

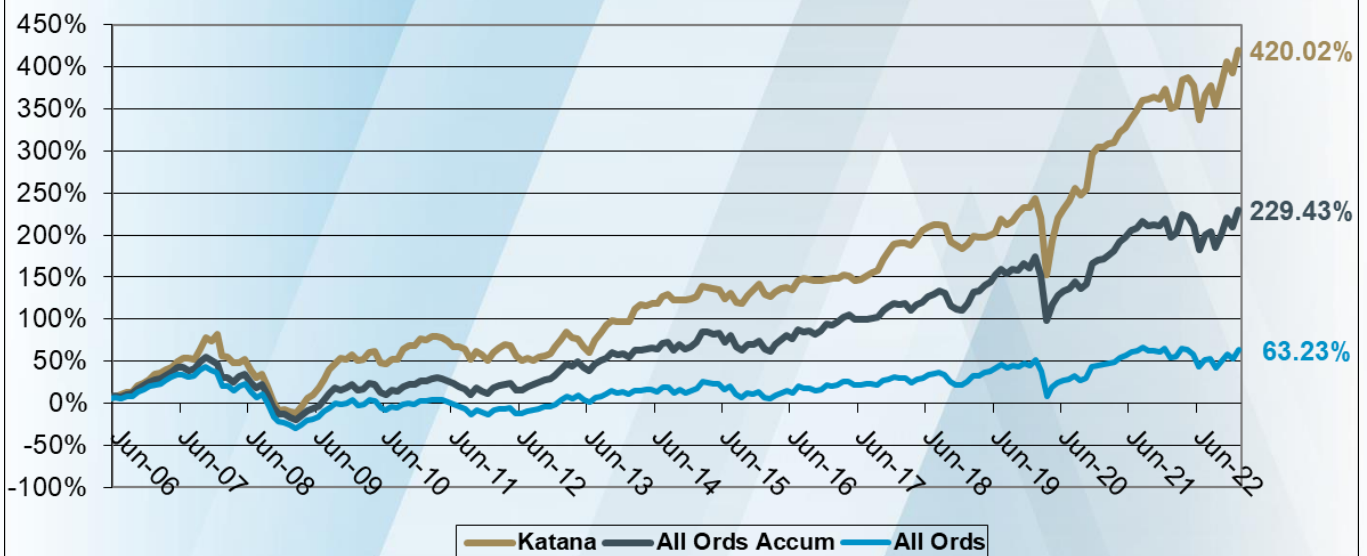
Katana Australian Equity Fund



People. Process. Passion. Performance

Performance at 31 January 2023	1 Month	1 Year	3 Years	5 Years	(Inception) 17 Years
Katana Investment Portfolio	5.58%	15.41%	14.78%	12.36%	10.13%
ASX All Ordinaries Accumulation Index	6.44%	10.54%	6.38%	8.64%	7.23%
Outperformance (pa)	-0.86%	4.87%	8.40%	3.72%	2.90%

**Katana Performance versus All Ordinaries Accumulation Indexes
(cumulative)**



Source: Katana Asset Management, strategy inception was January 2005. Fund net returns are post fees, pre tax using redemption prices and assume reinvestment of distributions. Dated 31/01/2023. Past performance is not an indicator of future performance

Key contributors:

- Mineral Resources** rebounded with renewed commentary on the strong fundamentals supporting the lithium market
- Norwest Energy** continued last month's rally following a takeover bid from Mineral Resources
- Allkem Ltd** also rebounded on the back of positive outlook commentary for the lithium market

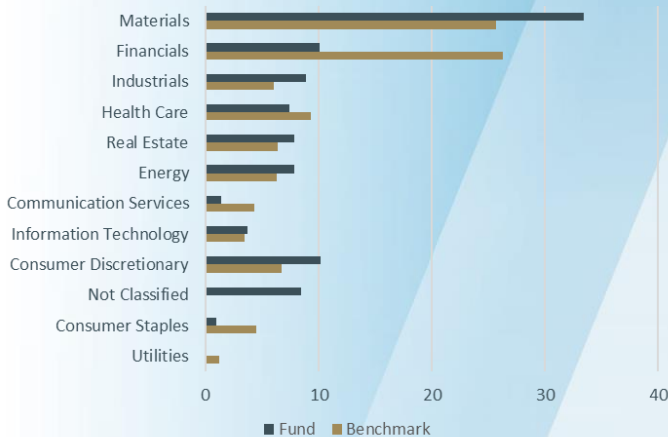
Key detractors:

- Beach Energy** saw follow-through selling after pulling their bid for Warrego Energy last month
- Megaport Ltd** delivered a disappointing quarterly result missing on growth numbers
- Nitro Software** was weaker following concerns information relating to a takeover was leaked in media speculation

Top 10 Holdings

Company	Weight
Mineral Resources Ltd	8.26%
CSL Ltd	4.10%
Aristocrat Leisure Ltd	2.76%
Seven Group Holdings Ltd	2.63%
Wesfarmers Ltd	2.42%
Macquarie Group Ltd	2.39%
Allkem Ltd	2.11%
IGO Ltd	2.03%
South32 Ltd	2.03%
Northern Star Resources Ltd	1.97%
Total Top 10 Holdings	30.70%
Total Cash	31.18%

Sector Exposure vs All Ords



Market Commentary

The *Consumer Discretionary* sector led the way in January with a rise of 9.86% followed closely by *Materials* (08.88%) and *A-REITS* (+8.12%). Only the *Utilities* sector closed down for the month, finishing with a loss of -2.98%.

This was an extraordinary month in what was supposed to be the sector most exposed to the inevitable decline in consumer spending. However a series of strong but rear looking results from the likes of JB Hi-fi, Super Retail Group and others buoyed the sector. The magnitude of this rise possibly reflects the previous sell-down, but it nonetheless would appear overly exuberant from our standpoint.

January's strong rise (+6.44%) requires particular attention. At the end of 2022, the consensus positioning or narrative was that a dramatic decline in consumer spending would impact corporate earnings in the coming months and hence setup another down leg in share prices. But yet again the consensus viewpoint has proved to be wrong! We are fortunate that strong stock selection has covered our tactical decisions. But this cannot be relied on indefinitely.

The dilemma is 2-part. Firstly – the easier aspect. Consumer spending cannot defy gravity indefinitely: it will rebase lower and it will impact corporate earnings (especially in the discretionary and financial sectors). The more difficult aspect, is gauging a) how much of this has been factored in and b) how much the 'market' may be prepared to look through this earnings valley to the other side. In short, is this the final 'head fake' before a leg down, or conversely, continued evidence that sentiment has structurally turned?

The clock is ticking and time is running out on our overweight cash position. As each month passes, we move closer to the earnings recovery, which ultimately will drive a sustained market recovery.

	Total Return	Category	+/- Cat	% Rank
3 Year	14.01%	5.31%	+8.70%	Top 2%
5 Year	11.21%	6.25%	+4.96%	Top 2%

Source: Morningstar, December 31 2023

Key Facts

APIR Code	KTA0002AU
Responsible Entity:	Katana Asset Management Ltd
Minimum Application	\$25,000
Asset Allocation	Australian equities: 70-95%; Cash 5-30%

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