

INVESTMENT UPDATE

December 2021

Cadence Opportunities Fund was down 2.1% in December, compared to the All Ordinaries Accumulation Index which was up 2.7% for the month. The Company has had a strong start to FY22 with the fund up 21.1% over the first six months of the year, outperforming the All Ordinaries Accumulation Index by 16.5%.

The final quarter of calendar year 2021 has seen a marked change in the performance of markets globally. Following the initial 'panic' of the Covid 19 pandemic, high-valuation growth stocks and smaller market capitalisation stocks experienced significant gains for nearly one and a half years. These stocks and the Small Ordinaries index, NASDAQ index and Russell 2000 index outperformed the larger indices and our funds benefitted significantly from being positioned in growth stocks and sectors that experienced significant growth, specifically technology related companies that traded on high multiples of earnings or were valued based on revenue multiples.

This trend experienced a significant reversal in late calendar year 2021 and many stocks within these indices were down between 40% and 50% during this period. For example, approximately 40% of stocks in the NASDAQ are down at least 50% from highs, whilst the index itself is down only 8%. Domestically, the average stock in the ASX 200 is down over 15% whilst the index is down only 1%. Generally speaking, larger capitalization value-style stocks have held up well whilst smaller capitalisation and growth-style stocks have experienced significant retracement and a reversal in trend.

Following the Cadence process of scaling into and out of positions and trends, the Portfolio saw cash levels increase to an average of 24% in the final quarter as a number of positions were exited or reduced. In addition, a number of new positions have been initiated in the portfolio related to trends that are emerging or strengthening across the resources and energy sectors. Specifically, this includes positions in BHP Billiton, Fortescue Metals, Champion Iron, Mineral Resources, OZ Minerals, Neometals, Jervois Mining, and Syrah Resources. These stocks have been performing well recently. A number of specific stocks that meet our criteria have also performed well including Johns Lyng, Tuas and Uniti Wireless.

This rotation in the underlying portfolio has led to underperformance in the short term but significant outperformance of over 150% for the previous two years. The construction of the portfolio is now significantly different to a year ago and is consistent with the fact that the investment environment is different to the last few years and we may actually be starting to experience a shift in longer term trends towards higher interest rates and inflation. In this scenario the stocks that will perform well will be very different to the stocks that have performed well previously. We are beginning to see the first signs of these trends.

We remain confident that the Cadence process will move us out of underperforming stocks into stocks that are trending well and meet our fundamental and technical criteria.

Fully Franked Half Year Dividend Declared

The Board has declared a 7.5 cents fully franked half year dividend, an annualised increase of 25% on last year's ordinary dividends, reflecting the strong performance of the company over the current year. This interim dividend equates to a 5.1% annualised fully franked yield or a 7.3% gross yield (grossed up for franking credits) based on the current share price of \$2.94 per share. CDO currently has a healthy profits reserves balance from which it can pay future dividends of around 60 cents per share (i.e. based off this interim dividend this equates to around 4 years of dividends before earning any future profits)

The Dividend Re-Investment Plan ("DRP") is in operation for the interim dividend. The issue price will be at a 5% discount to the weighted average of the prevailing share price over the relevant DRP pricing period.

The Ex-Date for the dividend is the 31st March 2022. The payment date for the dividend is the 14th April 2022.

Fund NTA

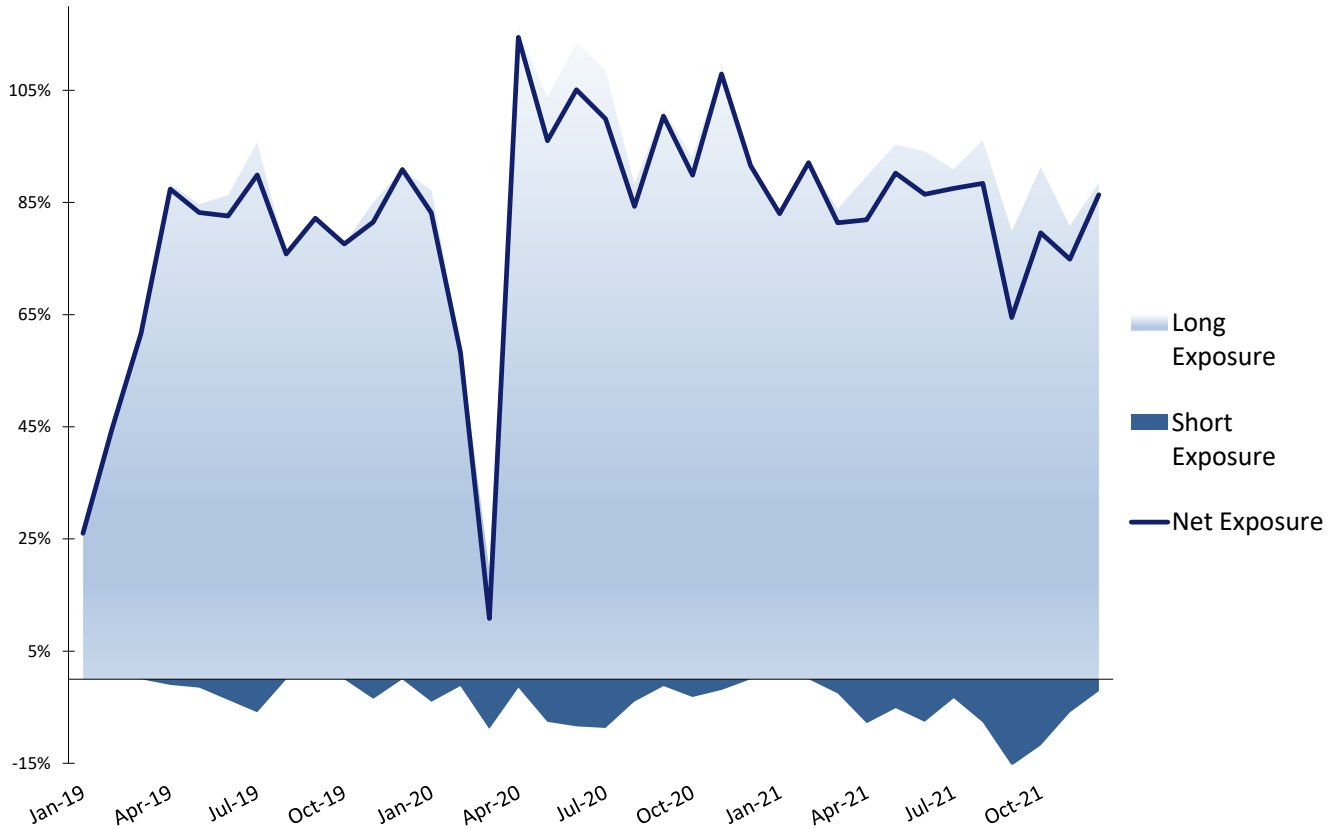
Net Tangible Assets as at 31st December 2021	Amount (\$)
Pre Tax NTA	\$2.700
Post Tax NTA	\$2.626
Share Price (ASX Code: CDO)	\$2.980

