

INVESTMENT UPDATE

September 2023

Cadence Capital Limited returned a positive gross performance of 0.3% in September, outperforming the All Ordinaries Accumulation Index by 3.1% for the month. The top contributors to performance during September were Whitehaven Coal, Stanmore Resources, New Hope and QBE Insurance. The largest detractors from performance were Tietto Minerals and Netflix.

The price of coal rose significantly in September, which benefitted our investments in coal mining companies. We spoke about Whitehaven Coal recently in our year end audiocast, and how it was cheap at current coal prices. Stanmore Resources is also in a similar position, with a PE ratio below 5 based on its recently released half year result. With the recent hard coking coal price increases we expect Stanmore's second half result to be stronger than the first.

The QBE Insurance share price has continued its upward trend of the past three years after posting a first half result that included strong premium growth, and higher investment returns. One of the investment themes we discussed in our year end audiocast was that in periods of rising interest rates and inflation, sectors and stocks with pricing power tend to perform well, and this has been true for QBE Insurance.

Fully Franked Year-End Dividend

On 30th August 2023, the Company announced a 3.0 cents per share fully franked year-end dividend, bringing the full-year dividend to 7.0 cents per share fully franked. The full-year dividend of 7.0 cents per share fully franked equates to a 9.0% fully franked yield or a 12.8% gross yield (grossed up for franking credits) based on the share price of \$0.78 per share on the date the dividend was announced. After paying this dividend, the Company still has 18.7 cents per share of profit reserves to pay future dividends.

The Ex-Date for the dividend is 16th October 2023. The payment date for the dividend is 31st October 2023.

The dividend re-investment plan (DRP) will be in operation for this final dividend. The DRP will be priced at the weighted average share price over the relevant DRP pricing period. The Company has implemented an on-market buy-back to repurchase the shares it issues under the DRP. This buy-back will operate when the CDM share price is trading at a discount to the Pre-Tax NTA. Cadence Capital Limited is looking to support its DRP registered shareholders to reinvest their dividends at a discount to NTA, instead of leaving them to manage market orders for reinvesting their dividends.

If you are not registered for the DRP and you would like to participate, please contact Boardroom on 1300737760.

CDM Share Price discount to NTA

At the time of writing this newsletter, CDM is trading at a pre-tax NTA discount of around 8% whilst holding significant cash balances. If all the shares in the portfolio fell by 11%, the pre-tax NTA would still be above the share price. To put it another way, the shares in the portfolio can be bought at a 11% discount to their underlying value.

Fund NTA

Net Tangible Assets as at 30th Sept 2023	Amount (\$)
Pre Tax NTA*	\$0.815
Post Tax NTA*	\$1.008
Share Price (ASX Code: CDM)*	\$0.760

*Before the 3.0c fully franked final dividend (Ex date on 16 Oct 2023)

Fund Gross Performance

Gross Performance* to 30th September 2023	CDM	All Ords Accum	Outperformance
1 Month	0.3%	-2.8%	+3.1%
3 Years (per annum)	5.4%	10.8%	-5.4%
5 Years (per annum)	0.6%	6.8%	-6.2%
10 Years (per annum)	4.2%	7.6%	-3.4%
Since Inception (18.0 years) (per annum)	10.7%	6.9%	+3.8%
Since Inception (18.0 years) (total return)	526.8%	232.9%	+293.9%

