



## **JUNE 2012 YEAR END WEBCAST PRESENTATION**

Please find Cadence Capital Limited's year end quarterly webcast presentation attached. We would encourage you to watch this webcast which can be found in the "News and Views" section of our website at [www.cadencecapital.com.au](http://www.cadencecapital.com.au) .

Kind regards

Karl Siegling  
**Cadence Capital Limited**



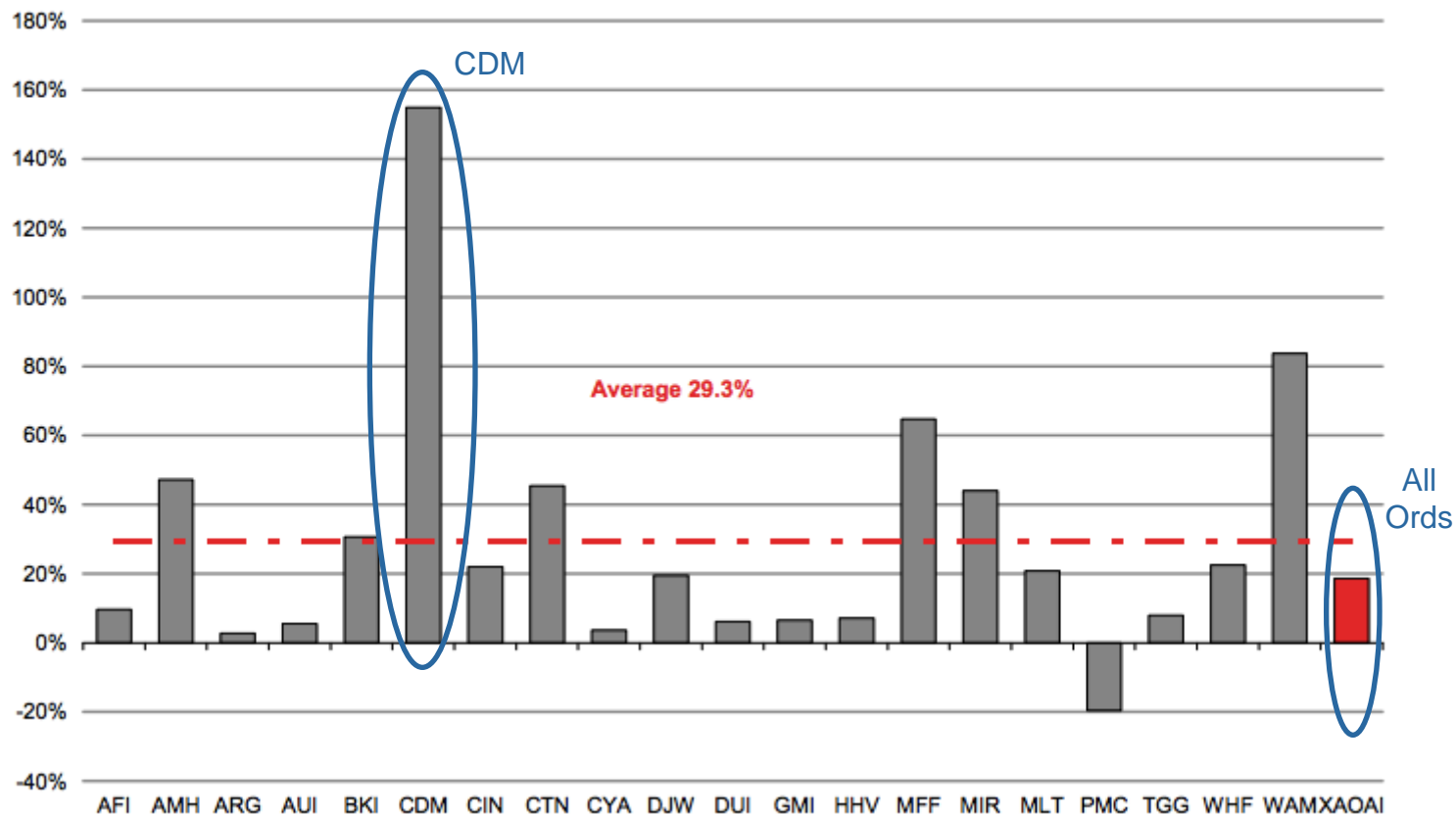
**Cadence Capital Limited**  
**Quarterly Webcast**  
**June 2012**

# Fund Performance

- Gross portfolio up +5.49% outperformed the All Ordinaries Accumulation Index by 12.53% and Small Ordinaries Accumulation Index by 20.10% for year to 30 June 2012. This was achieved whilst holding on average 33% in cash.
- Positions that performed well in 2012 were RHG Ltd, McMillan Shakespeare Ltd, Flexigroup Ltd, Bravura Solutions Ltd and Central Petroleum Ltd. Positions that underperformed were Coffey International Ltd and Firstfolio Ltd.
- Fund ranked by E.L & C Baillieu as the Number 1 Australian Equities Listed Investment Company over 3 and 5 years in the Listed Investment Company Sector report of 18th July 2012.

