

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

Phone 08 9220 9888
Email info@katanaasset.com
Post PO Box Z5364
St Georges Terrace
PERTH WA 6831



www.katanaasset.com



KATANA ASSET MANAGEMENT LTD ACN 106 327 495 AFSL 288 412
Level 9, 1 William Street, Perth WA 6000

Copyright © 2020 Katana Asset Management Ltd. All rights reserved.

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 2020

As we wrote at the time, the preceding (March) quarter really was rather extraordinary given that we experienced the fastest decline on record. As we also wrote at the time, that was all history and what was of paramount importance was how to position the portfolio for the coming quarter. In our view, 4 factors suggested that the market was set to rebound: record Government stimulus and liquidity; record bond-yield differential, cheap valuations and a stimulatory oil price. Throughout the June quarter, these factors combined with a lessening in the spread of Covid-19 in Australian cities, saw confidence return to the market, with the main accumulation index recovering 17.75%.

Against this backdrop, the Katana Australian Equity Fund returned 31.42% net of all fees. This placed the fund as the 5th best performer out of a universe of 138 funds reported by Mercer. Pleasingly, the fund was also able to out-perform its benchmark over all timeframes, net of all fees.

Fund Performance (Net of fees)	1 MONTH	3 MONTHS	6 MONTHS	1 YEAR PA	3 YEARS PA	5 YEARS PA	INCEPTION PA
KAEF	3.35%	31.42%	-0.23%	9.71%	10.24%	8.17%	8.62%
ASX All Ords Accumulation Index	2.34%	17.75%	-10.42%	-7.21%	5.43%	6.22%	6.04%
Outperformance	1.02%	13.67%	10.19%	16.92%	4.81%	1.95%	2.58%

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

Katana Australian Equity Fund 30/06/2020

Top 10 Investments:

Regis Resources Ltd	2.85%
Coca Cola Amatil Ltd	2.52%
Mineral Resources Ltd	2.31%
Aristocrat Leisure Ltd	2.23%
Ingenia Communities	2.18%
Macquarie Group Ltd	2.16%
OZ Minerals Ltd	2.13%
Lendlease Group	2.11%
Sonic Healthcare Ltd	2.07%
Australia New Zealand Banking Ltd	2.03%
Top 10 Equity Investments	22.58%
Remaining Equities	49.18%
Cash and Equivalents	28.24%
Total	100.00%

Macro Outlook

In short, it is harder to forecast the coming quarter than the past one, as the recovery from heavily oversold levels has now taken place. Our thinking post the March quarter was that the market positioning was asymmetrical, in that it had factored in all of the downside factors and ignored any potential positive driver. As we sit here today, that has largely been neutralized.

The main drivers will continue to be the spread and economic impact of Covid-19 versus the effectiveness of lockdowns, treatments and the timeline for an effective vaccine. However, the recovery in share prices represents a more balanced view of the confluence of positive and negative drivers that may play out in the coming quarter.

Portfolio Positioning

As outlined above, the macro outlook does not reflect the same asymmetry that we saw at the end of the March quarter. In fact we can see clear and strong factors to support a push in either direction. This is likely to lead to a volatile, range bound market. Given the level of fear versus cash on the sidelines, we are likely to see that the moves are rapid and exaggerated as investors adjust to the daily news flow.

Accordingly, we have moved to a more neutral footing which includes increasing our cash position, reducing exposure to small cap/illiquid stocks, realizing profits in the technology and healthcare sectors and selectively adding to large cap old world cyclicals. We are also increasing the frequency of our trading as we seek to capture at least some of the market gyrations. As always, this will be centered on capital preservation, and in the vast majority of transactions, we will be looking to trade an additional sleeve around long term core holdings.

Since Jan 2006, the Katana fund has returned **231.6%** vs **27.5%** for the All Ordinaries Index and **134.2%** for the Accumulation Index.

Katana Performance versus All Ordinaries & Accumulation Index

(NET OF FEES)

**Since Inception
(14 YEARS)**



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

Katana Australian Equity Fund

MANAGED FUND



www.katanaasset.com



KATANA ASSET MANAGEMENT LTD ACN 106 327 495 AFSL 288 412
Level 9, 1 William Street, Perth WA 6000

Copyright © 2020 Katana Asset Management Ltd. All rights reserved.

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.