



# Katana Australian Equity Fund

This report has been prepared for financial advisers only



**Superior**

November 2021

# INTRODUCTION

## Key Principles

SQM Research considers (but is not restricted to) the following key review elements within its assessment:

1. Business profile - product strategies and future direction
2. Marketing strategies and capabilities, market access
3. Executive Management / Oversight of the investment management firm
4. Corporate Governance / fund compliance / risk management
5. Investment team and investment process
6. Fund performance, investment style, market conditions, investment market outlook
7. Recent material portfolio changes
8. Investment liquidity
9. Investment risks
10. Fund/Trust fees and expenses

## Currency of Reports

This Research Report is current as at the date on the report until it is replaced, updated or withdrawn. SQM Research reports are generally valid for a term of approximately 12 months but may be replaced, withdrawn or changed at any time as judged appropriate by SQM Research.

## Star Rating\*

Investment products are awarded a star rating out of a possible five stars and placed on the following website:  
[www.sqmresearch.com.au](http://www.sqmresearch.com.au)

Star Rating *	Description	Definition	
4½ stars and above	Outstanding	<b>Highly suitable for inclusion on APLs</b> <i>SQM Research believes the Fund has considerable potential to outperform over the medium-to-long term. Past returns have typically been quite strong. Product disclosure statement (PDS) compliance processes are of a high-calibre. There are no corporate governance concerns. Management is extremely experienced, highly skilled and has access to significant resources.</i>	High Investment grade
4¼ stars	Superior	<b>Suitable for inclusion on most APLs</b> <i>SQM Research considers the Fund has substantial potential to outperform over the medium-to-long term. Past returns have tended to be strong. PDS compliance processes are high-quality. There are no material corporate governance concerns. Management is of a very high calibre.</i>	High Investment grade
4 stars	Superior	<b>Suitable for inclusion on most APLs</b> <i>In SQM Research's view, the Fund has an appreciable potential to outperform over the medium-to-long term. Historical performance has tended to be meaningful. PDS compliance processes are strong. There are very little to no corporate governance concerns. Management is of a high calibre.</i>	High Investment grade
3¾ stars	Favourable	<b>Consider for APL inclusion</b> <i>SQM Research concludes the Fund has a moderate potential to outperform over the medium-to-long term. Past performance has tended to be reasonable. Management is experienced and displays investment-grade quality. There are no corporate governance concerns, or they are of a minor nature.</i>	Approved
3½ stars	Acceptable	<b>Consider for APL inclusion</b> <i>In SQM Research's view, the potential for future outperformance in the medium-to-long term is somewhat uncertain. Historical performance has tended to be modest or patchy. Management is generally experienced and capable. SQM Research has identified weaknesses which need addressing in order to improve confidence in the Manager.</i>	Low Investment grade
3¼ stars	Caution Required	<b>Not suitable for most APLs</b> <i>In SQM Research's opinion, the potential for future outperformance in the medium-to-long term is very uncertain. Historical returns have tended to be disappointing or materially below expectations. PDS compliance processes are potential substandard. There are possible corporate governance concerns. Management quality is not of investment-grade standard.</i>	Unapproved
3 stars	Strong Caution Required	<b>Not suitable for most APLs</b> <i>In SQM Research's opinion, the potential for future outperformance in the medium-to-long term is unlikely. Historical performance has tended to be unacceptable. There may be some material corporate governance concerns. SQM Research has a number of concerns regarding management.</i>	Unapproved
Below 3 stars	Avoid or redeem	<b>Not suitable for most APL inclusion</b>	Unapproved

Event-driven Rating	Definition
<b>Hold</b>	<i>Rating is suspended until SQM Research receives further information. A rating is typically put on hold for a period of two days to four weeks.</i>
<b>Withdrawn</b>	<i>Rating no longer applies. Significant issues have arisen since the last report date. Investors should consider avoiding or redeeming units in the fund.</i>

\* The definitions in the table above are not all encompassing and not all individual items mentioned will necessarily be relevant to the rated Fund. Users should read the current rating report for a comprehensive assessment.

## Licensed Investment Adviser

SQM Research is licensed as an Australian Financial Services Licensee, Licence No. 421913, pursuant to section 913B of the Corporations Act 2001. The licence authorises SQM Research to carry on a financial services business to provide general financial product advice only.

## Privacy Policy

SQM Research collects only a limited amount of personal information from its clients. Our privacy policy can be viewed at [www.sqmresearch.com.au](http://www.sqmresearch.com.au). This will enable you to understand your rights, our obligations and what SQM Research does with any information it collects about you.

## Fees charged for Report

SQM Research has received a fee from the fund manager for this report and rating.

## General Financial Product Advice

This advice will not take into account you, or your clients, objectives, financial situation or needs and will not be provided in respect of any other financial products. Accordingly, it is up to you and your clients to consider whether specific financial products are suitable for your objectives, financial situations or needs.

**Report Date: 23 November 2021**

## CONTENTS

---

<b>Summary</b>	<b>2</b>
Fund Summary	3
SQM Research's Review & Key Observations	3
Strengths of the Fund	6
Weaknesses of the Fund	6
Other Considerations	6
Key Changes since the Last Review	6
<b>Investment Process &amp; Portfolio Construction</b>	<b>7</b>
Investment Process Diagram	7
Process Description	7
<b>Corporate Governance / Business Strategy</b>	<b>13</b>
Key Counterparties	13
Parent Company	13
Investment Manager / Fund Manager	13
Responsible Entity	13
Management Risk	13
Funds under Management (FUM)	14
<b>Management &amp; People</b>	<b>15</b>
Investment Team	15
Meeting Schedule	15
Staffing Changes	15
Remuneration and Incentives	16
<b>Product Features - Fees, Redemption Policy</b>	<b>17</b>
Management Fee	17
Performance Fee	17
<b>Quantitative Analysis</b>	<b>18</b>
Quantitative Insight	18
Return and Risk	22
<b>Asset Allocation &amp; Risk Parameters</b>	<b>24</b>
<b>Appendix – Staff</b>	<b>25</b>

**SQM Rating** ★★★★★

*Superior. Suitable for inclusion on most APLs.*

<b>Fund Description</b>	
Fund Name	Katana Australian Equity Fund
APIR code	KTA0002AU
Asset Class	Australian Equities
<b>Management and Service Providers</b>	
Fund Manager	Katana Asset Management Ltd
Responsible Entity	Katana Asset Management Ltd
Custodian	One Investment Group
<b>Fund Information</b>	
Fund Inception Date	December 2005 transitioned unlisted April 2011
Fund Size	\$38.5 Million
Return Objective (as per PDS)	Maximise risk adjusted returns to investors
Internal Return Objective	Maximise risk-adjusted returns to investors
Risk Level (per PDS)	Focus on capital preservation
Internal Risk Objective	Focus on capital preservation
Benchmark	ASX All Ordinaries Accumulation Index
Number of stocks/positions	Typically 45 - 60
Fund Leverage	NIL
Turnover	148%
Top 10 Holdings Weight	25.20%
<b>Investor Information</b>	
Minimum Application	\$25,000
Redemption Policy	Daily
Distribution Frequency	Annually
Investment Horizon (per PDS)	3 - 5 years
Currency Hedging Policy	N/A
Management Fee	1.00% (plus GST)
ICR – latest	1.34%
Buy Spread	Nil
Sell Spread	Nil
Performance Fee Rate	10.0%

SUMMARY

**Fund Summary**

**Description**

The **Katana Australian Equity Fund (the Fund)** is a long-only, benchmark unaware, style agnostic, actively managed fund that invests in a range of Australian listed companies. Katana focuses on generating returns through unique insights into the fundamentals of a stock coupled with a macro-overlay. Flexibility within the boundaries of the risk framework and a rigorous investment process is applied to the goal of maximising investor returns without taking higher risk than the index. The Fund has no constraints on size (market cap), sector or themes. The process focuses on outperforming the bench while protecting clients' capital and is comfortable holding material cash levels for extended periods until the right opportunities arise.

The Fund is structured as an open-ended unlisted registered managed investment scheme.

**Fund Rating**

The Fund has achieved the following rating:

Star Rating	Description	Definition	Investment Grading
4.00 stars	Superior	Suitable for inclusion on most APLs	High Investment Grade

Previous Rating: 4.0 stars (Issued November 2020)

**SQM Research's Review & Key Observations**

**1. People and Resources**

**About the Manager**

Katana Asset Management Ltd was established in September 2003 and is led by experienced investment advisers Romano Sala Tenna, Brad Shallard, and Giuliano Sala Tenna. Katana Capital Ltd is a listed investment company (LIC) managed by Katana Asset Management Ltd (AFS License Number 288412). KAT was listed on the Australian Stock Exchange (ASX) in December 2005.

**Investment Team**

The Katana Asset Management (KAM) investment team consists of three portfolio managers and an analyst with nearly 82 years of combined experience, contributing to a robust decision-making process.

