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Cadence Capital Limited (ASX Code: CDM)
September 2018 Quarterly Webcast

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In this Webcast, Karl Siegling discusses the company's performance for the September 2018 quarter, including a more detailed review of two current positions in the portfolio, ARQ Group (ASX:ARQ) and Teva Pharmaceutical Industries (NYSE:TEVA). He then concludes with an updated outlook for the fund, and a brief overview of the upcoming Cadence Opportunities Fund IPO. You can pre-register for the **Cadence Opportunities Fund IPO** Prospectus here.

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Performance

Gross Performance* to 30th September 2018	CDM	All Ords Accum	Outperformance
1 Month	-0.2%	-1.1%	+0.9%
YTD	-2.8%	1.9%	-4.7%
1 Year	10.8%	14.7%	-3.9%
3 Years (per annum)	6.4%	12.4%	-6.0%
5 Years (per annum)	8.0%	8.4%	-0.4%
8 Years (per annum)	15.8%	8.5%	+7.3%
10 Years (per annum)	14.9%	7.7%	+7.2%
Since Inception (13.0 years) (per annum)	14.9%	6.9%	+8.0%
Since Inception (13.0 years) (total return)	509.2%	139.5%	+369.7%

* Gross Performance: before Management and Performance Fees

- Stocks that performed well this quarter:

  Aurelia Metals, BW Offshore, Credit Corp Group, Macmahon Holdings, Mayne Pharma Group, Money3 Corp, Noni B, Tesla (short position)

- Stocks that under performed this quarter:

  ARQ Group, Emeco Holdings, Janus Henderson Group, Lynas Corp, Teva Pharma, Longtable Group

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Final Dividend

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
TOTAL	**41.5c**	**42.2c**	**11.5c**	**95.2c**	**135.1c**

* Off market Equal access buy back

- During September, the Fund paid out its fully franked final dividend of 4.0c per share, taking the full year dividend to 8.0c per share, which equated to a 6.4% annual fully franked yield (9.1% gross yield) based on the CDM share price as at 30th June 2018 of $1.25
- Cadence Management participated in the DRP
- CDM gives investors a fully-franked yield with overseas stock exposure

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Top 20 Holdings – 30 September 2018

Code	Position	Direction	Currency	Holding
ARQ	ARQ Group Ltd	Long	AUD	12.5%
EHL	Emeco Holdings Ltd	Long	AUD	6.8%
MQG	Macquarie Group Ltd	Long	AUD	6.7%
NBL	Noni B Ltd	Long	AUD	6.0%
MNY	Money3 Corporation Ltd	Long	AUD	4.9%
STO	Santos Ltd	Long	AUD	3.7%
TEVA US	Teva Pharmaceutical-SP	Long	AUD	3.2%
NGI	Navigator Global Investments Ltd	Long	AUD	3.0%
SHJ	Shine Corporate Ltd	Long	AUD	2.7%
MAH	Macmahon Holdings Ltd	Long	AUD	2.4%
HOM	Homeloans Ltd	Long	AUD	2.2%
MYX	Mayne Pharma Group Ltd	Long	AUD	2.1%
JHG	Janus Henderson Group Plc	Long	AUD	2.0%
FXJ	Fairfax Media Ltd	Long	AUD	1.9%
LNG	Liquefied Natural Gas	Long	AUD	1.6%
HLO	Helloworld Travel Ltd	Long	AUD	1.5%
SMR	Stanmore Coal Ltd	Long	AUD	1.4%
AMI	Aurelia Metals Ltd	Long	AUD	1.4%
DOW	Downer EDI Ltd	Long	AUD	1.4%
BOL	Boom Logistics Ltd	Long	AUD	1.4%
Top Portfolio Holdings Net Exposure				**68.8%**

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ARQ Group (ASX: ARQ)

Stock Profile

Long Position	
EPS Growth	19%
PE	16x
PEG	0.8
OCF yield	10.3%
FCF yield	8.0%
Cash	$15M
Debt	$75M
Market Cap	$360M

Fundamental Analysis

- Whilst the half year result was close to our numbers, earnings guidance was below market expectations, leading to a negative share price reaction
- The company continues to exhibit solid earnings growth
- The stock now has a $360m EV with normalised EBITDA of around $40m putting the company on approximately 9.0x times EV/EBITDA
- We believe this is a very low multiple for the earnings stream ARQ delivers
- Long term trend remains intact

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ARQ Group – Long Position

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Teva Pharmaceutical Industries (NYSE:TEVA)

Stock Profile

Long Position

EPS Growth	8%
PE	8x
PEG	1.0
OCF yield	12.0%
FCF yield	9.2%
Cash	$927M
Debt	$26B
Market Cap	$24B

Fundamental Analysis

- A 'turnaround story' with the disastrous Allergen Generics acquisition causing stock to collapse as well as the changing generics landscape
- We initiated with a small initial position and added to our position as the $3B cost saving story gets underway, reducing headcount by 30% and closing down 75% of operating facilities
- Management are well incentivized to execute on strategy
- MYX, another position in the portfolio, is also benefitting from the recovery in the US generics industry

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Teva Pharmaceutical Industries – Long Position

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Outlook

- The market generally performed well through the third quarter, although has begun the fourth quarter with increased volatility
- If recent volatility continues, this is likely to result in increased investment opportunities for the fund, both long and short
- We are adding to several new positions which are performing well
- 'Blue chips' continue to underperform, however there has been pockets of strength, for example energy which has benefited from the recovery in oil prices and telcos which have rebounded from depressed levels on potential sector consolidation
- We will be launching the Cadence Opportunities Fund IPO over the coming months, a fund that will benefit in times of volatility with shorter term trends

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Cadence Opportunities Fund – CDO

- **Cadence Opportunities Fund** an **active trading** version of the Cadence Capital process
- **Long biased**, long-short strategy investing **domestically and internationally**
- Established use of our proprietary **Fundamental** and **Technical** research
- Using shorter duration trends produces alpha opportunities
- Smaller initial position sizes will facilitate more positions being entered and exited earlier within a trend. Up to 40 core and 40 trading positions
- This approach allows the Fund to readily enter and exit both long and short positions
- The strategy is likely to benefit in times of volatility and carry less overall net exposure (more cash on average)
- Additional Alpha (outperformance) will be generated from defined 'Trades'

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