

# 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 30 September 2018

During the quarter ended 30 September 2018, the Katana Australian Equities Fund (KAEF) delivered a return of 0.52% net of all costs compared with its benchmark, the ASX S&P All Ordinaries Accumulation Index, which returned 1.86%. The slight underperformance was largely attributable to the relatively high cash holding in KAEF. Notably, the benchmark has declined by circa 7% since it peaked at the end of August with the cash holding assisting the Fund to outperform since that date. In addition, the Manager has now invested part of the cash in the market at better levels. The Fund continued to outperform its benchmark over 1 year, 3 years, 5 years and since inception, (net of fees).

Fund Performance (Net of fees)	1 MONTH	3 MONTHS	6 MONTHS	1 YEAR PA	3 YEARS PA	5 YEARS PA	INCEPTION PA
KAEF	-0.33%	0.52%	7.80%	20.27%	12.42%	10.04%	9.30%
ASX All Ords Accumulation Index	-1.06%	1.86%	10.05%	14.68%	12.37%	8.45%	6.80%
<b>Outperformance</b>	<b>0.73%</b>	<b>-1.35%</b>	<b>-2.25%</b>	<b>5.59%</b>	<b>0.05%</b>	<b>1.59%</b>	<b>2.50%</b>

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

### Top 10 Investments:

Minerals Resources Ltd	7.64%
Viva Energy Group Ltd	4.13%
Pioneer Credit Ltd	3.32%
Transurban Group	3.18%
CSL Ltd	2.90%
National Australia Bank Ltd	2.79%
BHP Billiton Ltd	2.50%
Challenger Ltd	2.42%
Orora Ltd	2.40%
Macquarie Group Ltd	2.27%
<b>Top 10 Equity Investments</b>	<b>33.55%</b>
Remaining Equities	32.54%
Cash and Equivalents	33.91%
<b>Total</b>	<b>100.00%</b>

## Portfolio Review

The stock market continued its upward trend in July and August, although after peaking on 30 August, declined in September. Communication Services (+0.7%), Industrials (+0.4%), Healthcare (+0.4%) and Information Technology (+0.4%), modestly outperformed. Underperforming sectors included Materials (-0.2%), along with Utilities (-0.1%) and Consumer Staples (0.0%).

Two of the Fund's largest overweight positions, Mineral Resources and Pioneer Credit delivered solid performances in the quarter, along with South 32, Australian Finance Group and Fairfax Media. The main detractors were BWX, Viva Energy and the overweight cash position, which is now being progressively deployed at better levels as the stock-market has declined.

## Outlook

The outlook remains broadly positive with global growth and stimulatory policy settings prevailing in many developed and emerging market economies. The US economy remains very strong and the cash rate was increased by an additional 25 basis points in September. We expect another rate hike in December 2018 and at least two more in 2019. Other large developed economies are also commencing to wind back monetary stimulus. Key risks include a potential trade war between the US and China following an escalation in tariffs during the quarter and increasing political tensions between the US and certain Middle Eastern oil producing countries. The Australian economy continues to pick up with increased infrastructure spending driving jobs growth and strong LNG export growth. This is being partly offset by a weak consumer due to low wage growth; high household debt; and a declining property market.

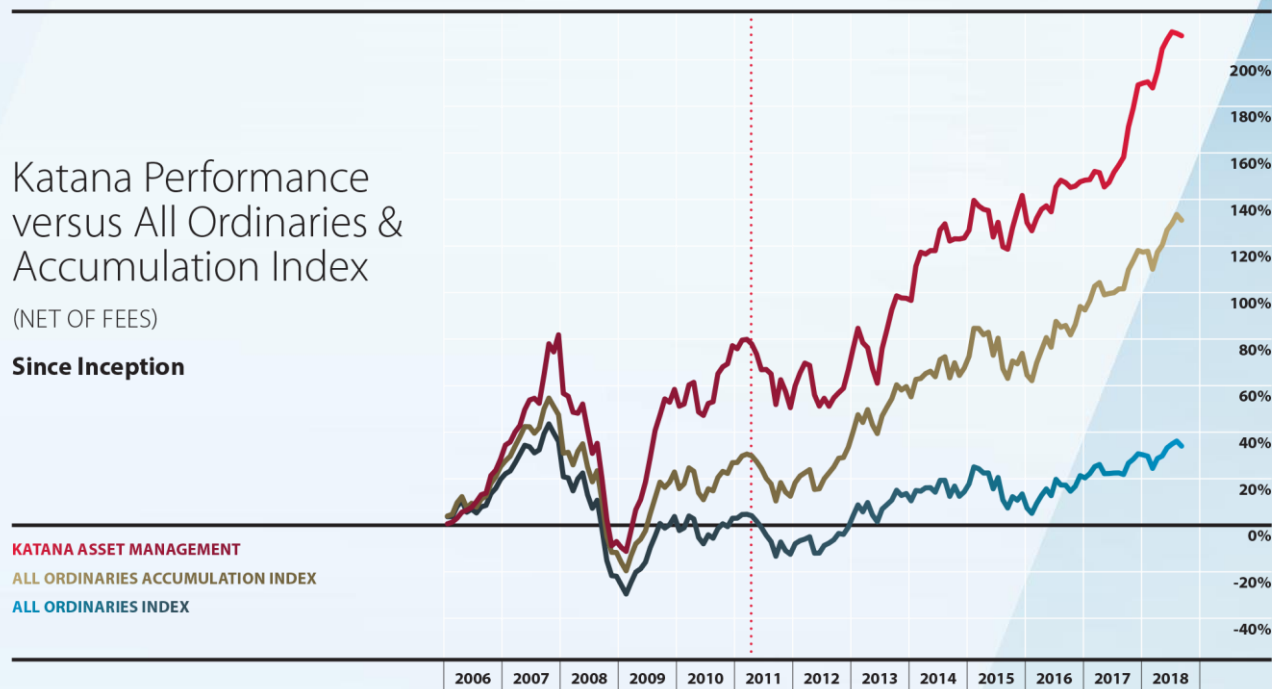
Australian company results in FY18 were broadly in line with expectations, with Industrials delivering modest earnings growth and several Resource companies delivering double digit growth. Valuations have remained relatively high and we see the share price correction that started in September and continued in October as a healthy release of some pent up 'hot air'. Many companies will update shareholders at AGMs in October and November as they now have more information on how FY19 is progressing. The third quarter US earnings season recently started with early results being generally positive. The Portfolio Managers are continuing to evaluate a range of company results and are progressively deploying cash in this correction period.

Since Jan 2006, the Katana fund has returned **210.8%** vs **34.3%** for the All Ordinaries Index and **131.5%** for the Accumulation Index.

## Katana Performance versus All Ordinaries & Accumulation Index

(NET OF FEES)

Since Inception



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



[www.katanaasset.com](http://www.katanaasset.com)



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