Both Mr Brad Shallard and Mr Romano Sala Tenna operate as joint Managing Directors. This duplication ensures that KAM will continue to be led seamlessly if either person is unable to work in the business. Mr Shallard and Mr Sala Tenna have been in partnership for more than 18 years and have an ongoing enthusiasm for growing KAM for the next 15+ years. KAM hired Hendrik Bothma in February 2020 to assist the three portfolio managers with their security research analysis.

There is an element of key-person risk in the form of Mr Sala Tenna and Mr Shallard.

**2. Investment Philosophy and Process**

**Investable Universe**

The Fund casts a wide net when it comes to the investment universe, providing Portfolio Managers with a wide scope when it comes to investment opportunities. The Fund considers equities that are Australian domiciled and ASX listed as its investment universe.

**Process / Philosophy / Style**

Katana's investment philosophy encompasses:

- Employing a low-risk investment strategy that focuses on capital preservation
- Maintaining high cash weightings as a means of further mitigating risk during periods of heightened volatility
- No gearing and avoiding time-dated instruments such as options, warrants and futures

The strategy of the Fund is to look for opportunities across all market capitalisations and sectors in the market. These potential opportunities should generate the best risk-adjusted return possible with the aim of capital preservation being front of mind. The Fund aims to outperform the All Ordinaries Accumulation Index through flexibility and adaptability within the confines of a strong risk framework.

The investment team focuses on combining the best principles of value investing, growth investing, fundamental, technical analysis and market observation. The Fund aims to be "style agnostic" and not constrained by the construction of any one approach.

**Risk Management**

The portfolio has several portfolio construction structures and characteristics which limit downside risk, and capital preservation is the over-arching consideration.



### 3. Portfolio Characteristics

#### Portfolio Turnover

This is a high turnover strategy (typically ranging from 100 to 200% per annum) which can potentially create performance drag. The Manager has a focus on controlling trading costs, slippage and market impact and not afraid to act rapidly to preserve capital and subsequently pivot if perceives the risk is dissipating.

#### Liquidity

Liquidity is not an issue at this FUM size with the current holdings.

#### Leverage

This Fund does not employ direct leverage (through borrowing by the Fund) **or** economic leverage (through the use of derivatives).

### 4. Performance & Risk

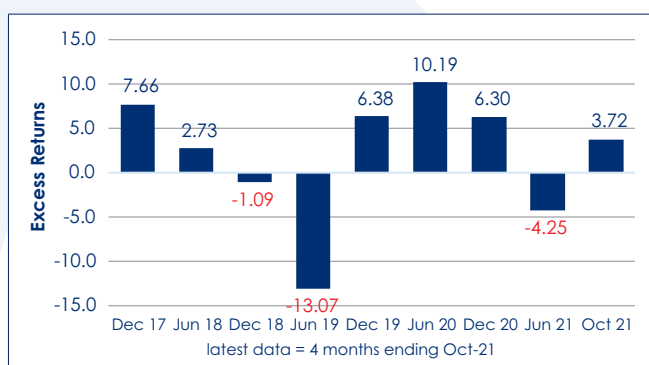
#### Return Objective

The return objective stated in the PDS is "to Maximise risk-adjusted returns to investors".

As stated in the PDS, the Fund's benchmark is "the All Ordinaries Accumulation Index".

Over the twelve months to Oct-2021, the Fund returned 31.22% (after fees) compared to 28.97% for the benchmark. This is an outperformance of 2.25%

#### Fund Excess Returns %: Half-yearly (net of fees)



#### Length of Track Record

The Fund has a history of 10.5 years.

Observations and analysis of returns will have substantial statistical meaning due to the sample size of observations.

#### Risk Objective

The Fund's PDS states that the Fund's risk level is "... it may suit investors who are willing to accept higher risk in exchange for the potential opportunity to earn greater returns".

The Fund's volatility (standard deviation of monthly returns) over the year to Oct-2021 was 11.26% compared to a peer average of 10.32% and 9.96% for the benchmark.

#### Drawdown Experience

Drawdown Size (peak-to-trough)			
	Fund	Bench	Peers
Average	-5.51%	-6.11%	-5.61%
Number	18	16	18

Drawdowns have, on average, been better than the benchmark and in line with the peer average.

**Definition:** A drawdown tracks the path of the Fund's accumulated NAV (with dividends reinvested). It is measured over the period of a peak-to-trough decline and the subsequent recovery back to that previous peak level. The total return over that entire period is, of course, zero. The metric of interest, the drawdown itself, is quoted as the percentage change between the peak and the trough over that period. Funds typically have multiple drawdowns of varying size and length over their lifetime. The table above shows how many drawdowns have occurred and their average peak-to-trough size.

### 5. Other Features

Fees and Costs	Fund	Peer Avg
Management Fee (% p.a.)	1.00%	0.86%
Expense Recovery (% p.a.)	-	-
Performance Fee (%)	10.00%	13.42%
Buy Spread (%)	0.00%	0.22%
Sell Spread (%)	0.00%	0.22%

#### Management fee

- Expressed as a percentage rate per annum of the Fund's Net Asset Value ("NAV")
- Excluding GST and impact of RITC (Reduced Input Tax Credit).

Performance fee:

There is a performance fee charged as follows:

- 10.0% of the amount by which the Fund's investment returns (before base management fees have been deducted) exceed the returns of the Benchmark (ASX All Ordinaries Accumulation Index) excluding GST and impact of RITC (Reduced Input Tax Credit)
- The fee is accrued monthly and (if applicable) paid to the Manager annually.
- The fee is adjusted for any prior accumulated negative performance fee. Underperformance in a previous performance period must be made up for before a performance fee is payable. This creates a permanent high-water mark.
- SQM Research observes that the hurdle rate for performance fee entitlement is any outperformance of the benchmark, but only applies when market returns are positive.
- SQM Research observes that the performance fee is earned on before-fee returns, which creates a compounding fee effect, i.e. a performance fee is charged on the base management fee. The approximate effect of this is an additional 0.10% cost (i.e. 10.00% of 1.00%) compared to if the performance fee was calculated on after-fee returns.

**Governance**

The Board of Directors of the Responsible Entity (Katana Asset Management) consists of three directors, none of whom are independent. SQM Research prefers the inclusion of independent members on the Board of Directors—it is a meaningful way to enhance governance and oversight. Board members have an average of 18.8 years of industry experience.

The Responsible Entity's **Compliance Committee** is composed of three members, two of whom are independent. The Chair **is not** independent; however the Chair is a non-voting procedural member who is a professional compliance expert (Jacqui /Stewart from GRC Essentials). SQM Research views independence in a RE oversight body such as the Compliance Committee as a strong and favourable factor in Fund governance. Compliance Committee members have an average of 22.3 years of industry experience.

**FUM (Funds under Management)**

The Fund is approximately \$45.6 million in size in Oct-2021.

Fund Performance to 31 October 2021 (% p.a.)							
Total Return	1-Month	3-Month	6-Month	1-Year	3-Year	5-Year	Inception
Fund	0.55	3.72	9.97	31.22	16.63	13.60	9.95
Benchmark	0.15	1.13	6.86	28.97	12.91	11.37	8.71
Peer Average	0.11	1.79	7.14	27.13	12.30	11.11	9.45
Alpha	0.40	2.59	3.11	2.25	3.72	2.24	1.24

With dividends reinvested. Returns beyond one year are annualised. Return history starts May-2011

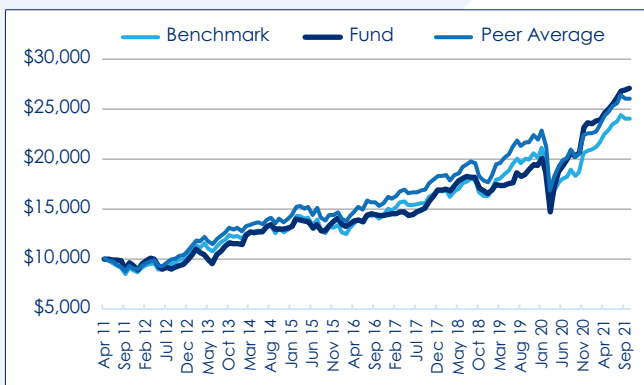
Benchmark: S&P/ASX All Ordinaries TR

\* SQM defines Alpha as the excess return compared to the Benchmark and is calculated as Alpha = Fund Return – Benchmark Return

Annual Returns					
Year	Fund	Benchmark	Peer Avg	vs. Bench	vs. Peers
2012	+10.84	+18.84	+20.10	-8.00	-9.26
2013	+16.69	+19.65	+22.06	-2.97	-5.38
2014	+13.16	+5.02	+6.84	+8.14	+6.32
2015	+8.20	+3.78	+5.00	+4.42	+3.20
2016	+2.44	+11.65	+10.04	-9.21	-7.60
2017	+16.87	+12.47	+13.01	+4.40	+3.86
2018	-2.16	-3.53	-3.45	+1.37	+1.28
2019	+17.33	+24.06	+24.19	-6.73	-6.86
2020	+21.71	+3.64	+2.99	+18.08	+18.72
Oct-21	+14.74	+15.06	+15.58	-0.32	-0.84

2021 data = 10 months ending Oct-21

Growth of \$10,000



Strengths of the Fund

- Highly qualified and experienced portfolio managers.
- The last five years of performance has been solid relative to benchmark and peers.
- A disciplined risk management process.
- The Fund has displayed solid risk-adjusted returns (information ratio) over the fund's life compared to peers.
- Performance fees are only charged when the Fund has generated a positive return unlike many funds that charge such outperformance fees even in falling markets.