# Shareholder Return -3 years

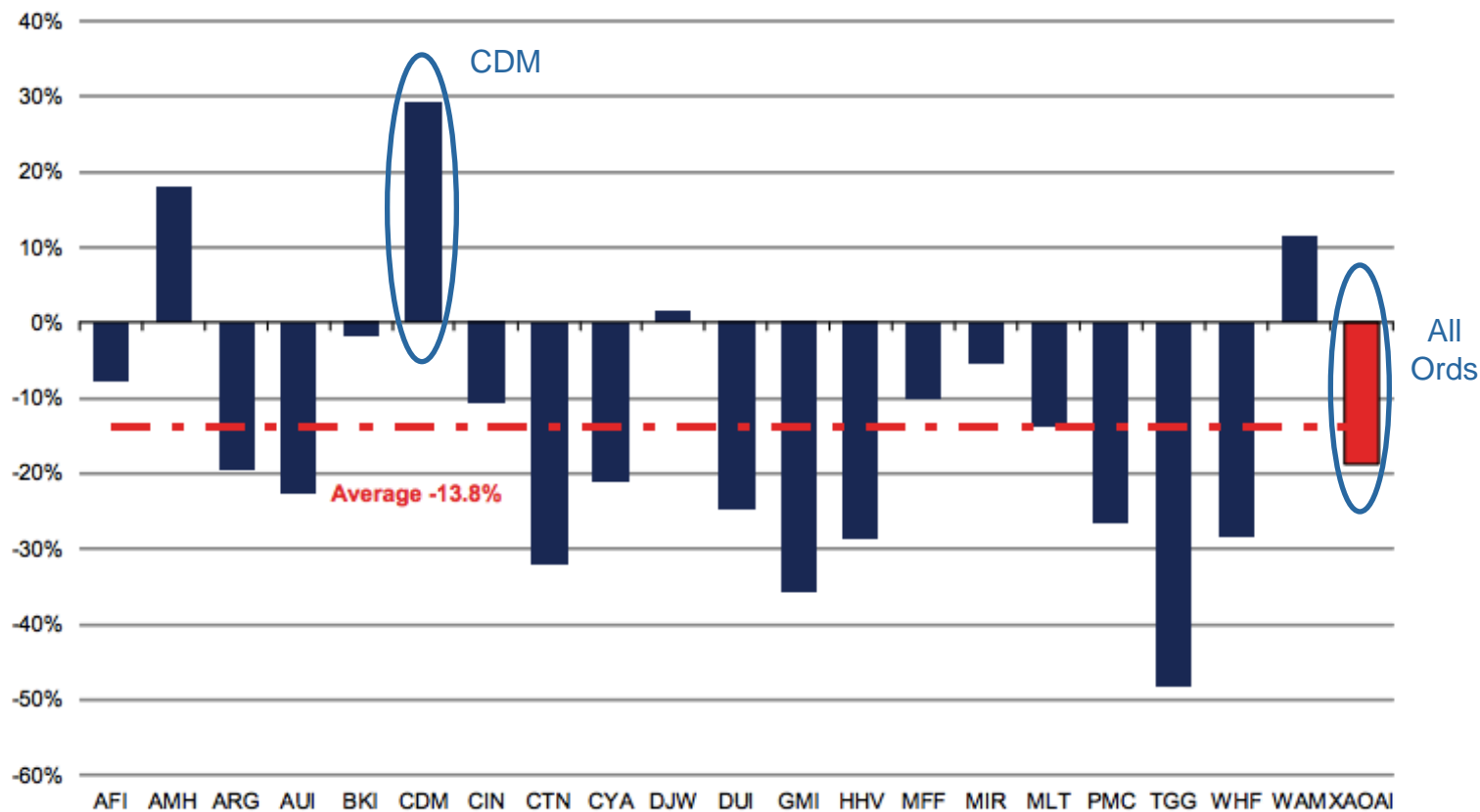
FIG.68: TOTAL SHAREHOLDER RETURN – % RETURN OVER 3 YEARS TO 30 JUNE 2012



Source: E.L. & C. Baillieu Stockbroking Ltd - Listed Investment Companies - Sector Report - 18 July 2012

