

Cadence Capital Limited returned a negative performance of 7.1% in February, underperforming the All Ordinaries Accumulation Index by 4.6% for the month. The largest detractors from performance during February were AMP, Domino's Pizza, BHP, Syrah Resources, Citi Chic Collective, Tietto Minerals and Star Entertainment Group. The top contributors to performance were Red 5, Genworth Financial and QBE Insurance.

Equity markets declined in February led by the resource and financial sectors which were down 6.9% and 3.1% respectively. Financial conditions continued to tighten during the month, with the RBA and the US Federal Reserve raising interest rates by 0.25% to 3.35% and 4.75% respectively. The reporting season on the ASX was weaker than expected, with nearly 50% of companies missing earnings expectations, significantly above the longer-term average of 30%. Many companies are finding it difficult to maintain profit margins in an environment of ongoing inflation pressure and demand that is starting to falter.

Portfolio performance was impacted by stocks in turnaround situations where progress was slower than hoped. For example, AMP traded weaker post its result as divestments and cost cutting measures are taking longer than expected, however we believe a large amount of its market capitalization remains in surplus capital that is likely to be returned to shareholders. Domino's Pizza was also sold off heavily following results that showed sales were weaker than expected despite price rises, suggesting customers were more price sensitive than originally thought. The fund has exited its DMP position. Star Entertainment issued a downgrade as a result of the increased regulatory oversight into operations and undertook a \$800m capital raise at \$1.20 p/share to repair the balance sheet.

Elsewhere, the main positive contributors to performance were short positions in selected mining companies such as Red 5 which needed to undertake an emergency \$80m capital raise after raising \$60m only four months ago. Strong results from insurance companies Genworth Financial and QBE Insurance also contributed to performance. These businesses are simplifying their operations and are benefitting from the trends of higher inflation and higher interest rates.

### **Fully Franked Half Year Dividend**

On the 3<sup>rd</sup> February the Board declared a 4.0 cent fully franked half-year dividend. This interim dividend equates to an 8.6% annualised fully franked yield or a 12.2% gross yield (grossed up for franking credits) based on the share price on the date of the announcement of \$0.935 per share.

After paying this dividend the Company still has 22 cents per share of profits reserves to pay future dividends. The Ex-Date for the dividend is the 14 April 2023. The payment date for the dividend is the 28 April 2023. The dividend re-investment plan (DRP) will not be in operation for this interim dividend as the Company's shares are trading at a discount to the underlying NTA.

## Fund NTA

Net Tangible Assets as at 28th Feb 2023	Amount (\$)
Pre Tax NTA*	\$0.931
Post Tax NTA*	\$1.087
Share Price (ASX Code: CDM)*	\$0.900

\*Before the 4.0 c fully franked interim dividend, ex-date 14 April 2023

## Fund Gross Performance

Gross Performance* to 28th Feb 2023	CDM	All Ords Accum	Outperformance
1 Month	-7.1%	-2.5%	-4.6%
YTD	1.1%	13.8%	-12.7%
1 Year	-5.7%	6.0%	-11.7%
3 Years (per annum)	11.8%	8.5%	+3.3%
5 Years (per annum)	1.9%	8.0%	-6.1%
10 Years (per annum)	5.1%	8.1%	-3.0%
Since Inception (17.4 years) (per annum)	11.5%	7.1%	+4.4%
Since Inception (17.4 years) (total return)	562.6%	232.3%	+330.3%