Weaknesses of the Fund

- There is an element of key-person risk in Mr Sala Tenna and Mr Shallard, though both are heavily invested in the Fund.
- Performance fee (10.00%) is charged on before-management fee returns over benchmark. Common practice is to charge a performance fee on net (after fees) excess return.
- The Fund is a high turnover strategy which creates material trading costs though the Manger is not afraid to act rapidly to preserve capital.

Other Considerations

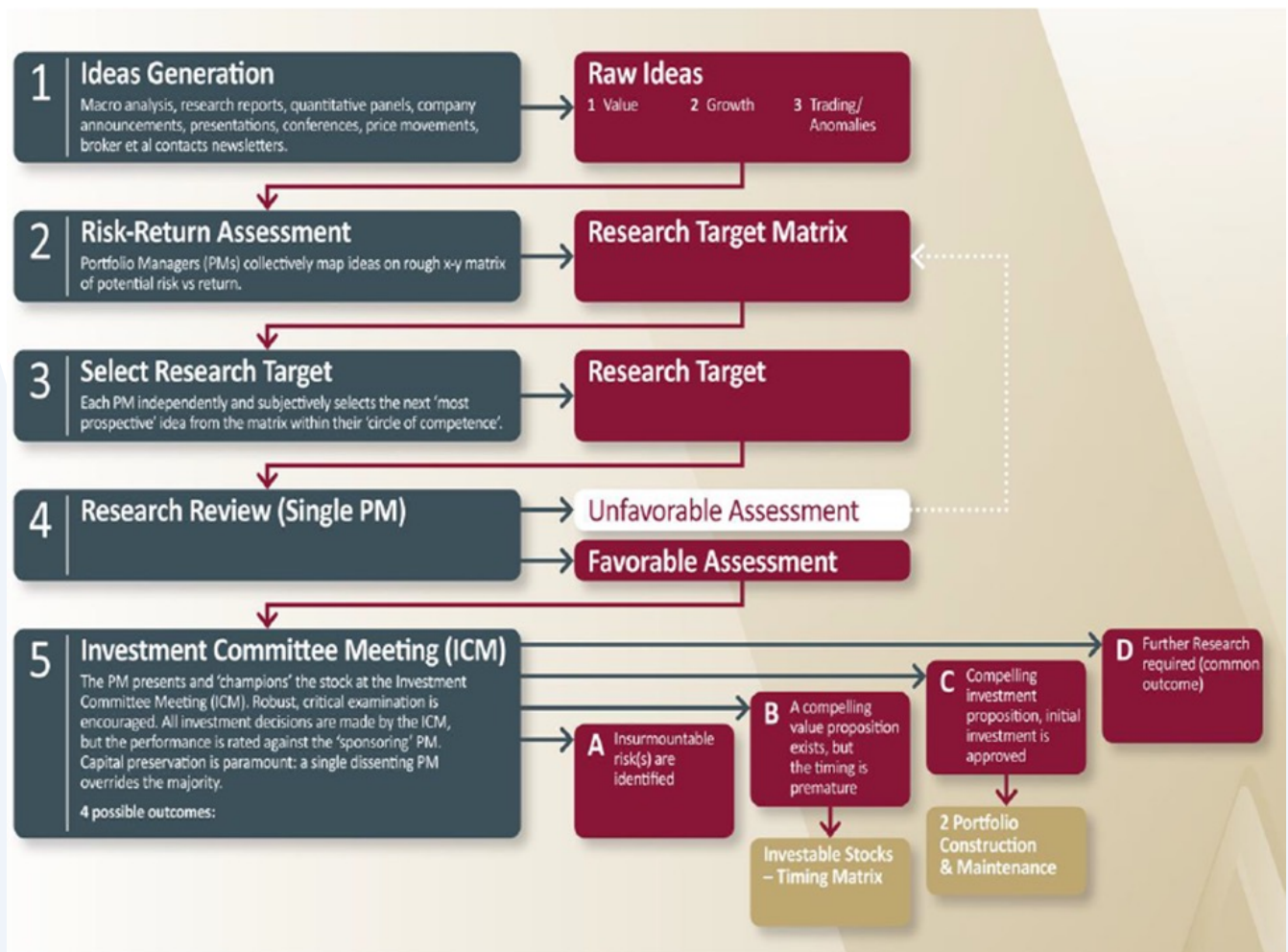
- The Fund currently has no buy/sell spread.
- The Fund is benchmark agnostic.
- The manager views the Fund from an absolute return perspective. It actively manages exposures and has on occasion held cash positions of up to 20%.

Key Changes since the Last Review

- No changes to the investment process since the previous review, though has further refined it's ESG research process.



Investment Process Diagram



Process Description

<b>Universe</b>	
<b>Investable Universe</b>	The Fund casts a wide net when it comes to the investment universe, providing Portfolio Managers with a wide scope when it comes to investment opportunities. The Fund considers equities that are Australian domiciled and ASX listed as its investment universe.
<b>Investment Process</b>	
<b>Top-down or bottom-up</b>	Katana takes a macro-overlay approach to determine weightings to equities or cash, opportunities in specific sectors and themes. It then uses bottom-up analysis to drive investment into specific companies.

**Investment Process****Research and Portfolio Construction Process****Idea Generation**

Investment Ideas are generated through multiple sources including, but not limited to:

- Brokers and advisers
- Research analysts
- Corporate networks
- Traditional and social media
- Electronic newsletters, journals, and industry publications
- Fund managers (Peer Community)
- Quantitative screens

All ideas and leads are encouraged at this stage of the process - the goal is to maximise the generation of investment ideas. There is a concerted effort to remove overlapping sources to maximise the depth and breadth of genuinely unique ideas.

The PM draws on the relevant resources – both internally and externally – to systematically work through each idea and lead. This is done initially by applying Katana's 10 Key Criteria, by which every investment is assessed. The goal is to identify any glaring anomalies and hence eliminate ideas that are unlikely to proceed.

**Research**

These criteria are researched, analysed, written up and discussed as a matter of course for every investment position. The importance of each of these criteria varies for each company. Generally, the relative weighting and priority follow the order below:

1. Management & Organisational Culture: - look for management that demonstrates over a period that they are:
    - (a) Trustworthy
    - (b) Competent
    - (c) Shareholder focused (put shareholders ahead of building an empire)
    - (d) Passionate
    - (e) Visionary
-

## Investment Process

Research  
and Portfolio  
Construction  
Process*...continued*

2. Robust Business Model (short-medium term) & Sustainable Competitive Advantage (medium to long-term) :-  
Above-average long-term returns require one or more sustainable competitive advantages, such as:
  - (a) Intellectual property, patents, or brand
  - (b) Regulatory/legislative
  - (c) Cost or 'effort' of switching
  - (d) Network effect: more buyers create more sellers creates more buyers
  - (e) Cost advantage (including economies of scale or cost of capital)
  - (f) First mover advantage or 'pole position.'
  - (g) Geographical/physical/infrastructure constraints
  - (h) Management and corporate culture
3. Valuation: Low Price Earnings Growth (PEG) ratio -or- Low Price to Earnings Ratio (PER) & High Sustainable Dividend Yield:- The PEG ratio is calculated by dividing the PER into the company's annualised earnings per share (EPS) growth (typically over 5 years or longer). It measures how attractive the company's growth is when compared to its current price.
4. Positive Macro Outlook/Tailwinds: Macro factors such as population and industrialisation demographics, sector growth, 'step-change' technology, and the economic cycle phase.
5. Appropriate price action: - The Fund aims to move 'in harmony' with the greater market. Technical analysis provides insights into investor sentiment. An investor can be right fundamentally but wrong on timing. Once a potential investment has been identified, the Fund restrains from purchasing the stock until the price turns favourably. In doing so, the Fund saves capital ('cheap' stocks getting cheaper), time and emotional quotient.
6. Strong Balance Sheet Indicating Safety, Prudent Management and Flexibility: - providing a snapshot of a company's capacity to survive, the balance sheet provides an insight into what capacity the company must:
  - (a) maintain or increase dividends
  - (b) implement a buyback or capital return
  - (c) grow organically or by acquisition

It provides an insight into management's state of mind: a 'reckless' balance sheet may indicate reckless management.
7. Quality of Earnings: -
  - (a) Structurally sound sector
  - (b) Pricing power: clients vs suppliers

### Investment Process

#### Research and Portfolio Construction Process

#### ...continued

- (c) Industry concentration
  - (d) Rational competitors
  - (e) Consistency & certainty of earnings
  - (f) Client concentration (large number of small clients vs small number of large clients)
  - (g) % of recurring revenue
  - (h) Determinants inside or outside of Management control
  - (i) High gross and net margins
8. High Operating Cash Flow (OCF) & High Free Cash Flow (FCF): - The very best businesses exhibit a high FCF and low annual Capex. A company that converts a high proportion of its net profit after tax [NPAT] into tangible cash without the need to constantly reinvest is considerably less likely to run into financial difficulty. High FCF provides the capacity to pay out an above-average portion to shareholders through dividends, capital returns, buybacks and so on.
  9. Return on Equity (ROE), Return on Price Equity (ROPE) & Return on Assets (ROA): - ROE measures the return that management has generated on shareholder's funds. ROPE links the level of shareholder equity returns to the current market capitalisation. ROA takes into account the impact that gearing has on ROE and considers whether a high ROE has been 'manufactured' by a high level of gearing.
  10. Liquidity: Invariably, some investment decisions will be wrong. A lack of liquidity considerably impacts the 'cost' at which one can enter or exit a company – if indeed, these actions can be achieved at all.
  11. Katana has been undertaking research to better understand key ESG drivers. This screening is now an important component in the Manager's research process.

