

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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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 March 2018

During the quarter ended 31 March 2018, the Katana Australian Equities Fund (KAEF) delivered a return of mins 0.44% compared with its benchmark, the ASX S&P All Ordinaries Accumulation Index, which returned minus 3.69%. Whilst it is never pleasing to generate a negative return, the fund outperformed its benchmark by over 3.25% in the quarter. **More importantly, the Fund has now outperformed the Accumulation Index by 10.64% net of fees over the past 12 months. And has outperformed the accumulation index net of all fees and expenses over every timeframe since inception more than 12 years ago.**

Fund Performance (Net of fees)	1 MONTH	3 MONTHS	6 MONTHS	1 YEAR PA	3 YEARS PA	5 YEARS PA	INCEPTION PA
KAEF	-0.89%	-0.44%	11.56%	14.29%	6.70%	10.08%	9.03%
ASX All Ords Accumulation Index	-3.55%	-3.69%	4.20%	3.65%	4.43%	7.86%	6.26%
Outperformance	2.65%	3.25%	7.36%	10.64%	2.27%	2.22%	2.77%

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

Portfolio Review

Top 10 Investments:

Pioneer Credit Ltd	4.8%
National Australia Bank Ltd	3.4%
Challenger Ltd	3.3%
Woodside Petroleum Ltd	3.2%
BHP Billiton Ltd	2.8%
Westpac Banking Corporation	2.5%
Regis Resources Ltd	2.4%
Ingenia Communities Group	2.2%
Navigator Global Investments Ltd	2.2%
Mineral Resources Ltd	2.0%
Top 10 Equity Investments	28.8%
Remaining Equities	42.4%
Cash and Equivalents	28.8%
Total	100.0%

Volatility returned with a vengeance during the quarter, especially in early February where the index experienced successive 100+ point falls and a fall of 3.23% on one day alone. Most sectors were heavily in the red, with the telecoms sector fairing the worst at -12.8%. Utilities were also heavily sold, down -8.33%, Energy -7.72% and Financials declined by -6.9%.

The Fund was able to substantially out-perform the broader market during the quarter by being underweight or (in the case of Telecoms) nil-weight these sectors. Further out-performance was attributable to solid stock selection, which was also enhanced by a number of agile trades initiated and realized during the quarter.

The fund's largest contributors in the quarter were Pioneer Credit, Synlait Milk, Navigator Global Investments and twin gold holdings in Ramelius and Regis Resources. The main detractors were Challenger Ltd, Janus Henderson and Fairfax Ltd.

Outlook

Clearly, political and regulatory intervention have become the major drivers of global and domestic markets alike. In the US, the Trump Administration's brash style of negotiating has created a degree of confusion and uncertainty. In Australia, the 3 regulatory reviews – headlined by the Bank Royal commission – have impacted key sectors. Looking forward over the coming quarter, it is likely that these will be the key drivers once more.

Fundamentally, we continue to see positive economic tailwinds from the major economies, and this should be reflected in the US quarterly earnings which kick-off in early April. The question will be to what extent the market will be free to focus on the underlying fundamentals versus threat of a trade war or other geo-political interference.

The Portfolio Managers have spent an increasing amount of time and energy in the Electric Vehicle (EV) space, which we first highlighted nearly 18 months ago. Whilst there are limited opportunities in the context of the Australian landscape, our due diligence on a number of companies is well advanced and we are likely to see one or more of these added to the portfolio in the coming quarter.

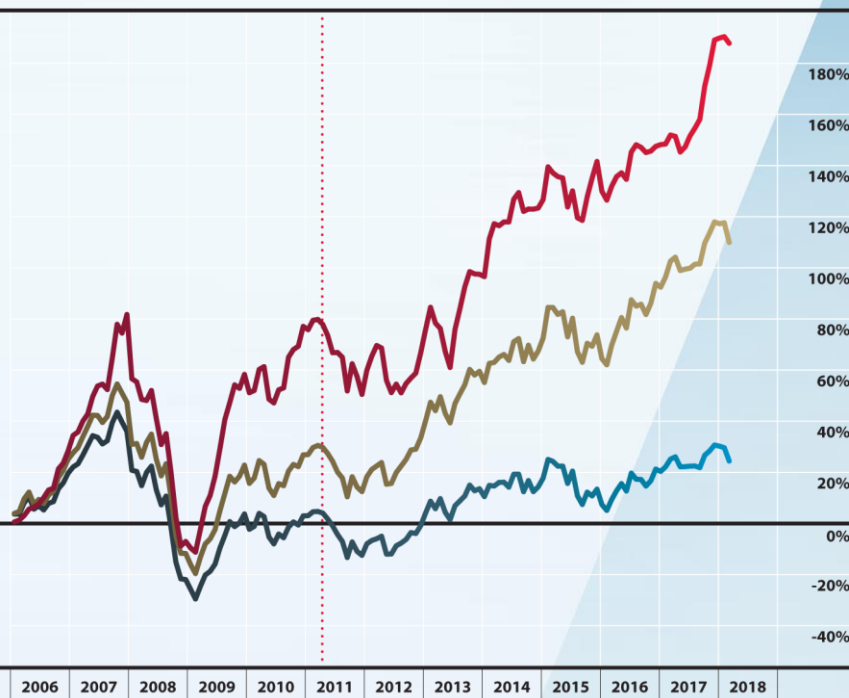
Since Jan 2006, the Katana fund has returned **188.3%** vs **24.6%** for the All Ordinaries Index and **110.4%** for the Accumulation Index.

Katana Performance versus All Ordinaries & Accumulation Index

(NET OF FEES)

Since Inception

KATANA ASSET MANAGEMENT
ALL ORDINARIES ACCUMULATION INDEX
ALL ORDINARIES INDEX



1 Inception date Katana Capital January 2006. Returns quoted net of fees pre-tax. From 1st July 2011 performance data Katana Australian Equity Fund Vehicle.

2 Past performance is not necessarily indicative of future performance.

Source: Katana Asset Management Ltd; IRESS

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MANAGED FUND



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