

# Katana Australian Equity Fund

The Katana Australian Equity Fund (KAEF) is a long-only, actively managed investment fund that invests in a range of Australian listed companies.

Katana focuses on generating returns through unique insights into investment ideas while striving to act in unison with the market. Flexibility within the boundaries of our risk framework and rigorous investment process allows us to maximise investor returns without constraint on size, sector or thematic.

Our fund has an overarching preoccupation with protecting your investment. We are comfortable to remain weighted in cash for extended periods until the right opportunities arise.

Invest in  
a meeting  
today

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The information provided in this brochure is intended for general use only. The information provided does not constitute financial advice. Under no circumstances should investments be based on the information herein.

Please be aware that investing in (any asset) involves the risk of capital loss, and that past performance is not necessarily indicative of future performance.

All investment returns quoted are pre-tax and pre-fees and calculated on an annualised basis.

## Performance – Quarter Ended 31 December 2017

During the quarter ended 31 December 2017, the Katana Australian Equities Fund (KAEF) delivered a positive return of 12.06% compared with its benchmark, the ASX S&P All Ordinaries Accumulation Index, which returned 8.20%. The fund therefore outperformed its benchmark by over 47% in the quarter. The Manager continues to work hard to maximize future returns.

| Fund Performance (Net of fees) | 1 MONTH | 3 MONTHS | 6 MONTHS | 1 YEAR PA | 3 YEARS PA | INCEPTION PA |
|--------------------------------|---------|----------|----------|-----------|------------|--------------|
| KAEF                           | 3.56%   | 12.06%   | 16.97%   | 16.86%    | 9.01%      | 9.26%        |
| All Ords Accum Index           | 2.03%   | 8.20%    | 9.31%    | 12.47%    | 9.23%      | 6.73%        |

*N.B Past performance is not an indicator of future performance.*

The top five holdings in the portfolio as at 31 December 2017 were Pioneer Credit, Challenger, Janus Henderson Group, Woodside Petroleum and Aristocrat Leisure. The fund's largest contributors in the quarter were Mineral Resources, Santos, AWE and Pioneer Credit. The main detractors were Freedom Insurance, Accent Group and Domain Holdings. The ASX S&P All Ords Accumulation Index 'took off' in early October and continued this move through to the end of December after it had range traded for the previous six months from March to September. The Energy, IT and Materials sectors outperformed, delivering double digit growth in the December quarter. Financials and Utilities underperformed, although all sectors delivered positive returns.

### Investing Environment

Very low monetary policy settings are supporting strong synchronized growth across the globe with all major developed economies participating. The US, which has arguably been leading the recovery, recently passed legislation to cut taxes that will add 'fuel to the fire'. The US is already enjoying strong employment growth and may now need to increase interest rates at least three times in 2018 in addition to 'quantitative tightening,' to contain inflationary risks. Economic data from the major European economies and China have been solid and at the upper end of expectations. The Australian economy continues to improve with recent data including employment growth; building approvals; and retail sales outperforming expectations, despite elevated household debt. Australia's terms of trade have benefitted from higher commodity prices and the federal government is currently considering introducing tax cuts in its budget in May 2018. Domestically, health, education and other services sectors along with increased infrastructure spending are driving the economy.

Many stock markets are at or close to record highs and there is some concern that valuations have become stretched due to the very easy monetary conditions. The Fund took some profits on stocks that had enjoyed good share price gains during the quarter, resulting in increased cash holdings at the end of December. Cash is now just over 30%, although the Manager is looking to invest funds on any pullbacks in the coming months.

For more information on the Katana investment philosophy and approach, please visit our website at: [www.katanaasset.com](http://www.katanaasset.com)

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