#### Portfolio Construction

The investment thesis is formally submitted to the investment committee for discussion and debate. The investment committee decides on whether the stock is added to the portfolio. Capital preservation remains the overarching consideration. If a single member dissents ('the power of veto'), the investment does not proceed.

If the investment proceeds, the PM that submitted the proposal is allocated an initial position size and price parameters. The assigned PM takes responsibility for the position until it is no longer in the portfolio. The PM is held completely accountable for the performance of that position. At the end of each financial year – and on an ad hoc basis where required – the performance of each PM is calculated, tabled, and reviewed.

No 'orphan' position can exist in the portfolio. Every stock holding has a PM that is accountable for the position at all levels.

## Investment Process

### Research and Portfolio Construction Process

*...continued*

The macro backdrop is assessed at each Investment Committee Meeting (ICM). At the meeting, each PM chooses one of 5 ratings:

- (a) Sell
- (b) Reduce
- (c) Hold
- (d) Accumulate
- (e) Buy

The views are collated to form a group view which drives cash/stock weightings over the coming fortnight. The view tends to be reasonably static and moves along the spectrum in steps rather than leaps. Where the macro environment changes significantly, the group view and hence weightings may change rapidly.

Capital preservation is the over-arching consideration. Each of the three PM's has the exclusive, unfettered right to veto an investment. The decision-making process is often robust and at times contentious, but there can be no 'conflict' per se as the Investment Rules are clearly defined and well understood. The final vote rests with each PM to support, abstain or veto.

### Sell Discipline

Katana employs two important stop-loss processes:

1. Mandatory Stop Loss 7.5% on all trading positions. If stock is deemed a trading position, a stop loss is hard-wired at 7.5%.
2. Mandatory 15% Review Process on all investment positions. Investment positions are inherently safer due to the detailed research undertaken. There is no mandatory stop loss but a complete review of the thesis. Some of the best opportunities arise where a market or stock dislocation causes the price to fall while the underlying fundamentals improve.

### Risk Management

The portfolio has several portfolio construction structures and characteristics which limit downside risk, and capital preservation is the over-arching consideration:

1. No gearing
2. No use of derivatives
3. No currency or emerging market risk
4. Power of Veto (as discussed earlier) and pre-disposition towards capital preservation
5. High cash weighting with the capacity to move to a cash allocation of up to 80%
6. A diversified portfolio of typically 50 – 60 stocks
7. Benchmark unaware and not coerced into high-risk companies or sectors

**Investment Process****Research and Portfolio Construction Process***...continued*

KAM uses three quantitative risk management tools:

- 1) Bloomberg Portfolio Analytics (six-monthly & ad hoc)
  - a) Sector concentrations
  - b) Market capitalisation concentration
  - c) Attribution analysis
  - d) Portfolio characteristics including valuation demographics, debt metrics
  - e) Value at Risk (VaR)
  - f) Other portfolio and risk demographics
- 2) Portfolio Management System (Fortnightly)
  - a) Stop-loss percentages
  - b) Absolute loss levels
  - c) Stock weightings
  - d) Portfolio characteristics especially yield and valuation
- 3) Excel Spreadsheets (6 monthly and ad hoc as required/ requested)
  - a) PM Performance overall timeframes
  - b) Portfolio performance over different timeframes
  - c) Individual stock performance
  - d) Review of PM stock selection attributes
  - e) Bespoke risk modelling/projects

**Portfolio Turnover**

This is a high turnover strategy (typically ranging from 100 to 200% per annum) which can potentially create performance drag. The Manager has a focus on controlling trading costs, slippage and market impact and not afraid to act rapidly to preserve capital and subsequently pivot if perceives the risk is dissipating.

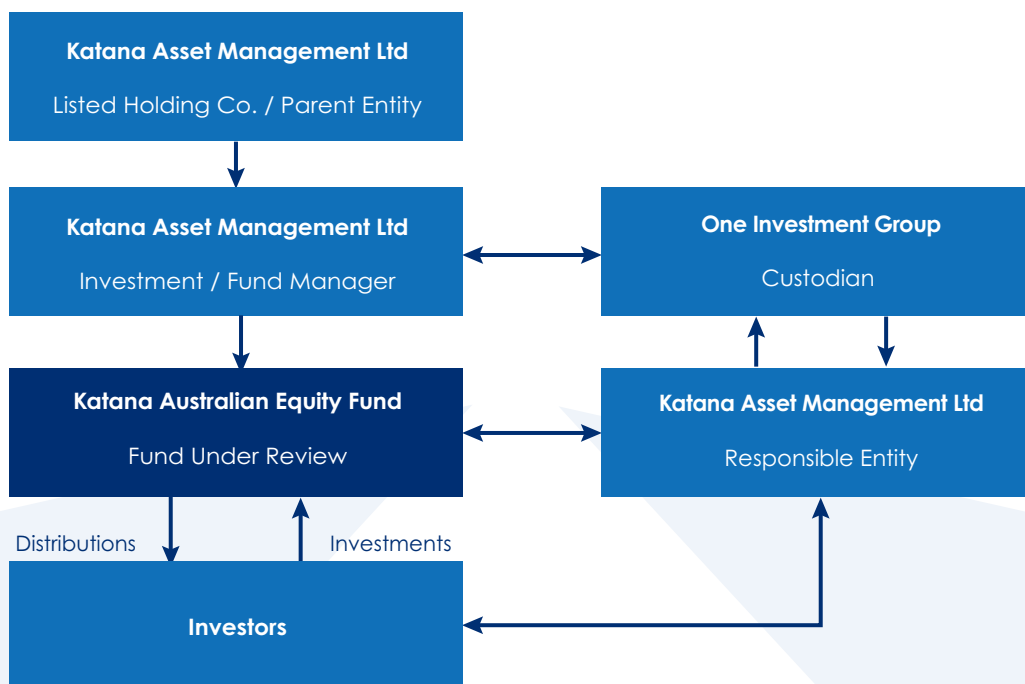
**Liquidity**

Liquidity is not an issue at this FUM size with the current holdings.

**Hedging & Derivatives**

The Fund has no direct foreign currency exposure; hence currency hedging is not required.

## Key Counterparties



### Parent Company

The parent entity is Katana Asset Management Ltd (KAM), an unlisted public company. Katana Asset Management was founded in September 2003 as a boutique investment management firm exclusively focused on Australian equities. KAM was granted an Australian Financial Services Licence in July 2005. In September 2005, KAM established its first fund - Katana Capital Ltd, listed on the ASX in December 2005 (ASX code KAT). In April 2011, Katana Asset Management launched its second fund – the Katana Australian Equity Fund (KAEF). KAEF is an unlisted version of the first fund and is managed by the same team, employing the same investment philosophy.

### Investment Manager / Fund Manager

Katana Asset Management Ltd was established in September 2003 and is led by experienced investment advisers Romano Sala Tenna, Brad Shallard, and Giuliano Sala Tenna. Katana Capital Ltd is a listed investment company (LIC) managed by Katana Asset Management Ltd (AFS License Number 288412). KAT was listed on the Australian Stock Exchange (ASX) in December 2005.

### Responsible Entity

The Board of Directors of the Responsible Entity (Katana Asset Management) consists of three directors, none of whom are independent. SQM Research prefers the inclusion of independent members on the Board of Directors – it is a meaningful way to enhance governance and oversight. Board members have an average of 18.8 years of industry experience.

The Responsible Entity's **Compliance Committee** is composed of three members, two of whom are independent. The Chair **is not** independent; however the Chair is a non-voting procedural member who is a professional compliance expert (Jacqui /Stewart from GRC Essentials). SQM Research views independence in a RE oversight body such as the Compliance Committee as a strong and favourable factor in Fund governance. Compliance Committee members have an average of 22.3 years of industry experience.

### Management Risk

Funds management businesses rely on the operational capabilities of key counterparties. A critical element is the ability of the Responsible Entity to monitor operational performance and to meet the regulatory and statutory responsibilities required. For any investment fund, there is a risk that a weak financial position or management performance deterioration of key counterparties

could temporarily or permanently compromise their performance and competency. This can adversely affect financial or regulatory outcomes for the Fund or associated entities.

