2024 to 280 – 380kozpa in 2025 with further improvements into 2026. A proposed merger with Equinox Gold (EQX CN) if executed may add further production growth.

WestGold Resources (WGX)

WGX completed its merger with Karora Resources, taking its gold production from 225kozpa in FY24 to 330 - 350kozpa in FY25 and to +400kozpa from FY26. This will make WGX one of the largest producers in Australia. We look to the delivery of the +400kozpa run rate from Jun.Q'25 as a key near-term catalyst.

West Africa Gold (WAF)

WAF is a gold producer operating in Burkina Faso with an excellent management team that has a strong track record of delivery. Operating costs in Burkina Faso are significantly lower relative to Australian operations allowing for substantial cash generation. The delivery of its Kiaka growth project later in 2025 is expected to nearly double group production on a go-forward basis.

14





Other gold positions (Cont'd)

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. A maiden JORC Resource of 2.5Moz lays a solid foundation for additional drilling to delineate a commercial project for development.

Catalyst Metals (CYL)

CYL is a gold producer in W.A. led by a strong management team. It offers a sizeable organic growth profile with FY24 production of 105kozpa expected to increase to 200kozpa. CYL presents as one of the few gold producers with material organic growth options, a strong balance sheet and attractive valuation metrics.

Resolute Mining (RSG)

The RSG share price fell after its CEO was detained in Mali last year. Led by a new CEO with a focus on returning capital to shareholders, we continue to foresee an improvement in investor sentiment towards the stock. Notwithstanding, we recently reduced our exposure to RSG.

Pantoro (PNR)

PNR is another WA based gold producer with organic growth opportunities to grow production from less than 100kozpa towards 200kozpa. The tailwind of a rising gold price has materially improved PNR's operating margins placing it in a net cash position of \$100m and well funded to pursue further growth.

15



Energy and Resource Stocks



- S&P/ASX 300 Metals & Mining Total Return Index down 3.1% during past 6 months
- Most commodities were down. Gold performed well.
- We have reduced energy and resource positions

16





In summary: How CDO performed

First Half FY 2025 (Jul to Dec 24):

- Trading opportunities have picked up with trading opportunities such as Echo IQ, Iperionx, Queensland Pacific Metals, Titomic, De Grey Mining, Spartan Resources and Tasmea making CDO money
- All Ordinaries Index up 7%. The portfolio was not positioned to materially benefit from Price Earnings expansions as it only had a few trading positions that benefited from PE expansions
- Exposure to coal, gas, copper, aluminium, iron ore lost money
- Gold positions were a mixed bag. Evolution Mining and Robex Resources made money while Resolute Mining and West African Resources lost money
- CDO was conservatively positioned and made a small loss

Third Quarter FY 2025 (Jan to Mar 25):

- All Ordinaries Index down 8% from its high
- Gold Index up 3% during same period, been adding to gold positions which have been performing well for the fund
- Trading opportunities continuing to present
- Adding to short exposure
- CDO has had strong relative performance

17



Outlook

- Over the past six months the yield on government bonds has increased in both the US and Australia with markets concerned that the policies of the new US government will put upwards pressure on inflation.
- After the Reserve Bank of Australia (RBA) lifted interest rates 13 times since May 2022, they reduced interest rates by 25 basis points this month.
- This means Australian interest rates are below US interest rates which very rarely occurs. Over the past six months the yield on government bonds has increased in both the US and Australia with markets concerned that the policies of the new US government will put upwards pressure on inflation.
- The market continues to watch interest rates closely as they affect the valuation of all asset classes.
- The reporting season has largely shown earnings growth significantly below valuation expansions over the past few years, once again highlighting the growing gap between earnings growth and valuations.

18





Outlook (Cont'd)

- Within our own portfolio we have seen Price to Earnings expansion in companies such as QBE, SUN and ORG as well as overseas turnaround companies, including Netflix and Meta which previously met our Earnings Per Share Growth to Price Earnings multiples, now becoming stretched.
- Resources and Energy stocks, whilst relatively cheap, have not performed in line with the market as underlying energy and commodity prices have been under pressure, except for gold which continues to track higher.
- This has led to the Fund continuing to hold higher than normal cash levels.
- We are going through a period of significant change with the new government in the US and expect volatility to remain high in the coming months.
- We continue to focus on implementing the Cadence process that has served us well through market cycles.

19



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-cdo/

20





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.