

# 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 March 2020

The March 2020 quarter will go down in the history books as one of the worst on record. It was an extraordinary quarter, during which the ASX All Ordinaries index initially made a record high on the 20<sup>th</sup> February of 7,290, only to fall nearly 40% within the space of 4 weeks. This represented the fastest fall in the 145 year history of the ASX. Whilst largely irrelevant, the Katana Australian Equity fund (KAEF) was square with the market, which was a reasonable performance after out-performing by **6.4% for the preceding half**. The impact that Covid-19 has had on our market in the past 6 weeks is extensively documented, and we don't propose to recap yet again. Rather we are better served focusing on what the next quarter may look like and where the opportunities lie.

Fund Performance (Net of fees)	1 MONTH	3 MONTHS	6 MONTHS	1 YEAR PA	3 YEARS PA	5 YEARS PA	INCEPTION PA
KAEF	-21.13%	-24.08%	-20.14%	-15.01%	0.01%	1.23%	6.71%
ASX All Ords Accumulation Index	-20.94%	-23.92%	-23.36%	-15.02%	-0.68%	1.49%	4.94%
<b>Outperformance</b>	-0.19%	-0.16%	3.22%	0.02%	0.69%	-0.26%	1.77%

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

### Katana Australian Equity Fund 31/03/2020

#### Top 10 Investments:

Regis Resources Ltd	4.69%
Macquarie Group Ltd	4.01%
Mineral Resources Ltd	3.92%
Seven Group Holdings Ltd	3.82%
Commonwealth Bank of Australia	3.62%
Australia New Zealand Banking Ltd	3.57%
OZ Minerals Ltd	3.44%
Westpac Banking Corporation Ltd	2.90%
Wesfarmers Ltd	2.73%
Altium Ltd	2.68%
<b>Top 10 Equity Investments</b>	<b>24.65%</b>
Remaining Equities	45.04%
Cash and Equivalents	30.31%
<b>Total</b>	<b>100.00%</b>

## Macro Outlook

Ordinarily we are less concerned with the short term horizon and more focused on the medium term and beyond. This is an exception. Given the scale and speed of events unfolding in the US, our team is closely monitoring the next 2-4 weeks, as we believe that this is likely to be a particularly volatile period. Whilst not as panic-stricken as the 2nd half of March, we expect to still see some wild swings as the first stage of the pandemic plays out.

Beyond April and mid-May, the attention will then be very much upon the bigger questions regarding how long it will take for companies and economies to recover. Whilst cognizant of the very real and substantial impact Covid-19 has had and will continue to have for some time to come, we are also focused on 4 factors which give rise to optimism: largest Government intervention and stimulus, aided by oil price; record liquidity; largest ever differential between dividend yields and bonds/cash and cheap valuations.

## Portfolio Positioning

Genuine crises are rare, but with crisis comes opportunity. For example, if an investor purchases a stock after it has fallen 50%, then it would yield an increase of 100% simply to regain its pre-existing price. A stock that has fallen 60%, would yield a 150% increase. Of course some companies will not recover and others will take considerable time.

Since early March, the team at KAEF have been working on 2 fronts to re-position the portfolio.

Firstly, the team has been critically assessing every stock holding to ensure that we are maximizing the risk adjusted return within the portfolio. In particular, holdings that have held up robustly to date, but offer only modest upside from the current level, have been progressively transitioned into companies that offer above average 'alpha' (excess return). In this regard, the Portfolio Managers believe that the portfolio is strongly positioned to generate solid returns when the market inevitably recovers.

Secondly, the team has been working to raise cash to capitalize on an expected flood of capital raisings. There are a significant number of ASX listed companies that are likely to tap investors in the coming weeks and months. The sheer scale and urgency of these capital raisings has already seen some exceptional bargains in the likes of Cochlear, Webjet and IDP Education (in the last week alone). These raisings are likely to accelerate, and provide a once in a decade opportunity to build and add to positions at fire sale valuations. To this end, the fund's cash has been increased to approximately 30%.

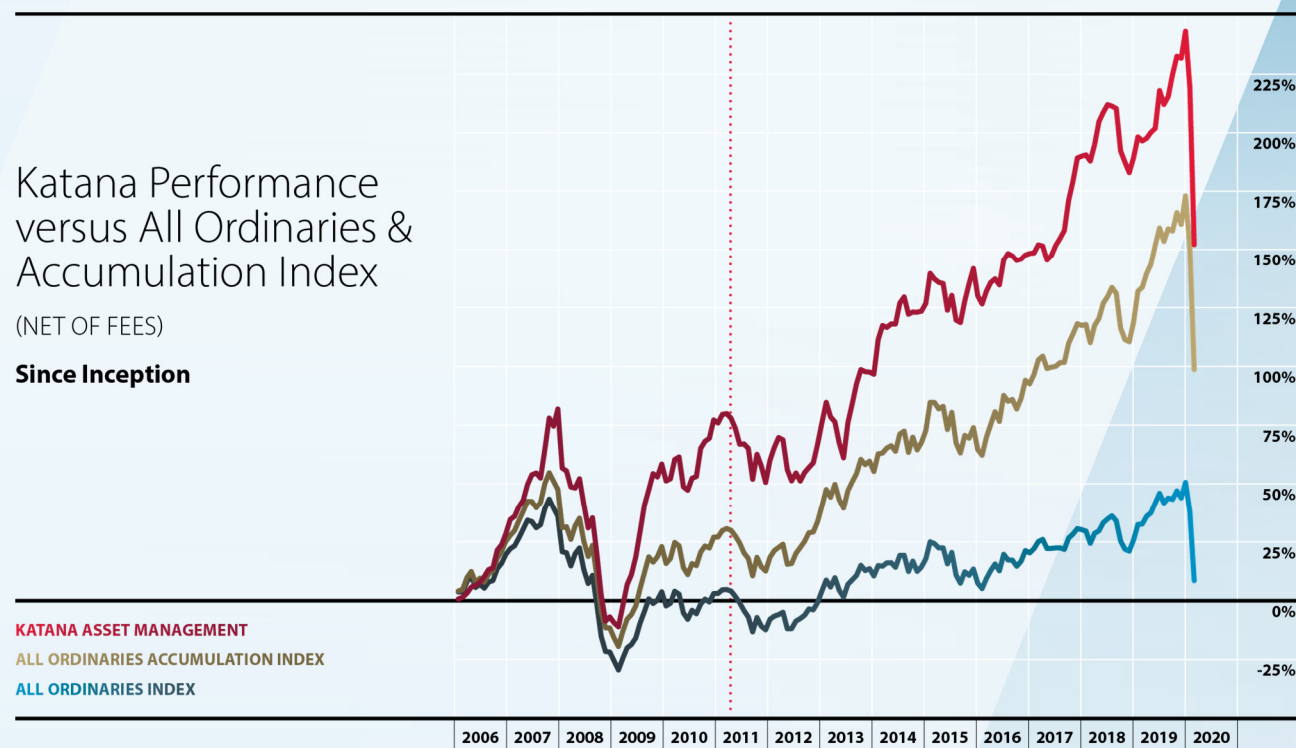
# Katana Australian Equity Fund

Since Jan 2006, the Katana fund has returned **152.3%** vs **8.5%** for the All Ordinaries Index and **98.9%** 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