

Cadence Capital Limited returned a positive gross performance of 3.0% in December, underperforming the All Ordinaries Accumulation Index by 4.4% for the month, which was driven by high levels of cash. These high levels of cash protected the fund during the recent periods when the market moved downwards. During December the fund invested 9% of its cash as new investments were identified and as existing investments that continued to trend up were added to.

The top contributors to performance during December were Zillow Group, BHP, Meta Platforms, Whitehaven Coal, Stanmore Resources, Genworth Financial, Strike Energy and Capstone Copper. The largest detractors from performance were Meg Energy, QBE and Red5.

The Zillow Group share price rose over 40% in December. There were two main factors driving this increase. In the short term, interest rates in the US look like they have peaked, with the US Federal Reserve stating that “a lower target range for the federal funds rate would be appropriate by the end of 2024”. Higher interest rates have caused a slowdown in the US real estate market, which has impacted on Zillow’s revenue.

In the longer term there may be an opportunity for Zillow to utilise its number one position in US real estate listings to become more like realestate.com.au in Australia. A recent court case found that home buyers in the US should have more choice around whether to use a buyer’s agent, and how much commission the buyer’s agent should receive. This could lead to the US home buying process becoming similar to that in Australia where buyer’s agents are uncommon, and sellers are more focused on appealing directly to home buyers through quality listings on websites like Zillow.

Recent AGM Investor Briefing

To watch CDM’s AGM Investor Briefing [please click here](#). In this Investor Briefing, Karl Siegling starts by giving an update on CDM’s past and current year performance, discusses the portfolio and talks about some important market trends. Karl Siegling and Chris Garrard then discuss in detail some of the portfolio’s positions, namely Whitehaven Coal, Stanmore Resources, Westgold Resources, Newmont, Tietto Minerals, Boral, Netflix and Meta Platforms. Karl Siegling then closes with the outlook for 2024.

CDM Share Price discount to NTA

At the time of writing this newsletter, CDM is trading at a pre-tax NTA discount of around 15% whilst holding reasonably high cash balances. If all the shares in the portfolio fell by 18%, 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 an 18% discount to their underlying value.

Fund NTA

| Net Tangible Assets as at 31st Dec 2023 | Amount (\$) |
|---|-------------|
| Pre Tax NTA | \$0.825 |
| Post Tax NTA | \$1.007 |
| Share Price (ASX Code: CDM) | \$0.702 |

Fund Gross Performance

| Gross Performance* to 31st December 2023 | CDM | All Ords Accum | Outperformance |
|---|--------|----------------|----------------|
| 1 Month | 3.0% | 7.4% | -4.4% |
| 3 Years (per annum) | 2.7% | 8.9% | -6.2% |
| 5 Years (per annum) | 5.4% | 10.7% | -5.3% |
| 10 Years (per annum) | 3.8% | 8.2% | -4.4% |
| Since Inception (18.3 years) (per annum) | 10.8% | 7.3% | +3.5% |
| Since Inception (18.3 years) (total return) | 553.7% | 261.7% | +292.0% |

