

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 September 2017

During the quarter ended 30 September 2017, the Katana Australian Equities Fund (KAEF) delivered a positive return of 4.38% and outperformed its benchmark, the ASX S&P All Ordinaries Accumulation Index, which returned 1.03%. The fund has outperformed its benchmark over the short and longer term and the Manager continues to work hard to maximize future returns.

Fund Performance (Net of fees)	1 MONTH	3 MONTHS	6 MONTHS	3 YEARS PA	INCEPTION PA
KAEF	1.35%	4.38%	2.45%	5.15%	8.41%
All Ords Accum Index	0.05%	1.03%	-0.53%	7.30%	6.16%

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

The top five holdings in the portfolio as at 30 September 2017 were Mineral Resources, Pioneer Credit, Challenger, Santos and Janus Henderson. The fund's largest contributors for the quarter were Mineral Resources, Santos and Australian Finance Group. Contributions were supplemented by positive performances from some of KAEF's small and mid-cap stocks including MNF, Synlait Milk, Pioneer Credit and National Vet Care. The largest detractors were Healthscope and QBE Insurance. The ASX S&P All Ords Accumulation Index traded in a relatively tight range during the September quarter with the Materials and Energy sectors outperforming over the quarter and the Telco and Utilities sector underperforming.

Investing Environment

Overall, the global economy continues to strengthen with increasing signs of synchronized growth in the major developed economies. Employment growth and inflation are both trending higher and monetary settings remain benign. The US economy is looking increasingly robust and could be further boosted by Trump's proposed tax cuts. The US Federal Reserve is expected to commence 'quantitative tightening' shortly and is also expected to raise interest rates again in December in response to higher wages growth. The European Central Bank is assessing when to commence tapering its QE program. Although record stock market highs continue to be made in the US, there is some concern that valuations have become stretched despite earnings growth picking up. Increasing tensions between the US and North Korea following repeated missile launches, is the main geopolitical risk.

The Australian economy is gradually improving with solid employment growth being partly offset by negligible wage growth and elevated household debt. Growth areas include health, education, housing and increased infrastructure spending as the economy continues to transition away from its dependence on mining investment.

The Fund reduced its cash holdings during the quarter although these remain relatively high at just over 20%. The Manager continues to deploy funds when attractive investment opportunities present and is looking to invest additional funds over the coming months.

For more information on the Katana investment philosophy and approach, please visit our website at: www.katanaasset.com

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