

Quarterly Investment Update

Investment Update:

Katana Performance - Quarter Ended 31 December 2016 After beating the index in the September 2016 quarter, the Katana Australian Equities Fund (KAEF) delivered another positive return of 0.16% in the three months to 31 December 2016, albeit below the benchmark ASX S&P All Ordinaries Index return of 4.40%. The lower return was primarily attributable to KAEF's relatively higher defensive portfolio positioning and in particular, its high cash holding of 38%. This appeared to be the correct strategy as 10-year bond yields hit all-time lows in many economies in the previous quarter, signalling ongoing tepid growth and record low interest rate expectations. However, in early November Donald Trump's unexpected victory in the US presidential election materially changed growth and inflation expectations and the share market subsequently rallied strongly through the remainder of the year. Trump's intention to cut corporate taxes and increase fiscal spending to stimulate the US economy boosted US and global 10-year bond yields and investors switched out of bonds and into equities. There was also a rotation out of defensive 'bond type' stocks into cyclicals. Although the Fund increased some of its holdings in Materials and Financials following the Trump victory, it was unable to fully reposition. Despite this, a decent number of its portfolio stocks delivered strong double-digit returns including QBE, ANZ and Challenger in Financials; Sandfire in Resources; and A2 Milk, Global Construction Services and National Vet Care in the small caps. However, these positive performances were largely offset by the large cash holding and other defensives including gold stocks such as Regis and Troy. The shift away from the smaller end of the market to larger cap stocks also led to underperformances from CSG, Pacific Smiles, Scottish Pacific, and Qantm Intellectual. Financial and Materials were the strongest index performers with IT and Utilities the biggest underperformers.

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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.