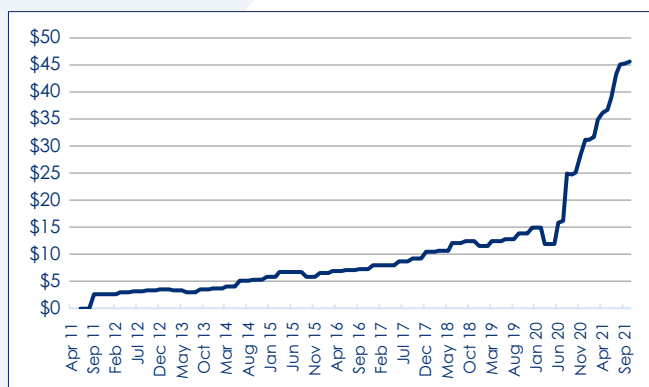
*Based on the materials reviewed, SQM Research believes that Katana Asset Management Ltd. and associated key counterparties are reasonably qualified to carry out their assigned responsibilities. Management risk is rated as modest.*

## Funds under Management (FUM)

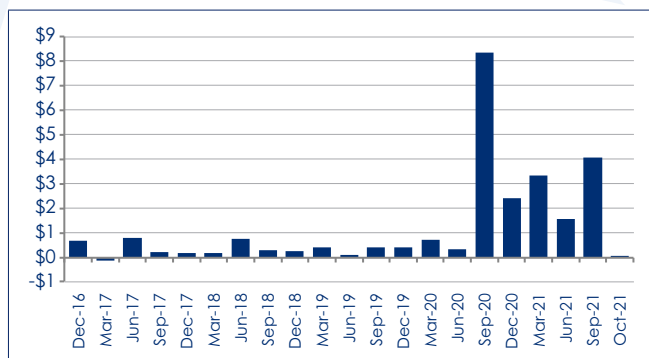
Date	FUM	Net Flows \$m*
Mar-20	\$12.0	\$0.7
Jun-20	\$15.8	\$0.3
Sep-20	\$24.8	\$8.4
Dec-20	\$31.3	\$2.4
Mar-21	\$35.0	\$3.3
Jun-21	\$39.0	\$1.6
Sep-21	\$45.3	\$4.1
Oct-21	\$45.6	\$0.1

\* estimated

## FUM for Fund under Review (\$mill)



## Quarterly Net Flows (\$million)



## Distributions

Distributions occur on an annual basis, subject to the availability of distributable income. In a scenario where the Fund's realised losses and expenses exceed income in a distribution period, the Fund may elect not to make a distribution during that time.

Distribution Amount - cents per unit			
Distribution Date	Distribution CPU	Unit price * \$	Distribution %
Jun-13	1.63	\$0.907	1.80
Jun-14	8.74	\$1.123	7.78
Jun-15	13.96	\$1.014	13.77
Jun-16	4.51	\$1.068	4.22
Jun-17	1.48	\$1.069	1.38
Jun-18	18.19	\$1.302	13.97
Jun-19	4.06	\$1.105	3.67
Jun-20	6.73	\$1.181	5.70
Jun-21	18.65	\$1.454	12.83

\* Unit Prices shown are the monthly average of daily unit prices

## A General Note on Distributions for Managed Funds

The Responsible Entity of a Managed Fund will provide for a regular schedule of distributions, such as monthly/quarterly/semi-annual or annual. This is subject to the Fund having sufficient distributable income. The official total distributable income available to pay to investors is determined for the period of that Fund's financial year. By distributing the net taxable income of the Fund to investors each year, a Fund itself should not be liable for tax on its net earnings.

If a Fund makes distributions more frequently than once over the financial year, those distributions will be based on estimates of the distributable income for that distribution period. The final total amount of distributable income available for passing on to investors can only be calculated after the close of the financial year, based on the Funds taxable income for that year.

If the total distributions a Fund pays out exceeds total taxable income for that particular financial year, the excess amount may be treated as a return of capital rather than income. This will possibly have tax implications for the investor.

Due to the considerations outlined above, there may be periods in which no distributions are made, or a Fund may make additional distributions

A Fund's ability to distribute income is determined by the performance of the Fund and general market conditions. Accordingly, there is no guarantee a Fund will make a distribution in any distribution period.



Name	Responsibility / Position	Location	Years at Firm	Years in Industry
Romano Sala Tenna	Portfolio Manager	Perth	18.0	25.0
Brad Shallard	Portfolio Manager	Perth	18.0	26.0
Giuliano Sala Tenna	Portfolio Manager	Perth	12.0	24.0
Hendrik Bothma	Analyst	Perth	1.5	7.0

## Investment Team

The Katana Asset Management (KAM) investment team consists of three portfolio managers and an analyst with nearly 82 years of combined experience, all contributing to a robust decision-making process.

Both Mr Brad Shallard and Mr Romano Sala Tenna operate as joint Managing Directors. This duplication ensures that KAM will continue to be led seamlessly if either person is unable to work in the business. Mr

Shallard and Mr Sala Tenna have been in partnership for more than 18 years and have an ongoing enthusiasm for growing KAM for the next 15+ years. KAM hired Hendrik Bothma in February 2020 to assist the three portfolio managers with their security research analysis.

There is an element of key-person risk in the form of Mr Sala Tenna and Mr Shallard.

## Meeting Schedule

The table below shows regular meetings that form an essential part of the overall process.

Meeting	Agenda	Frequency	Participants
<b>Investment Committee Meeting</b>	1) Review macro 2) Review Portfolio 3) Discuss investment submissions 4) Stop loss updates	Fortnightly	4 Investment Committee Members
<b>Compliance Committee Meeting</b>	Independent review of all aspects of Fund Governance, Statutory reporting etc.	Quarterly	3 Committee Members (2 independent) + Admin Manager + Compliance Manager
<b>Performance Review Meeting</b>	Review collective performance of the fund and Individual performance of each PM	Six monthly	5 Investment Committee Members
<b>Strategy Meeting</b>	Review business strategy	Six monthly	2 Co-founders
<b>Macro View Setting</b>	To discuss major political/social/economic change	Ad hoc	5 Investment Committee Members
<b>Portfolio Review (Esp. Alignment)</b>	Review portfolio weightings, correlation, alignment et al	Weekly (brief)	Senior PM with Administration Manager

*SQM Research believes the practice of constant communication and the broad-based inclusion of team members in decision-making is a vital ingredient to the success of the process. Interactive peer review and collaboration across a tightly knit group of experienced investors will likely make the best use of their combined intellectual property and shared history.*

## Staffing Changes

Departures			
Date	Name	Responsibility	Reason for Departure
-	-	-	-
Additions / Hires			
Date	Name	New Responsibility	Previous Position / Employer
07-Sep-20	Zaffar Subedar	National Business Development Manager	Consultant @ ZS Consulting

*SQM Research observes that the levels of investment experience and company tenure are strong across the investment team. The size and nature of staff turnover are not an issue of concern, in SQM's view.*

## Remuneration and Incentives

Katana has an overall compensation philosophy that aligns individual awards with client success and has been in place and unchanged since 2014.

Total compensation for investment staff includes a base salary and incentive compensation as follows:

The total Bonus Pool available for staff is 30% of the annual performance fee physically received by Katana Asset Management. KAM only receives a performance fee where the Fund has outperformed its designated benchmark. If KAM does not receive a Performance Fee, no Performance Bonus is subsequently available to any PM. An arbitrary override (only ever to the benefit, not the detriment of a PM) may provide for an allowance from a subsequent period in the event that outstanding individual performance cannot be recognised in the current period due to the impact of other PM's.

Base Salary/Discretionary Bonus - is based on contribution to team performance. Each Portfolio Manager (PM) receives a percentage of the performance fee for their contribution to the team's overall performance, irrespective of how they have individually performed. This comprises a total pool capped at 10.0%.

Incentive Compensation - is determined by individual investment performance. It is directly linked to strong, long-term investment performance that is consistent with client objectives. All three PMs are eligible to share in an additional pool of 20.0% based upon their individual performances for the financial year. The calculation is based on the gross return that the PM generates as a percentage of the overall gross return generated by all PMs. When a PM generates a negative return, it is subtracted from the following year's returns (or thereafter) until it is recovered.

The two joint Managing Directors hold 48% each of the firm's equity, while the portfolio manager and other staff own the remainder. The team has invested extensively in both funds under their management. Currently, the quantum is in the order of 20% of total funds under management. The team continues to add to their holdings monthly and has committed to reinvesting all dividends and distributions into the listed and unlisted funds.

