



NOT PLAYING BY THE RULES OF THE GAME HAS HELPED MORE THAN ONE WEST AUSTRALIAN TO AMASS A FORTUNE. ROMANO SALA TENNA'S TEAM IS STARTING TO DO JUST THIS.



KATANA **ASSET MANAGEMENT**

Romano Sala Tenna - portfolio manager

ADAPTATION IS THE NAME OF THE INVESTMENT GAME

In the rough and tumble world of managing other people's money Romano Sala Tenna and his team of four other fund managers continue to deliver strong returns by adopting its strategy of adapting to conditions, no matter what they are.

In the past 3 years his Perth based team at Katana Asset Management has returned 12.3% a year after fees, compared with the 4.7% annual return by the ASX All Ordinaries Index.

Investment markets are filled with funds trying to prove themselves as great "value" managers, who specialise in hunting deeply undervalued stocks, or superb "growth" managers, looking for momentum in earnings appreciation. Then there are the technical traders. Katana believes that it utilises all three, depending upon conditions.

"We're not simply a value player; we're happy to let companies run above their fundamental value if we think the trend is in tact," he tells us.

We first covered them at the start of the year and since then he tells us that the fund bought into the Medibank Private IPO late last year at the \$2.10 issue price. The price fell, but they held their nerve and took profits when it got to \$2.30. Without taking a breath, Sala Tenna says the fund aggressively bought the banks during the recent sell down, going from a 4% weighting to as high as 20%, based on the big differential between the 10 year bond rate of 2.6% and the banks' grossed up dividend yields, which have been as high as 12%. Now they're taking profits.

GOING FOR GOLD

For a number of reasons including fears about the economies of China and Brazil, Katana's team is cautious about the market and has increased its weighting in gold stocks from negligible level to 6% in the past few months. The fund's holdings include the fast climbing gold producers [Regis Resources \(RRL\)](#), [Saracen Minerals \(SAR\)](#) as well as the troubled South American based producer [Troy Resources \(TRY\)](#) and the copper/gold producer [Sandfire Resources \(SFR\)](#).

INVESTING IN IPOs

The team has also been buying up new IPOs, including the vitamins supplements company [Vitaco \(VIT\)](#) which he describes as "Blackmore's-Like". This company has a market cap of \$374m and Sala Tenna no doubt hopes that it can emulate the success of [Blackmores \(BKL\)](#), which has more than tripled in price in the past 12 months and now has a market cap of \$2.3bn.

Another mini-me stock which is soon to list on the ASX and Katana has purchased is [Link Administration \(LNK\)](#), which has a share registry business and also provides administration for large superannuation funds. *"Link is Computer Share mark 2, with a superannuation add on,"* says Sala Tenna. The company has raised close to \$100m. This group has tried a couple of times to list and we're not sure what its market cap will be, but it has some catching up to do if it's to get anywhere near the heights of [Computershare \(CPU\)](#), whose market cap is \$5.9bn.

The last "to be listed" IPO he mentions is a company called [BWx \(BWx\)](#), which is a vertically integrated beauty and personal care products manufacturer, based in Melbourne. Says Sala Tenna:

TOP HOLDINGS

Katana

Asset Management at 30.09.15

COMPANY	Activity	%
Telstra Corp Ltd (TLS)	Telecoms	4.34%
National Australia Bank (NAB)	Bank	4.33%
ANZ (ANZ)	Bank	4.31%
Crown Resorts (CWN)	Gaming	3.44%
Henderson Group PLC (HGG)	Funds Mgmt	3.26%
BT Investment Manage (BTT)	Funds Mgmt	3.25%
Fairfax Media (FXJ)	Media	3.13%
HFA Holdings Ltd (HFA)	Hedge Funds	2.58%
AMP Ltd (AMP)	Funds Mgmt	2.48%
Treasury Goup Ltd (TRG)	Funds Mgmt	2.36%

“We’ve got a modest position in this one, which has a solid track record and good management, plus it’s well priced at 12 times.” One to watch out for.

TWO OLD FAVOURITES

Then there are the Katana favourites, which haven’t performed, but the team remains firm believers in: the financial services group [Yellow Brick Road \(YBR\)](#) and the scaffolding and construction services group [Global Construction Services \(GCS\)](#). On the former, he says:

“We take the time to walk through an organisation. You can fake good management but it’s hard to fake corporate culture. In the case of YBR we have gotten to know more than 10 key managers. There is no doubt the company has had some issues like selling relating to an acquisition and a lack of news flow, but everything we are seeing indicates the management team is performing. It’s achieving a record level of customer acquisition, which indicates that things are going well at the operational level.”

The Perth based scaffolder and building services provider GCS is another one that it has been holding onto for a while. A big positive for the group is its cornerstone shareholder: the giant North American based construction company Brookfield Multiplex. Says Sala Tenna: “GCS has just been awarded the first package of what could be the largest concreting job in Perth’s history, with a \$30m contract for the concreting formwork in the new Perth stadium. It’s the start of at least two and a half year’s work. Brookfield likes that GCS is a diversified operation that can do the form working, the scaffolding, the plant hire etc. It’s a one stop shop and there are likely to be more opportunities on the East and West coast.”

The stock trades on a FY16 multiple of six times on Katana’s numbers and the team is confident GCS will start paying out dividends by the year’s end.

A POINT OF DIFFERENCE FOR INVESTORS

From its West Australian viewpoint Katana’s team always offer an interesting take on the Australian investment landscape. It has backed up this take with an impressive investment performance. Not playing by the rules of the game has helped more than one West Australian to amass a fortune. ■