

Quarterly Investment Update

Investment Update:

During the quarter ended 31 March 2017, the Katana Australian Equities Fund (KAEF) delivered another positive return of 1.80%, which compared to the benchmark ASX S&P All Ordinaries Index return of 4.52%. The Fund continued to hold approximately 35% of its portfolio in cash, which was a key reason for the detraction in its overall performance. Although the Manager is keen to deploy more funds, it remains patient as it considers Australian stock market valuations to be relatively high compared to long term average price to earnings ratios; and as growth in the Australian economy remains quite weak. Similarly, the US Fed considers share values in the US to be at elevated levels. Movements in the Australian and US share markets are normally highly correlated. Positive stock contributors that generated solid double digit share returns to KAEF's performance over the quarter included gold stocks Ramelius and Regis; several smaller market capitalised stocks including Australian Finance Group, National Vet Care and Pioneer Credit; as well as Crown Resorts and Challenger Financial. These positive performances were partly offset by negative contributions from resources stocks, Independence Group and Oz Minerals, Santos and smaller capitalized stocks Farm Pride Foods and CSG. During the quarter, the reflation trade continued to boost the Financial, Consumer Discretionary and Materials sectors, which outperformed, while the Telecommunications and Real Estate sectors underperformed. The main event in the local market was the half year reporting season, which was mildly positive. Internationally, the key macro event was the third 25 basis point cash rate hike in the US. Although the US stock market posted gains in January and February, it was flat in March after the Republicans failed to dismantle Obama's healthcare package, resulting in questions about how the proposed Trump tax cuts and increased infrastructure spend would be funded.

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For further information on the Katana investment philosophy and approach, please refer to our Profile and Investment Approach on Page 2 of this document or visit our website at:

www.katanaasset.com

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Information: More About Katana Asset Management

Katana Asset Management provides Experienced & Disciplined Asset Management with a focus on capital preservation, exclusively investing in Australian Equities

Our aim is to provide investors with access to investment techniques aimed generating the best risk adjusted returns while aiming to preserve capital.

Our investment philosophy – The Katana fund is an “all opportunity / broad-cap” fund. The underlying goal of the Manager is to assess every potential opportunity to generate the best risk adjusted return possible within an over-arching framework of capital preservation.

The fund is focused on combining the best principles of value investing, growth investing, fundamental, technical analysis and market observation. Our aim is to be “style agnostic” and not constrained by the constructs of any one approach. The Fund has features of being benchmark unaware and is able to move to high levels of cash as a defensive stance. These factors allow us to have a component of variable-beta and perform across a range of market conditions.

We aim to out-perform the All Ordinaries Accumulation Index by encouraging flexibility and adaptability, but within the confines of an overall framework that controls risk.