

# Katana Australian Equity Fund

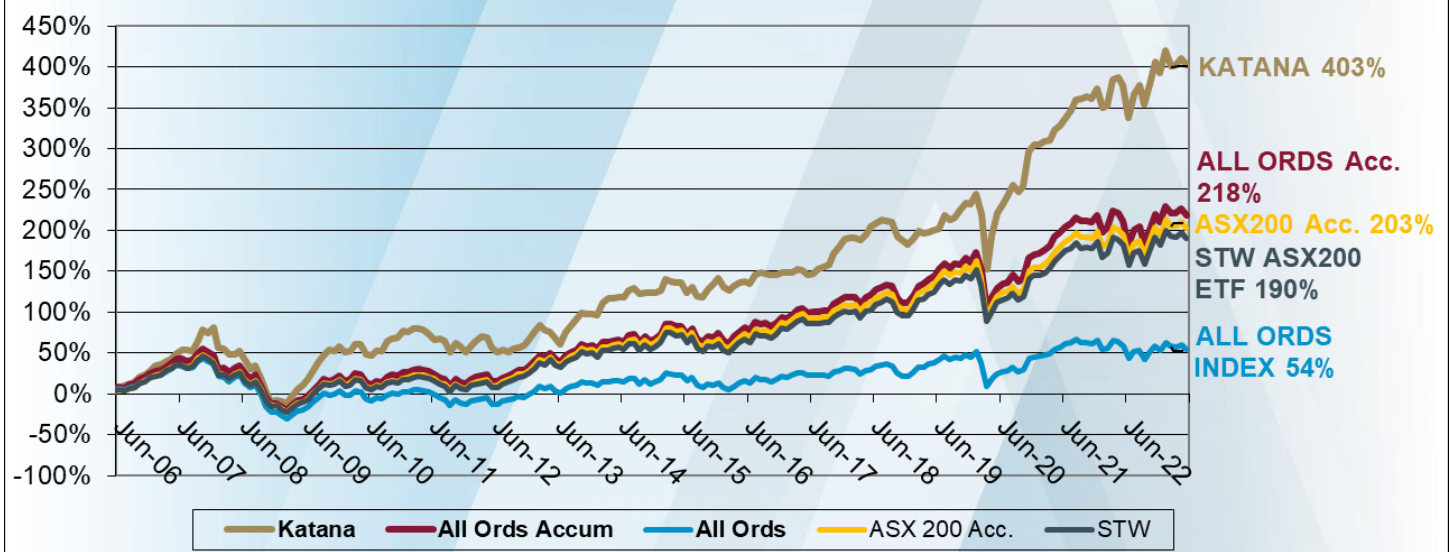


Performance at 31 May 2023	1 Month	1 Year	3 Years	5 Years	(Inception) 17 Years
Katana Investment Portfolio	-1.52%	5.17%	16.14%	10.49%	9.71%
ASX All Ordinaries Accumulation Index	-2.63%	2.04%	11.57%	7.56%	6.86%
<b>Outperformance (pa)</b>	<b>1.11%</b>	<b>3.13%</b>	<b>4.57%</b>	<b>2.93%</b>	<b>2.85%</b>

Total Return	3 Year	5 Year
Category	8.01%	6.95%
+/- Cat	<b>8.11%</b>	<b>4.54%</b>
% Rank	<b>Top 4%</b>	<b>Top 7%</b>

Source: Morningstar Data as at 28/02/23

**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 31/05/2023. Past performance is not an indicator of future performance