* Gross Performance: before Management and Performance Fees

Franked Dividends Declared Since Listing

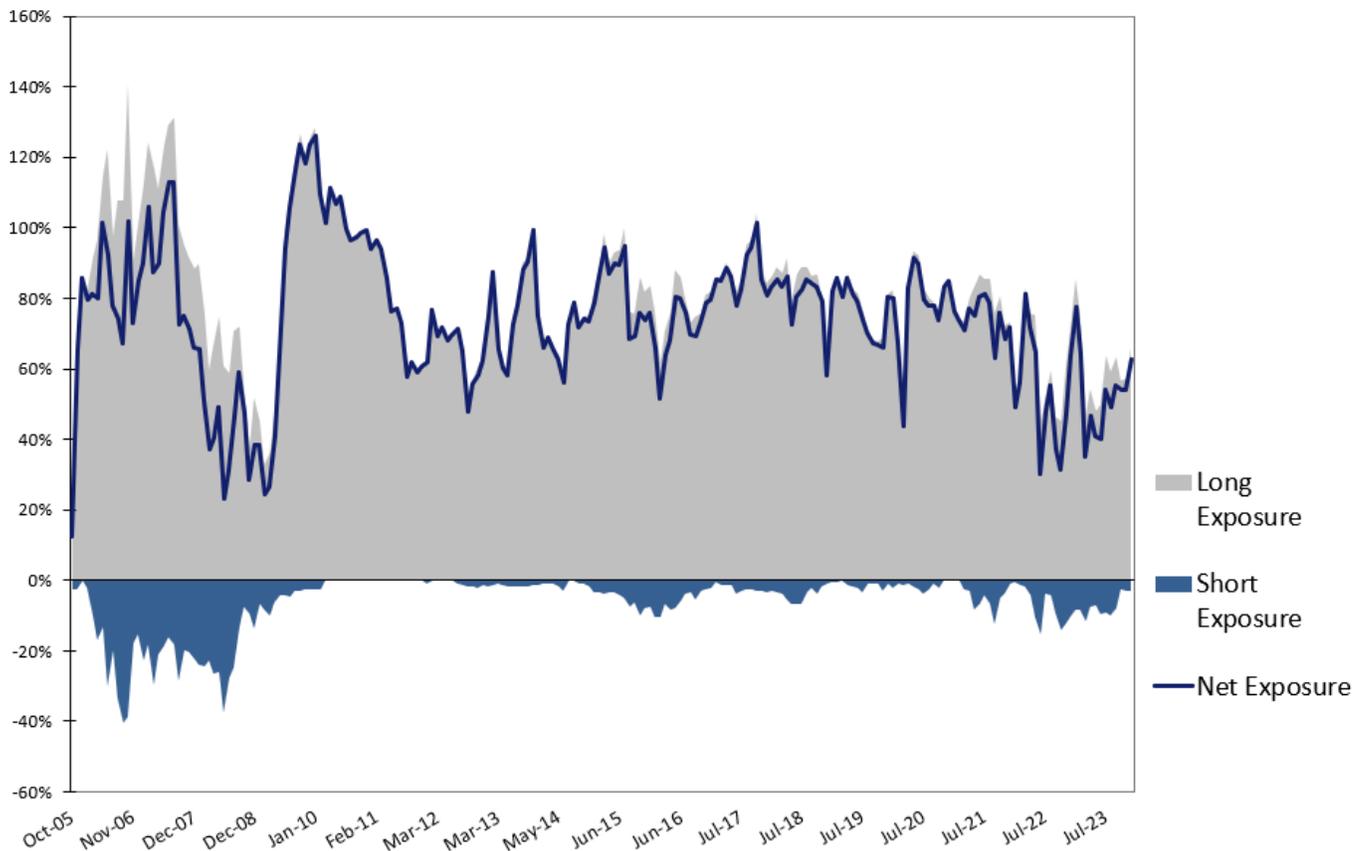
| Calendar Year | Interim | Final | Special | Total | Gross (Inc. Franking) |
|---------------|--------------|--------------|--------------|---------------|-----------------------|
| 2007 | 2.0c | 2.0c | 2.0c | 6.0c | 8.6c |
| 2008 | 2.5c | 2.2c* | - | 4.7c | 5.8c |
| 2009 | - | 2.0c | - | 2.0c | 2.9c |
| 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 | 18.1% | | 18.1% |
| Basic Materials | 17.9% | | 17.9% |
| Communications | 12.1% | | 12.1% |
| Financial | 6.1% | -0.9% | 5.2% |
| Industrial | 4.2% | -1.1% | 3.1% |
| Insurance | 4.0% | | 4.0% |
| Consumer, Non-cyclical | 1.4% | | 1.4% |
| Utilities | 1.2% | | 1.2% |
| Technology | 0.9% | | 0.9% |
| Banks | 0.0% | -1.1% | -1.1% |
| | 65.8% | -3.1% | 62.7% |
| Net Cash Holdings and Tax Asset | | | 37.3% |

Historic Portfolio Exposure



Portfolio Market Capitalisation Analysis

| Market Capitalisation | Long | Short | Net |
|--|--------------|--------------|--------------|
| > AUD 1 Billion | 52.9% | -3.1% | 49.8% |
| AUD 500 Mill - AUD 1 Billion | 8.3% | | 8.3% |
| AUD 250 Mill - AUD 500 Mill | 1.6% | | 1.6% |
| AUD 100 Mill - AUD 250 Mill | 2.5% | | 2.5% |
| 0 - AUD 100 Mill | 0.5% | | 0.5% |
| | 65.8% | -3.1% | 62.7% |
| Net Cash Holdings and Tax Asset | | | 37.3% |

News

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

We also 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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