Fund Performance

Gross Performance* to 31st December 2021	CDO
1 Month	-2.1%
YTD	21.1%
1 Year	52.7%
2 Years (per annum)	68.2%
Since Inception (per annum)	56.0%
Since Inception (3.0 years) (total return)	279.5%

* Gross Performance: before Management and Performance Fees

Historic Portfolio Exposure



Portfolio Sector Analysis

Sector	Long	Short	Net
Technology	22.7%	-0.2%	22.4%
Communications	22.6%	-0.3%	22.3%
Basic Materials	20.1%		20.1%
Consumer, Cyclical	7.0%		7.0%
Industrial	4.4%		4.4%
Financial	5.7%	-1.6%	4.1%
Materials	3.3%		3.3%
Energy	2.9%		2.9%
	88.5%	-2.1%	86.4%

Net Cash and Tax Liabilities **13.6%**

For more information contact Cadence Opportunities Fund on 02 8298 2450 or email info@cadencecapital.com.au
Register to receive our FREE newsletter at www.cadencecapital.com.au/register-for-free-newsletter

Portfolio Positions

Stock Code	Position	Direction	Exposure	Stock Code	Position	Direction	Exposure
ANET US	Arista Networks Inc	Long	AUD	MAF	MA Financial Group	Long	AUD
ABB	Aussie Broadband Pty Ltd	Long	AUD	MRVL US	Marvell Technology Inc	Long	AUD
BET AU	Betmakers Technology Group Ltd	Long	AUD	MIN	Mineral Resources Ltd	Long	AUD
BHP	BHP Group Ltd	Long	AUD	NMT	Neometals Ltd	Long	AUD
CIA	Champion Iron Ltd	Long	AUD	NEWR US	New Relic Inc	Long	AUD
DTL	Data#3 Ltd	Long	AUD	ON US	On Semiconductor	Long	AUD
DHG	Domain Holdings Australia Ltd	Long	AUD	OPEN US	Opendoor Technologies Inc	Short	AUD
EXTR US	Extreme Networks Inc	Long	AUD	OZL	Oz Minerals Ltd	Long	AUD
FB US	Facebook Inc	Long	AUD	PSTG US	Pure Storage Inc	Long	AUD
FLT	Flight Centre Travel Group Ltd	Long	AUD	QCOM US	Qualcomm Inc	Long	AUD
FLTR LN	Flutter Entertainment	Long	AUD	REA	REA Group Ltd	Long	AUD
FMG	Fortescue Metals Group Ltd	Long	AUD	SMAR US	Smartsheet Inc	Long	AUD
HPG	Hipages Group Holdings Ltd	Long	AUD	SOFI US	Sofi Technologies Inc	Long	AUD
PI US	Impinj Inc	Long	AUD	SWP	Swoop Holdings Ltd	Long	AUD
IFL	IOOF Holdings Ltd	Short	AUD	TIE	Tietto Minerals Ltd	Long	AUD
JRV	Jervois Mining Ltd	Long	AUD	TUA	Tuas Ltd	Long	AUD
JLG	Johns Lyng Group Ltd	Long	AUD	TWLO US	Twilio Inc	Short	AUD
LRCX US	Lam Research Corp	Long	AUD	UWL	Uniti Group Ltd	Long	AUD
360	Life360 Inc	Long	AUD	UNI	Universal Store Holdings Ltd	Long	AUD
LOV	Lovisa Holdings Ltd	Long	AUD	WHC	Whitehaven Coal Ltd	Long	AUD

News

Cadence Opportunities Fund held its AGM and Investor Briefing in December 2021. At the Investor Briefing, Chairman Karl Siegling started by giving an update on the Company's recent IPO, performance, dividends, profits reserves and franking balances and its current portfolio structure. Portfolio managers Jackson Aldridge and Charlie Gray then discussed CDO's trading statistics and a number of the company's current positions. Karl Siegling closed off with the outlook for 2022. [Click here to view this Investor Briefing.](#)

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