***SQM Research believes remuneration in the form of firm equity and client-focused performance bonuses act as strong incentives for optimising staff engagement, retention, and productivity. The intention (and SQM believes, the effect) is to align staff performance with client and shareholder objectives. It focuses on the customers' needs and medium to long-term results.***

Fees and Costs	Fund	Peer Avg
Management Fee (% p.a.)	1.00%	0.86%
Expense Recovery (% p.a.)	–	–
Performance Fee (%)	10.00%	13.42%
Indirect Cost Ratio ICR (% p.a.)*	1.34%	1.33%
Buy Spread (%)	0.00%	0.22%
Sell Spread (%)	0.00%	0.22%
Other Features	Fund	
Redemptions	Daily	
Distributions	Annually	
Minimum Investment	\$25,000	

\* ICR Date: 30-Jun-21

\* This spread is the difference between the Fund's application price and withdrawal price and reflects transaction costs relating to the underlying assets.

### Management Fee

The management fee excludes GST and is net of any applicable Reduced Input Tax Credits (RITC).

### Performance Fee

There is a performance fee charged as follows:

- 10.0% of the amount by which the Fund's investment returns (before base management fees have been deducted) exceed the returns of the Benchmark (ASX All Ordinaries Accumulation Index) excluding GST and impact of RITC (Reduced Input Tax Credit)
- The fee is accrued monthly and (if applicable) paid to the Manager annually.
- The fee is adjusted for any prior accumulated negative performance fee. Underperformance in a previous performance period must be made up for before a performance fee is payable. This creates a permanent high-water mark.
- SQM Research observes that the hurdle rate for performance fee entitlement is any outperformance of the benchmark, but only applies when market returns are positive.
- SQM Research observes that the performance fee is earned on before-fee returns, which creates a compounding fee effect, i.e. a performance fee is charged on the base management fee. The approximate effect of this is an additional 0.10% cost (i.e. 10.00% of 1.00%) compared to if the performance fee was calculated on after-fee returns.

### SQM Research observes that:

- *The Fund management fee is 1.00% p.a., which is 14 basis points higher than the peer group average of 0.86% p.a.*
- *The performance fee accrues at any return above the benchmark, and only when the benchmark is positive.*
- *The performance fee, at 10.0%, is lower than the average of peers that charge a performance fee.*
- *The performance fee includes a permanent high-water mark.*

Risk/Return Data to 31 October 2021							
Total Return	1-Month	3-Month	6-Month	1-Year	3-Year	5-Year	Inception
Fund	0.55	3.72	9.97	31.22	16.63	13.60	9.95
Benchmark	0.15	1.13	6.86	28.97	12.91	11.37	8.71
Peer Average	0.11	1.79	7.14	27.13	12.30	11.11	9.45
Alpha	0.40	2.59	3.11	2.25	3.72	2.24	1.24
Metrics				1-Year	3-Year	5-Year	Inception
Tracking Error (% p.a.) - Fund				3.70	6.75	6.19	6.42
Tracking Error (% p.a.) - Peer Average				4.91	5.16	4.65	4.33
Information Ratio - Fund				0.61	0.55	0.36	0.19
Information Ratio - Peer Average				-0.26	-0.22	-0.13	0.01
Sharpe Ratio - Fund				2.77	0.83	0.80	0.56
Sharpe Ratio - Peer Average				2.65	0.66	0.68	0.55
Volatility - Fund (% p.a.)				11.26	19.24	15.56	13.85
Volatility - Peer Average (% p.a.)				10.32	17.80	14.86	13.31
Volatility - Benchmark (% p.a.)				9.96	17.46	14.48	13.38
Beta based on stated Benchmark				1.07	1.03	0.99	0.92

Dividends reinvested. Returns beyond one year are annualised. Return history starts May-2011

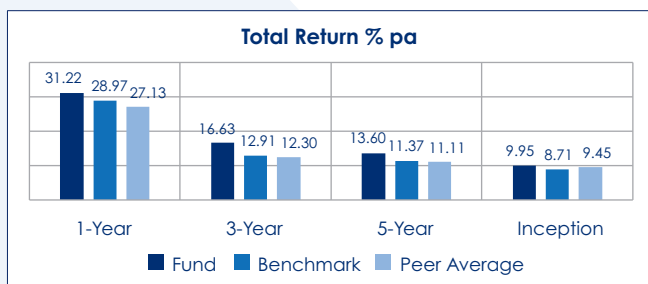
Benchmark: S&P/ASX All Ordinaries TR

\* SQM defines Alpha as the excess return compared to the Benchmark and is calculated as Alpha = Fund Return – Benchmark Return

### Quantitative Insight<sup>1</sup>

**Note:** Unless otherwise stated, all return and risk data reported in this section are after-fees and for **periods ending Oct-2021**.

#### Returns

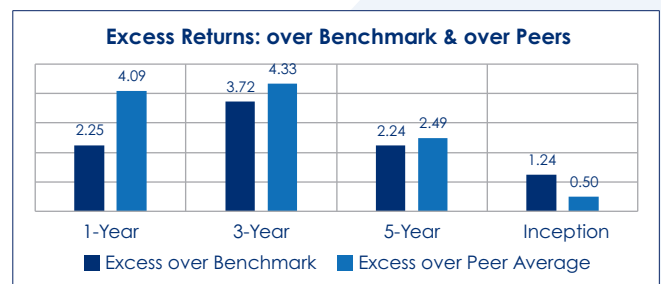


The Fund has displayed strong performance across all periods when compared with benchmark and peers. This is particularly the case over the past five years.

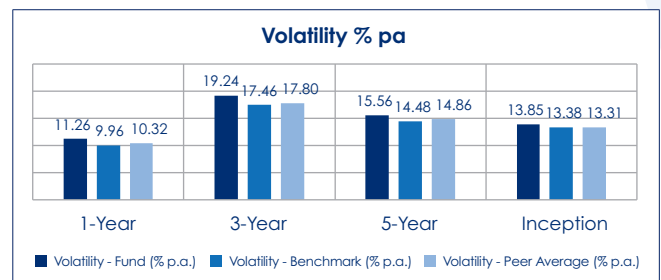
The **return outcomes** described above are above the PDS objective and SQM's expectations for the Fund relative to its fee level and volatility.

The Fund's **volatility** (standard deviation of monthly returns) has tended to be slightly higher than benchmark and peers.

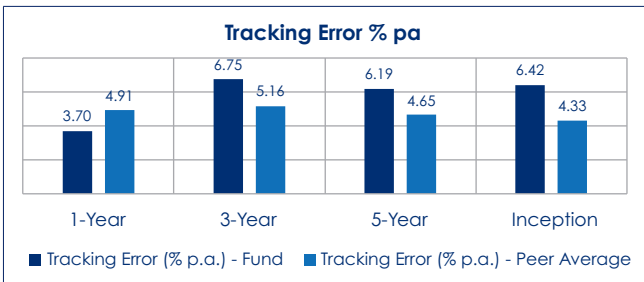
#### Excess Returns (Alpha)



#### Risk



<sup>1</sup> Note: Sharpe and Information Ratios are not reliable comparison tools in periods where both the Fund and its peers/benchmark record a negative result



The Fund's **tracking error** (standard deviation of monthly excess returns) has tended to be higher than peers.

The **risk outcomes** as described above regarding volatility and tracking error are consistent with the PDS statements about risk and are in line with SQM's expectations for this Fund.

**Drawdowns**

Drawdown Summary			
Drawdown Size (peak-to-trough)			
	Fund	Bench	Peers
Average	-5.51%	-6.11%	-5.61%
Number	18	16	18
Smallest	-0.01%	-0.77%	-1.06%
Largest	-26.64%	-27.33%	-26.49%
Length of Drawdown (in months)			
	Fund	Bench	Peers
Average	5.5	6.3	6.1

Length of Drawdown = time from peak to trough and back to the previous peak level

Drawdowns have, **on average**, been modestly better than the benchmark and similar to the peer average.

**Snail Trail**

The snail trail chart and tables below show the combination of the Fund's rolling 3-year excess returns and rolling 3-year excess volatility.

There are 91 observations in total.

The two tables below display the distribution of these observations and their overall frequency across the risk/return quadrants.

Snail Trail Distribution			
Frequency	Lo-Vol	Hi-Vol	Total
Hi-Return	30	19	49
Lo-Return	26	16	42
<b>Total</b>	<b>56</b>	<b>35</b>	<b>91</b>

91 rolling 3-year observations			
% of Total	Lo-Vol	Hi-Vol	Total
Hi-Return	33.0%	20.9%	53.8%
Lo-Return	28.6%	17.6%	46.2%
<b>Total</b>	<b>61.5%</b>	<b>38.5%</b>	<b>100.0%</b>

In assessing a snail trail it is important to note the following:

**Q1 upper left-hand quadrant** - higher return than the Fund's market index with lower volatility (less risk). This is the optimal position.