# Shareholder Return 5 years

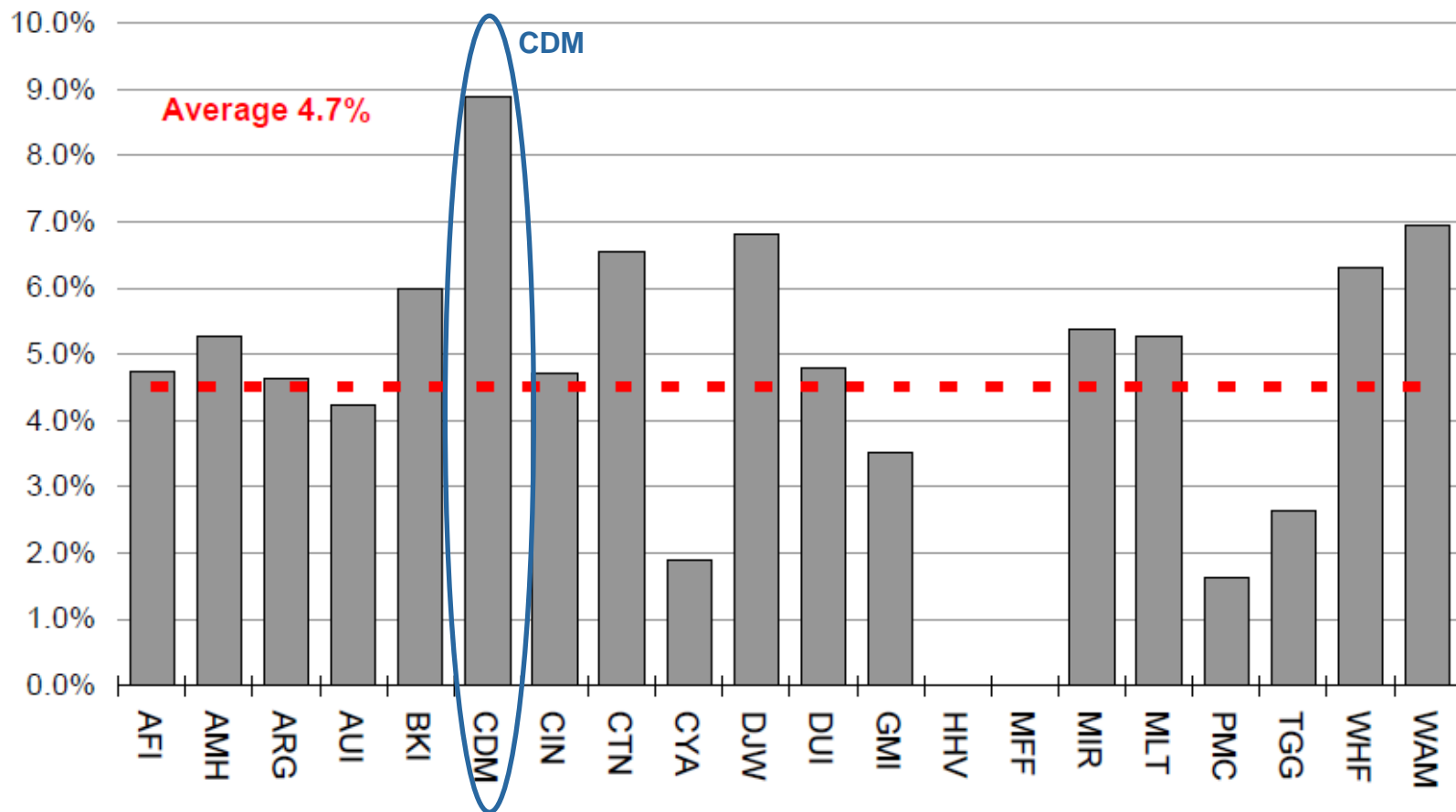
FIG.69: TOTAL SHAREHOLDER RETURN – % RETURN OVER 5 YEARS TO 30 JUNE 2012



Source: E.L. & C. Baillieu Stockbroking Ltd - Listed Investment Companies - Sector Report - 18 July 2012

# Dividend Yield

**FIG.3: DIVIDEND YIELD FOR SELECTED LICS**



Source: E.L. & C. Baillieu Stockbroking Ltd - Listed Investment Companies - Sector Report - 18 July 2012

## Portfolio Update

- **RHG Ltd (RHG)** – recently confirmed full year profit guidance of \$39 to \$44 million. Future fully franked dividends paid by RHG should continue to increase franking credits available to CDM shareholders.
- **Reckon (RKN)** – profit of \$9.3m for the half year ended June 30 continued the excellent track record of profit growth for Reckon. Rebranding project initiated.
- **Bravura Solutions (BVA)** – EBITDA upgrade announced in July – guidance for \$22m to \$24 EBITDA for the full year ending June 30. Shares are up approximately 10% since this announcement. The stock is trading on a 5 times EV to EBITDA multiple.