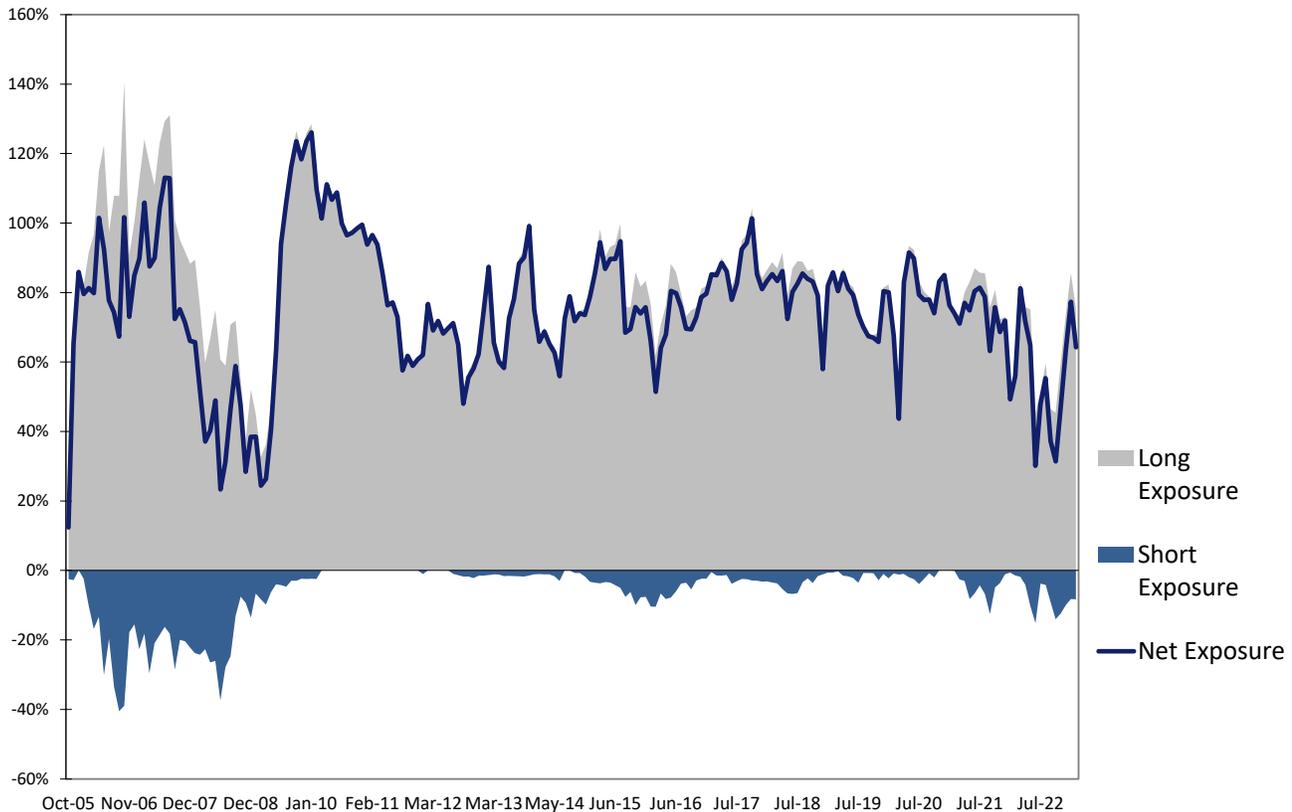
\* Gross Performance: before Management and Performance Fees

## Franked Dividends Declared Since Listing

Calendar Year	Interim	Final	Special	Total	Gross (Inc. Franking)
2007	2.0c	2.0c	2.0c	6.0c	8.6c
2008	2.5c	2.2c*	-	4.7c	5.8c
2009	-	2.0c	-	2.0c	2.9c
2010	2.0c	2.0c	-	4.0c	5.7c
2011	3.0c	3.0c	3.0c	9.0c	12.9c
2012	4.0c	4.0c	4.5c	12.5c	17.8c
2013	5.0c	5.0c	1.0c	11.0c	15.7c
2014	5.0c	5.0c	-	10.0c	14.3c
2015	5.0c	5.0c	1.0c	11.0c	15.7c
2016	5.0c	4.0c	-	9.0c	12.9c
2017	4.0c	4.0c	-	8.0c	11.4c
2018	4.0c	4.0c	-	8.0c	11.4c
2019	3.0c	2.0c	-	5.0c	7.1c
2020	2.0c	2.0c	-	4.0c	5.7c
2021	2.0c	3.0c	-	5.0c	7.1c
2022	4.0c	4.0c	-	8.0c	11.4c
2023	4.0c	-	-	4.0c	5.7c
<b>TOTAL</b>	<b>56.5c</b>	<b>53.2c</b>	<b>11.5c</b>	<b>121.2c</b>	<b>172.1c</b>

