

# 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 31 December 2019

The Katana Australian Equities Fund (KAEF) returned 5.20% for the December quarter outperforming the ASX All Ordinaries Accumulation Index by 4.45%. The portfolio's outperformance was driven by some select overweight positions in a variety of sectors which provided superior risk adjusted returns as volatility persisted throughout the quarter. Moving forward, the manager remains positively predisposed to these sectors given the challenging macro backdrop and stretched valuations in other pockets of the market.

Fund Performance (Net of fees)	1 MONTH	3 MONTHS	6 MONTHS	1 YEAR PA	3 YEARS PA	5 YEARS PA	INCEPTION PA
KAEF	-0.25%	5.20%	9.96%	17.33%	10.29%	8.26%	8.96%
ASX All Ords Accumulation Index	-1.90%	0.75%	3.59%	24.06%	10.41%	9.30%	7.10%
<b>Outperformance</b>	<b>1.65%</b>	<b>4.45%</b>	<b>6.37%</b>	<b>-6.73%</b>	<b>-0.13%</b>	<b>-1.04%</b>	<b>1.85%</b>

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

## Portfolio Review

The ASX S&P All Ordinaries Accumulation Index rallied in the December quarter, with Cyclical faring relatively better than Technology. The worst performing sectors were Financials, Consumer Staples and Communication Services.

## Top 10 Holdings Commentary

Stocks that delivered the largest contributions to the Fund during the quarter were Seven Group, Pointsbet, Virgin Money, Worley and Mineral Resources Ltd. The main detractors were Pioneer Credit, Evolution Mining and AMA Group.

During the quarter, the Fund trimmed its holdings in Virgin Money after the price rallied strongly and exited the Resmed on valuation grounds. The Fund also exited the recently acquired Ramsay position as it is now trading at a premium to its long term average and our price target was reached. These portfolio changes resulted in the cash balance decreasing to ~26% as at 31 December 2019.

### Top 10 Investments:

CSL Ltd	3.21%
Australia New Zealand Banking Ltd	2.58%
Pointsbet Holdings Pty	2.34%
Seven Group Holdings Ltd	2.27%
Northern Star Resources Ltd	2.26%
Evolution Mining Ltd	2.21%
Bank Of Queensland Ltd	2.17%
Charter Hall Group	2.07%
Vicinity Centres	2.03%
Woodside Petroleum Ltd	2.00%
<b>Top 10 Equity Investments</b>	<b>23.15%</b>
Remaining Equities	50.04%
Cash and Equivalents	26.81%
<b>Total</b>	<b>100.00%</b>

## Macro and Outlook

The December quarter was characterised by a strong sell off in early October with volatility increasing due to ongoing trade war concerns, slowing economic data and the bond market reversing direction from the beginning of the year. The US/China trade war was starting to impact economic data which was negatively affecting company earnings and hence equity markets. The Australian economy continues to grind along with retail data soft whilst employment data was surprisingly resilient.

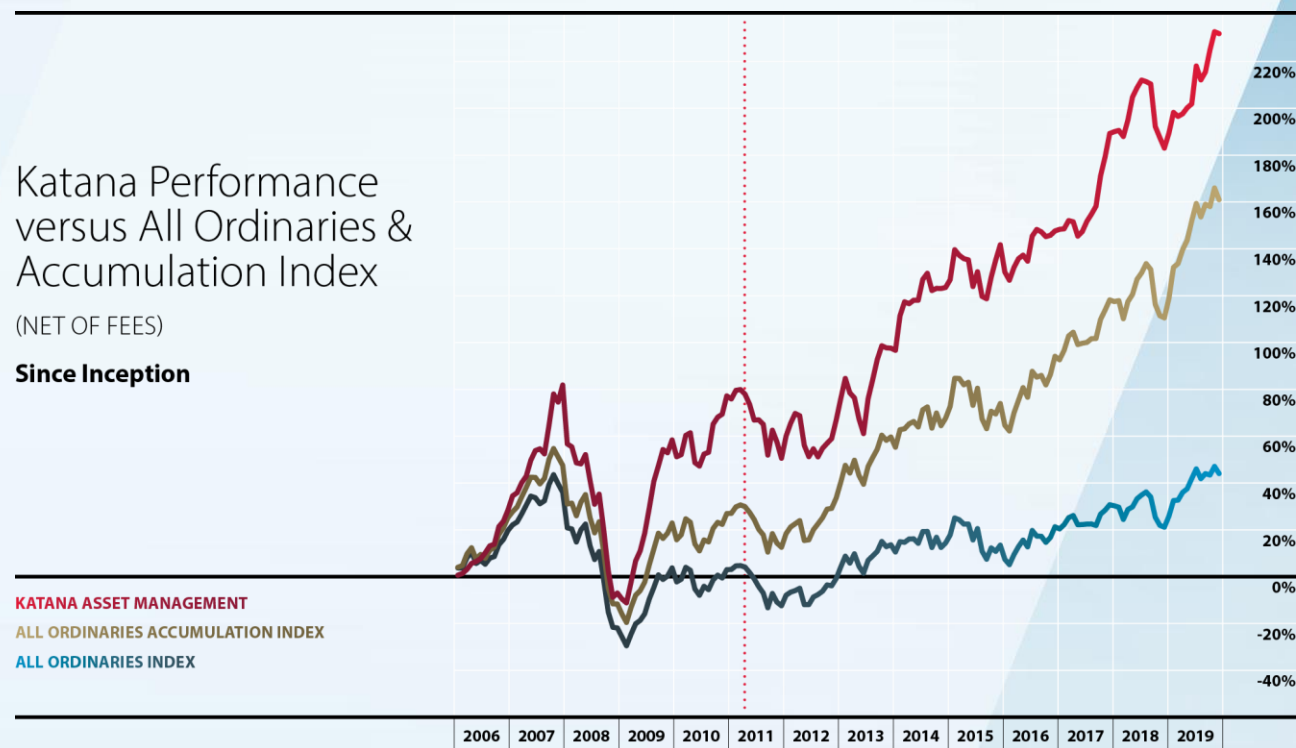
The low interest rate environment is however still forcing more investors into the equity market as they continue to chase yield with some form of capital growth and the manager believes equities remain the most favoured asset in this environment despite somewhat elevated valuations. All eyes will be on inflation data with any hint of inflation potentially the trigger for a more substantial equity market correction.

Since Jan 2006, the Katana fund has returned **232.4%** vs **44.5%** for the All Ordinaries Index and **161.4%** for the Accumulation Index.

## Katana Performance versus All Ordinaries & Accumulation Index

(NET OF FEES)

Since Inception



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



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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