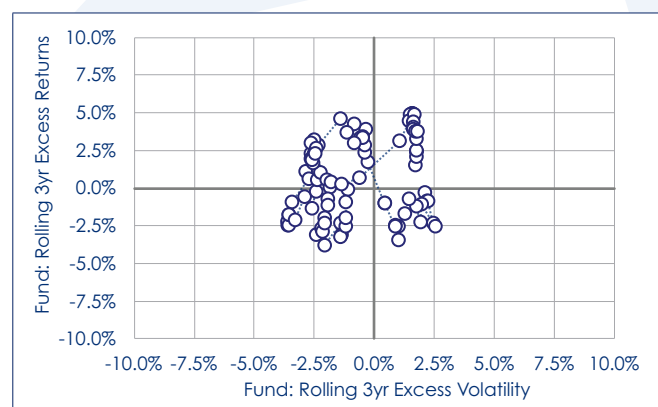
**Q2 upper right-hand quadrant** - higher return than the Fund's market index with higher volatility (more risk). This can often be a desirable position depending on the attractiveness of the Sharpe ratios produced in this zone. It is important to note that in the case of inflation or cash-style benchmarks, the Q1 top left-hand quadrant is unachievable as it is not possible to deliver lower volatility than what is virtually zero for the benchmark. In such cases, the Q2 zone is the optimal position.

**Q3 lower left-hand quadrant** - lower return than the Fund's market index with lower volatility (less risk). Less than ideal, and Sharpe ratios can assist in assessing the risk/return trade-off in this zone.

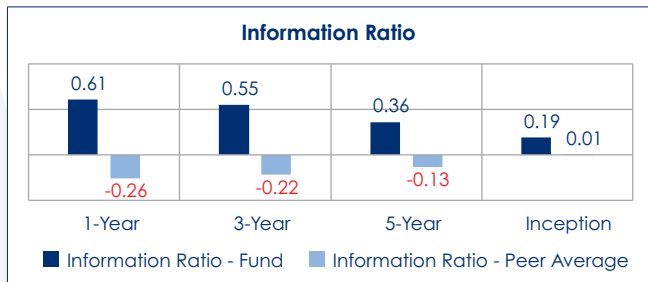
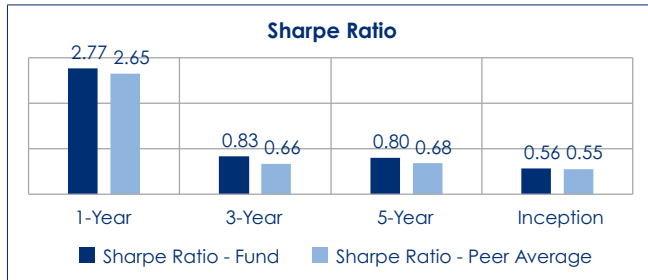
**Q4 lower right-hand quadrant** - lower return than the Fund's market index with higher volatility (more risk). The least desirable outcome.

**Consistency**

The more "bunched together" the cluster of dots, the more consistent is the performance. A second indicator of consistency is the trail's nomadic nature. Trails that roam across multiple quadrants over time are indicating **low consistency** in the Fund's risk-return profile. The quadrant that **contains the bulk** of the Fund's snail trail is likely to be more representative of the Fund's risk/return characteristics and identity.



Risk-Adjusted Returns



The Fund's risk-adjusted returns (particularly as measured by the Information ratio) have been better than the peer average.

Correlation of Fund to Asset Classes			
Index	Market	3 Years	Inception
Bloomberg AusBond Composite 0+Y TR	Aust Bonds	-0.0%	-9.5%
S&P/ASX 300 TR	Aust Stocks	+92.9%	+87.5%
BBgBarc Global Aggregate TR Hdg AUD	Global Bonds	+28.7%	+13.8%
MSCI World Ex Australia NR AUD	Global Stocks	+67.5%	+44.3%

There is a high correlation of the Fund's returns with the S&P ASX300 index and a moderate correlation to global equities.

Tail Risk

(The analysis in the table below looks at the **tail risk performance relationship of the Fund to the ASX300**, a practice that SQM has set as common across asset classes in Fund reviews. This approach recognises that for the large bulk of financial planner clients, their key traditional asset class **risk** regarding **size** and **volatility** is to Australian equities. Exploring that relationship is useful regardless of the asset class of the Fund itself, as it is helpful to understand how a Fund has acted in times of Australian equity market stress in terms softening or exaggerating the negative performance experienced at such times.)

The table below details the **largest negative monthly returns** for the ASX 300 **since the inception of the Fund**. This is compared to the Fund's performance over the same months.

Extreme Market Returns vs Fund Return Same Month

Index: S&P/ASX 300 TR		From: May-11 to Oct-21		
Rank	Date	Market	Fund	Difference
1	Mar-20	-20.83%	-21.13%	-0.30%
2	Feb-20	-7.76%	-6.98%	+0.78%
3	Aug-15	-7.70%	-4.59%	+3.11%
4	May-12	-6.74%	-7.53%	-0.80%
5	Sep-11	-6.28%	-8.01%	-1.74%
6	Oct-18	-6.16%	-5.86%	+0.30%
7	Jan-16	-5.45%	-4.85%	+0.60%
8	Sep-14	-5.37%	-3.22%	+2.15%
9	Jun-15	-5.32%	-4.85%	+0.47%
10	May-13	-4.54%	-5.11%	-0.57%
<b>TOTALS</b>		<b>-76.14%</b>	<b>-72.14%</b>	<b>+4.00%</b>

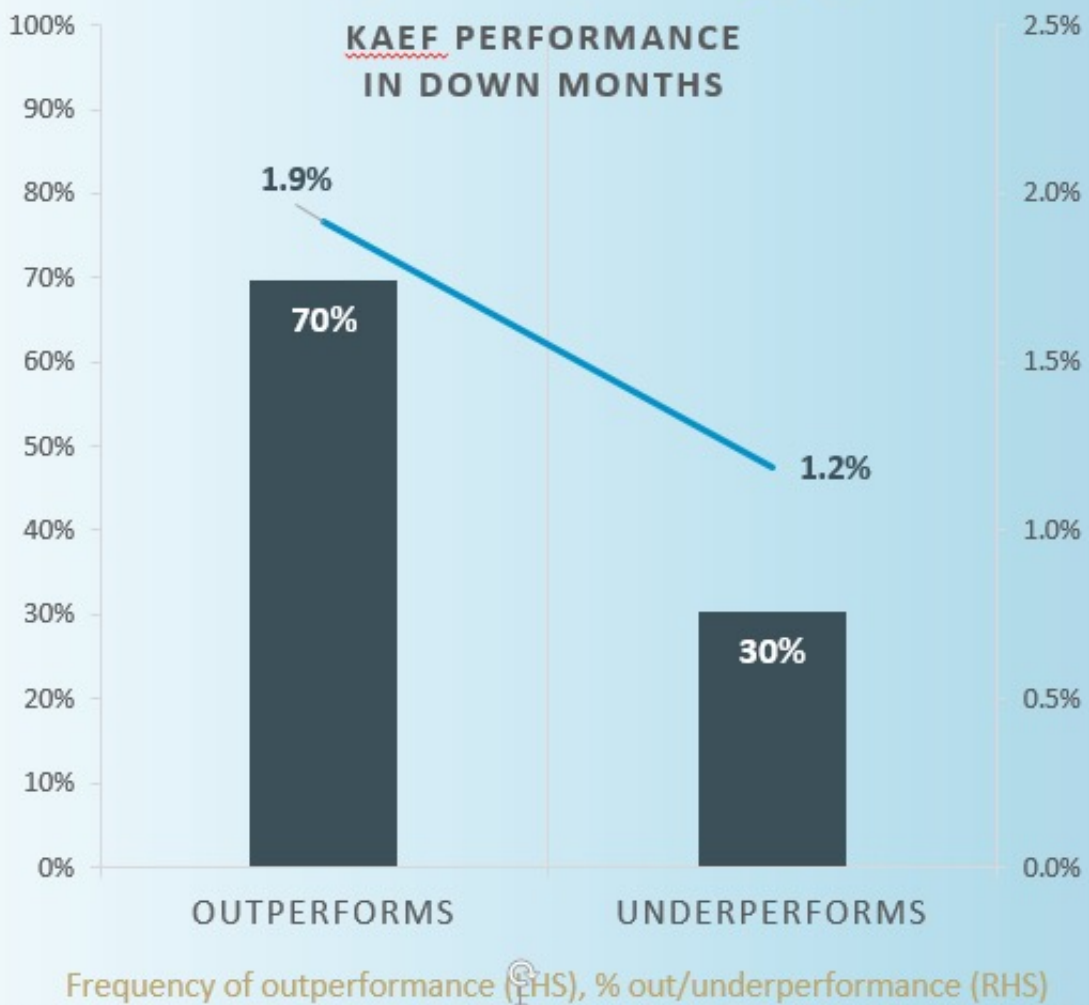
			No. of Months
<b>Correlation</b>	<b>+96.1%</b>	Positive Return	0
<b>Capture</b>	<b>+94.7%</b>	Outperform	6

Tail Risk Observations:

The data in the table above indicate that the Fund displays modest defensive characteristics in the face of extreme Australian equity tail risk.