## Portfolio Update

- **Flexigroup (FXL)** – recently announced full year profit of \$61.3 million which is up 16% compared to last year, and exceeded guidance. FXL gave guidance for next year of 11% to 16% profit growth. Track record of strong profit growth continues. The CEO is to step down at the end of 2012 after almost 10 years with FXL. FXL shares are up almost 50% since the start of June quarter.
- **Coffey International (COF)** – in April COF downgraded their guidance for EBITDA for the year ending June 30. This was primarily a non cash write-down of goodwill in the Project Management division. This was disappointing as the company was expecting performance to turnaround following a strategic review in 2011. Recent financial results released in August were positive and COF share price has risen almost 50% from its lows.



## Dividends FY 2012

- Record 8.0 cent fully franked full year dividend: 4.0 cent final and 4.0 cent special dividend.
- DRP is operating at a **3% discount**.
- On the current CDM share price of \$1.30 this full year dividend represents a **6.15% yield**
- The 12.5 cents of dividends paid for the FY 2012 represent a **9.6% fully franked yield** on the current CDM share price of \$1.30
- This fully franked dividend yield represents amongst the highest fully franked dividend yields of all Listed Investment Companies in Australia

## Dividends FY 2013 Estimate

- The company's stated dividend policy is to have a **continuous** and **growing** dividend over time
- Assuming an interim and final dividend of 4 cents per share for 2013 and, **excluding potential special dividends**, the dividend yield over the next 13 months should be 16 cents fully franked per share or **12.8% based on the \$1.25 CDMO strike price**
- Given the high levels of franking credits contained within the company, management will be recommending to the Board of Directors to pay additional Special Dividends
- Accumulated Franking and Profits Reserve provide relative certainty for future Interim and Final dividends as well **as the potential for Special Dividends**

# Franking and Tax Credits

## Franking Credits

- CDM has accumulated significant Franking Credits allowing the payment of approximately 21 cents of Fully Franked Dividends before earning any future profits or dividends.
- These franking credits create relative certainty around dividends over the next few years

## Tax Credits

- CDM can earn approximately 18 cents of profit per share before any future tax is payable. CDM has a large tax asset balance.
- As management we believe the large tax asset balance is not currently being valued within the CDM share price

# Options

- Cadence Capital Limited \$1.25 Options **expire on the 15th September 2012.**
- Options exercised will receive the 8.0 cent fully franked full year dividend.
- As at 15th August 2012 the Estimated Pre and Post Tax NTA's are \$1.345 and \$1.415 respectively and CDM close price on the ASX was \$1.31.
- As at 15th August 2012 the fully diluted Pre and Post tax NTA's (Assuming all Options are exercised) are \$1.315 and \$1.36. respectively.

# Options

- These options, ASX code CDMO, have value and we would encourage owners to exercise the options, or alternatively, to sell the options on market should they not wish to exercise them. As at 15th August 2012 CDMO was trading at \$0.042.
- The last day they can be traded on the ASX is the **7th September 2012.**
- An additional copy of the option exercise form will be sent out to shareholders in August.
- As Chairman of Cadence Capital Limited I intend to exercise my options.

# Summary and Outlook

Performance* to 31st July 2012	CDM**	All Ords	Outperformance
1 Month	3.93%	3.74%	+0.19%
1 Year	8.38%	-0.17%	+8.55%
2 Years	90.66%	3.78%	+86.88%
3 Years	125.74%	14.33%	+111.41%
4 Years	113.76%	1.11%	+112.65%
5 Years	70.18%	-14.12%	+84.30%
Since Inception (82 months)	236.48%	23.91%	+212.57%
Since Inception Annualised (82 months)	19.43%	3.19%	+16.24%

\* Before Management and Performance Fees

\*\*These numbers include the franking value of the substantial RHG dividend received in May 2011

- It is important to reiterate when looking at our long term numbers, that we remain committed to outperforming the All Ordinaries Accumulation Index over time and hope to maintain a record of 10% to 15% outperformance.

# Summary and Outlook

- The CDM investment approach remains unchanged since inception and since listing 6 years ago.
- We will continue to seek out stock specific and industry specific returns.
- The macroeconomic environment, uncertainty and ambiguity currently being experienced will probably continue.
- Consequently index tracking or index replicating strategies will continue to experience volatility with continued uncertain return profiles.
- Investment approaches designed to try and guess where the All Ordinaries Index will end on 30th June 2013, should continue to struggle in this environment.
- Current poor returns for Australian Equities will not continue indefinitely.
- Cash should not out perform equity investment in the medium to long term.

# Summary and Outlook

- A high performing and highly ranked Listed Investment Company.
- Amongst the highest yielding Listed Investment Companies.
- Relatively 'locked in' dividend stream for the year ahead and for the medium term.
- The CDM DRP will be operational this year with a 3% discount to the share price.
- The next 18 cents of profit earned in the fund are 'tax free'.
- CDM is holding relatively high levels of cash (32% cash) and is ready to invest as and when opportunities present.
- In this environment opportunities should and will appear.