\* Off market Equal access buyback

## Historic Portfolio Exposure



## Portfolio Sector Analysis

Sector	Long	Short	Net
Basic Materials	29.7%	-3.4%	26.3%
Energy	12.6%		12.6%
Consumer, Non-cyclical	11.9%	-1.8%	10.1%
Financial	6.8%	-1.3%	5.6%
Communications	4.6%		4.6%
Consumer, Cyclical	3.4%	-1.0%	2.4%
Insurance	2.1%		2.1%
Technology	2.0%		2.0%
Retailing	1.4%		1.4%
Utilities	0.8%		0.8%
Banks		-1.6%	-1.6%
Industrial	0.4%	-2.2%	-1.8%
	<b>75.7%</b>	<b>-11.3%</b>	<b>64.4%</b>
<b>Net Cash Holdings and Tax Asset</b>			<b>35.6%</b>

## Top 20 Portfolio Positions

Code	Position*	Direction	Currency Exposure
AKE	Allkem Ltd	Long	AUD
AMP	AMP Ltd	Long	AUD
BHP	BHP Group Ltd	Long	AUD
CS CN	Capstone Copper Corp	Long	AUD
CHN	Chalice Gold Mines Ltd	Long	AUD
DAC US	Danaos Corp	Short	AUD
GNW US	Genworth Financial US	Long	AUD
LYC	Lynas Rare Earths Ltd	Long	AUD
MEG CN	MEG Energy Group	Long	AUD
NCM	Newcrest Mining Ltd	Long	AUD
NHY NO	Norsk Hydro ASA	Long	AUD
QAN	Qantas Airways Ltd	Long	AUD
QBE	QBE Insurance Group	Long	AUD
SYA	Sayona Mining Ltd	Short	AUD
SMR	Stanmore Coal Ltd	Long	AUD
SYR	Syrah Resources Ltd	Long	AUD
TEVA US	Teva Pharmaceutical Industries	Long	AUD
TGH US	Textainer Group Holdings Ltd	Short	AUD
TIE	Tietto Minerals Ltd	Long	AUD
THL	Tourism Holdings Rentals Ltd	Long	AUD

\* In Alphabetical Order

## Portfolio Market Capitalisation Analysis

Market Capitalisation	Long	Short	Net
> AUD 1 Billion	61.8%	-10.1%	51.7%
AUD 500 Mill - AUD 1 Billion	7.1%		7.1%
AUD 250 Mill - AUD 500 Mill	1.9%	-1.3%	0.6%
AUD 100 Mill - AUD 250 Mill	3.8%		3.8%
0 - AUD 100 Mill	1.1%		1.1%
	<b>75.7%</b>	<b>-11.3%</b>	<b>64.4%</b>

**Net Cash Holdings and Tax Asset** **35.6%**

## News

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To watch CDM's half-year Audiocast [please click here](#). This Audiocast gives an update on the Company's performance, its portfolio composition, some of its current investment holdings and the outlook for the rest of the year.

Portfolio manager Jackson Aldridge was recently interviewed:

- Nadine Blayney Interviewed Jackson Aldridge on Ausbiz – 17 February 2023 ([Click here](#) to watch)
- Nadine Blayney Interviewed Jackson Aldridge on Ausbiz – 3 March 2023 ([Click here](#) to watch)

To view all previous Cadence webcasts and interviews please visit the [Media Section](#) of the website.

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