### Key contributors:

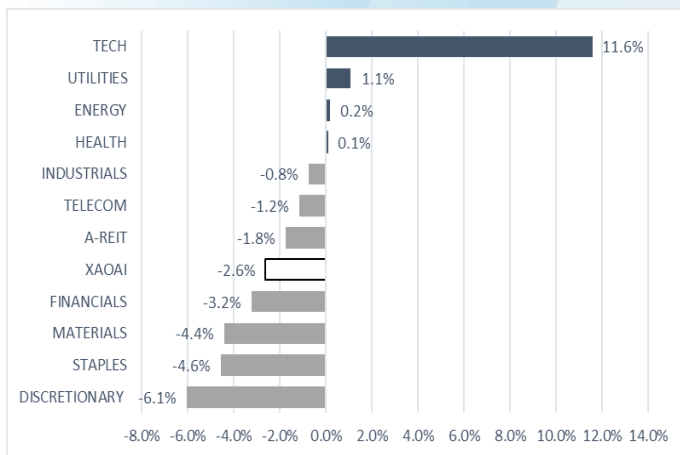
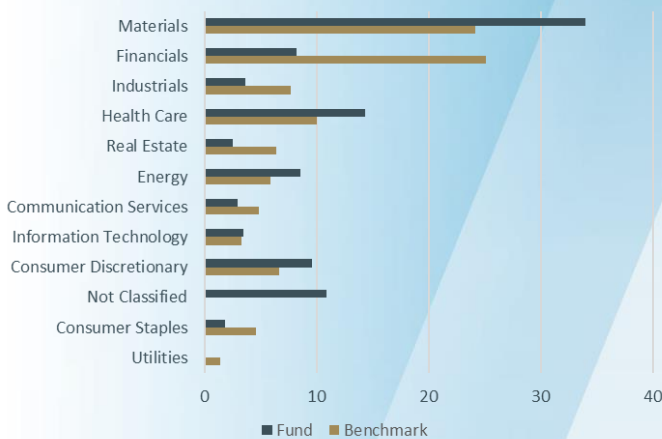
- Allkem Ltd** entered a merger agreement with Livent Corp valuing the combined company at over \$10bn
- Delta Lithium** announced thick, high grade lithium results from their Yinnetharra project
- Megaport Ltd** rose as investors scramble to find ASX exposure for the growing AI thematic

### Key detractors:

- Coronado Global** followed coal prices lower, Coking coal prices have more than halved over the past year
- Mineral Resources** continued last month's selling following a disappointing Q3 result and investor concern on the direction of lithium prices
- Mach7 Technologies** followed the downward move of other small cap healthcare companies

Top 10 Holdings	Weight
Mineral Resources Ltd	5.75%
CSL Ltd	5.19%
Wesfarmers Ltd	2.65%
Beach Energy Ltd	2.53%
Vaneck Global Clean Energy	2.15%
Macquarie Group Ltd	2.01%
Regis Resources Ltd	2.01%
Allkem Ltd	1.91%
Global X Copper Miners ETF	1.88%
IGO Ltd	1.83%
<b>Total Top 10 Holdings</b>	<b>27.91%</b>
<b>Total Cash</b>	<b>39.78%</b>

Sector Exposure vs All Ords



Market Commentary

**The Market Can Remain Irrational Longer than You Can Remain...(Solvent) Patient**

Apologies to John Maynard Keynes for ameliorating his famous expression, but in our modern era, patience usually evaporates well before solvency. Whilst May provided a decline more in line with our base case, the optimism around AI and the subsequent resolution of the debt ceiling, has provided a spark into June. The impatience has returned. ‘Stale bears’ are rolling over – they can ‘bear’ no more.

And this is now being reflected in the price action. During the month, the technical indicators (read sentiment) turned increasingly bullish. The famous Coppock indicator generated a rare buy signal. The S&P500 formed a bullish ascending triangle and enacted a tentative breakout. Some of the most experienced and well-regarded US hedge fund managers turned bullish. And open interest in retail put options – which has proven to be a contrarian indicator more often than not - remained near record levels.

As a genuinely style agnostic manager, we don’t just pay lip service to price indicators, we take heed. Indeed at Katana, we also felt the gravitational pull of the market, beckoning us to spend our hard-won cash.

But, there is a problem...the technicals continue to remain at odds with market fundamentals.

Corporates are getting hit by a perfect storm. On the input side, companies are experiencing cost inflation and higher debt servicing charges. On the output side of the equation, lower consumer spending equates to lower revenue and tighter margins as corporates fight for the sales dollar. So on both sides of the ledger, corporates are being stretched. We are struggling to see therefore how corporate earnings don’t take a nasty leg down in the next half. And all things being equal, this ordinarily translates into a decline in share prices.

Key Facts

APIR Code	KTA0002AU
Minimum Application	\$25,000
Asset Allocation	Australian equities 65-95%; Cash 5-35%

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