*Gross Performance: before Management and Performance Fees

Franked Dividends Declared Since Listing

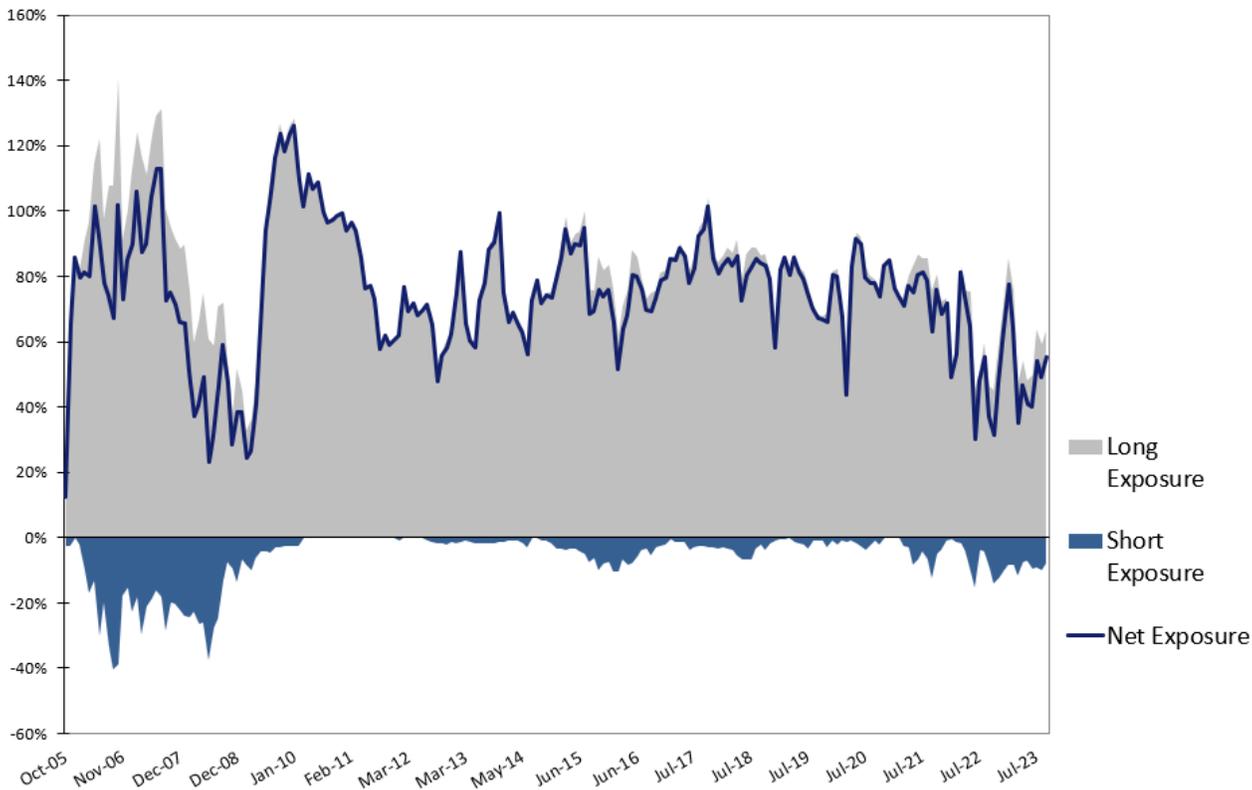
Calendar Year	Interim	Final	Special	Total	Gross (Inc. Franking)
2007	2.0c	2.0c	2.0c	6.0c	8.6c
2008	2.5c	2.2c*	-	4.7c	5.8c
2009	-	2.0c	-	2.0c	2.9c
2010	2.0c	2.0c	-	4.0c	5.7c
2011	3.0c	3.0c	3.0c	9.0c	12.9c
2012	4.0c	4.0c	4.5c	12.5c	17.8c
2013	5.0c	5.0c	1.0c	11.0c	15.7c
2014	5.0c	5.0c	-	10.0c	14.3c
2015	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	3.0c	-	7.0c	10c
TOTAL	56.5c	56.2c	11.5c	124.2c	176.4c

* Off market Equal access buy back

Portfolio Sector Analysis

Sector	Long	Short	Net
Energy	16.9%		16.9%
Basic Materials	17.5%	-5.4%	12.1%
Financial	8.0%	-0.8%	7.2%
Communications	7.0%		7.0%
Insurance	4.2%		4.2%
Consumer, Non-cyclical	4.0%		4.0%
Industrial	2.0%	-0.3%	1.7%
Utilities	1.5%		1.5%
Consumer, Cyclical	1.3%	-0.4%	0.9%
Technology	0.8%		0.8%
Banks	0.0%	-1.0%	-1.0%
	63.3%	-8.0%	55.3%
Net Cash Holdings and Tax Asset			44.7%

Historic Portfolio Exposure



Portfolio Market Capitalisation Analysis

Market Capitalisation	Long	Short	Net
> AUD 1 Billion	54.0%	-8.0%	46.1%
AUD 500 Mill - AUD 1 Billion	4.9%		4.9%
AUD 250 Mill - AUD 500 Mill	1.5%		1.5%
AUD 100 Mill - AUD 250 Mill	1.9%		1.9%
0 - AUD 100 Mill	1.0%		1.0%
	63.3%	-8.0%	55.3%
Net Cash Holdings and Tax Asset			44.7%

News

If you have not already done so, we would encourage you to watch the recently released [Year-End Audiocast](#). In this audiocast, Karl Siegling firstly provides an update on the Company's 2023 financial year performance, the 3.0c fully franked year-end dividend, the portfolio's composition and CDM's discount to NTA. Karl Siegling and Chris Garrard then discuss their investments in Meta Platforms, Whitehaven Coal and Westgold Resources. Karl Siegling then finishes with an update on the outlook for FY 2024.

We encourage you to visit our [52 books you should read before buying your next stock](#) page on our website. We have compiled a list of books/ documentaries that have influenced our investment style or helped provide insight into the Cadence investment process.

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