

# 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 30 June 2018

During the quarter ended 30 June 2018, the Katana Australian Equities Fund (KAEF) delivered a return of 7.25% net of all costs compared with its benchmark, the ASX S&P All Ordinaries Accumulation Index, which returned 8.03%. The slight underperformance was largely attributable to the relatively high cash holding in KAEF, which was partly offset by a robust performance by selected portfolio stocks. Pleasingly, the Fund continued to outperform its benchmark over 6 months, 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	1.31%	7.25%	6.77%	24.89%	11.35%	13.96%	9.45%
ASX All Ords Accumulation Index	2.95%	8.03%	4.04%	13.73%	9.48%	10.28%	6.79%
<b>Outperformance</b>	<b>-1.64%</b>	<b>-0.79%</b>	<b>2.73%</b>	<b>11.16%</b>	<b>1.86%</b>	<b>3.67%</b>	<b>2.66%</b>

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

## Portfolio Review

### Top 10 Investments:

Minerals Resources Ltd	5.8%
Pioneer Credit Ltd	4.1%
National Australia Bank Ltd	3.7%
BHP Billiton Ltd	2.5%
CSL Ltd	2.4%
Macquarie Group Ltd	2.3%
Australian Finance Group Ltd	2.2%
Challenger Ltd	2.2%
WorleyParsons Ltd	1.8%
Rio Tinto Ltd	1.7%
<b>Top 10 Equity Investments</b>	<b>28.6%</b>
Remaining Equities	<b>33.0%</b>
Cash and Equivalents	<b>38.3%</b>
<b>Total</b>	<b>100.0%</b>

The stock market was positive for most of the quarter and continued its upward trend in April through to mid-May and again throughout June. The Fund was well positioned in the four sectors that outperformed, being Materials (+1.9%), Financials (+1.2%), Healthcare (+1.1%) and Energy (+1.0%). Underperforming sectors included Telecoms (-0.3%), which continued its downward trend from January 2018, along with IT (+0.4%) and Industrials (+0.4%). The Fund was underweight in these three underperforming sectors. Solid stock selection along with a number of positive trades enhanced the Fund's performance although this was partly offset by the overweight cash position, which is being held to take advantage of any stock-market pull-backs.

The Fund's largest contributors during the quarter were Mineral Resources, Macquarie Group, Navigator Global, Woodside and Synlait Milk. The main detractors were Pioneer Credit, Eclipx Group and Australian Finance Group.

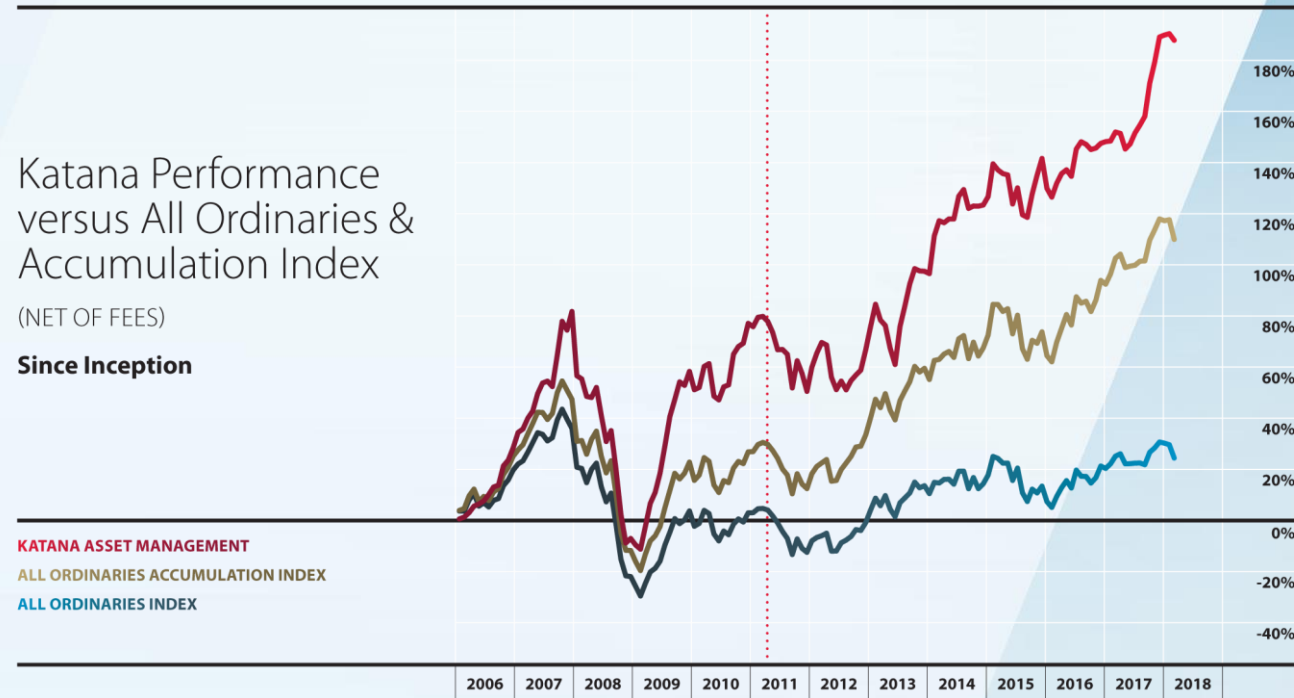
## Outlook

Global economic growth remains positive with stimulatory policy settings remaining in most economies. The US is continuing on its interest rate tightening path and raised its cash rate by a further 25 basis points in June. We expect another two interest rate hikes in 2018. Other developed economies are also considering winding back monetary stimulus. Key risks include a potential escalation of tariffs, which would adversely affect global growth and geo-political tensions. The Australian economy is starting to pick up with decent jobs growth and increased investment spending, although growth is being hindered by low wage growth; high household debt; and a peaking property market.

The Australian share market got through 'confession season' relatively unscathed and the reporting season should deliver modest earnings growth with double digit growth for many resource stocks. Valuations are relatively high with several stocks priced to perfection. Any disappointments in results or in outlook statements are likely to be treated harshly. The US earnings season recently started and early results have been generally positive.

The Portfolio Managers will be spending considerable time assessing and evaluating a wide range of company results over the next two months and seeking to identify companies that could add value to the portfolio and therefore to shareholders.

Since Jan 2006, the Katana fund has returned **209.2%** vs **33.6%** for the All Ordinaries Index and **127.2%** for the Accumulation 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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