### Significant Out-Performance since inception

- Since inception, the KAEF has provided resiliency for investors, particularly in down months.
- *Exceptional outperformance in down months, outperforming the benchmark 70% of the time by an average of 1.9%*

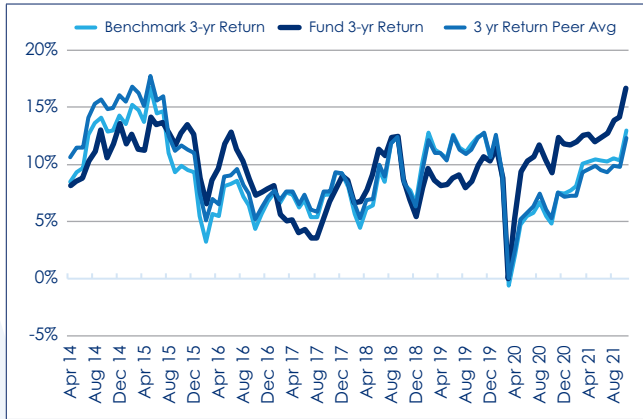


Source: Katana Asset Management, Bloomberg, SQM Research as at October 31, 2021

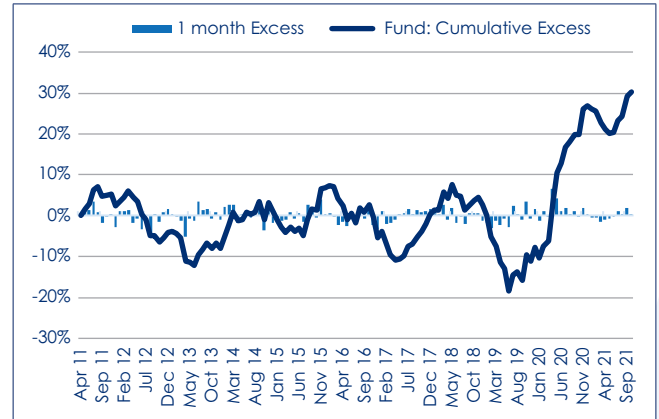
QUANTITATIVE ANALYSIS

Return and Risk

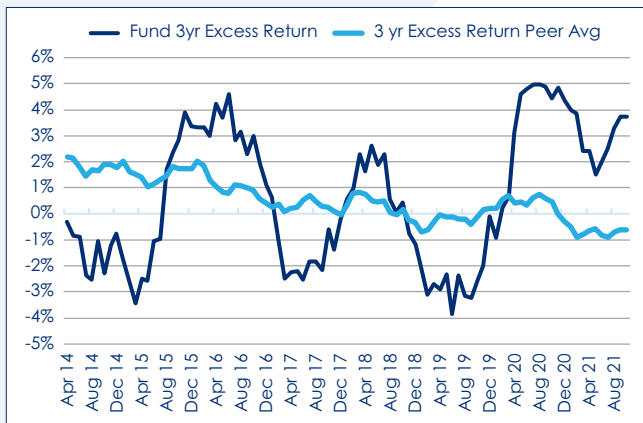
Rolling Returns



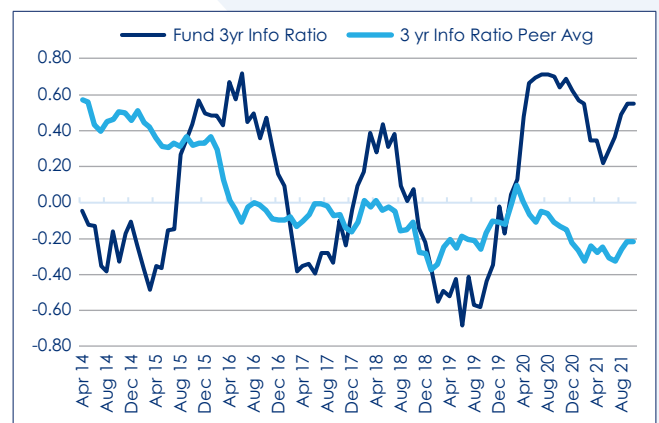
Cumulative Excess Returns



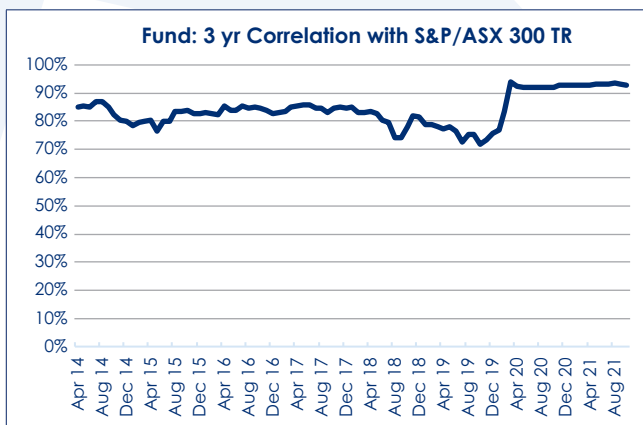
Rolling Excess Returns



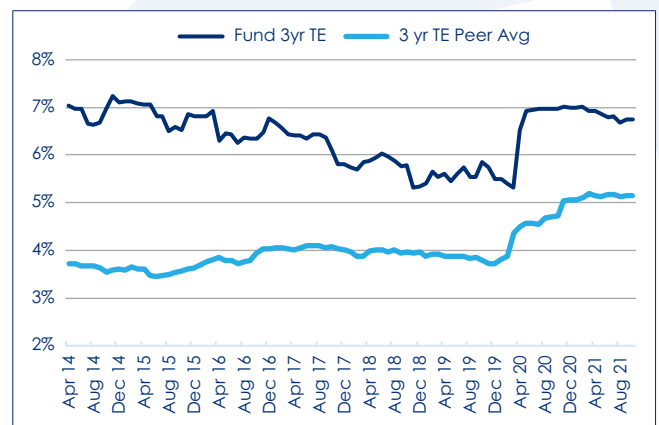
Rolling Information Ratio



Rolling Correlation



Rolling Tracking Error

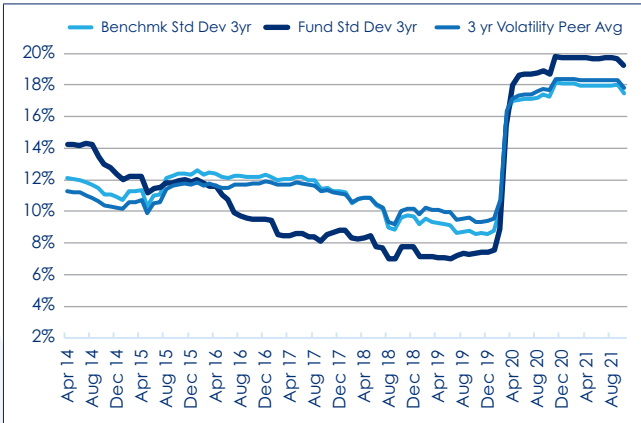




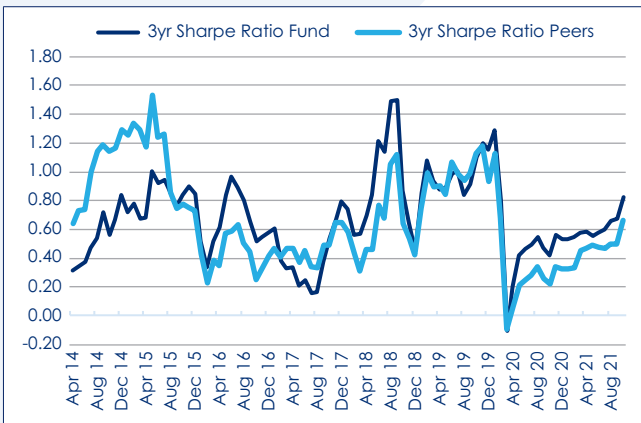
QUANTITATIVE ANALYSIS

Return and Risk

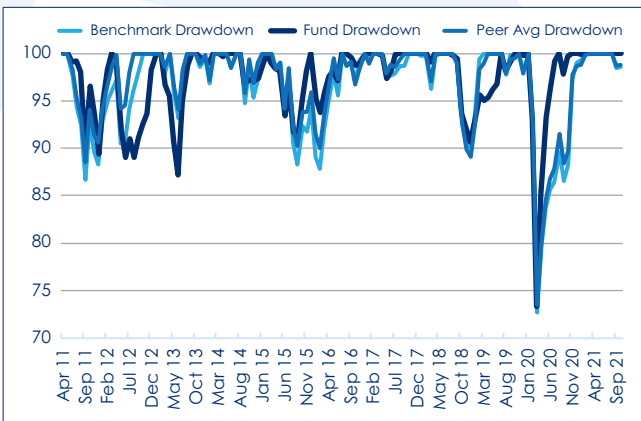
Rolling Volatility



Rolling Sharpe Ratio



Drawdowns



The table below outlines limits on the Fund's asset allocation and other risk parameters:

Fund Constraints and Risk Limits	Target	Lower Bound	Upper Bound
Top 500	75-90%	No Minimum	No Maximum
Cash Weighting	15-30%	No minimum	Theoretically 80%
Australian Listed Securities	70-85%	20%	95%
Gearing	Nil	-	-

Details of the Fund's historical portfolio allocations and other metrics are detailed below:

#### Fund Allocations

Jun-2021

Equity Sector Profile	Net Weight	Benchmark	Active
Financials	+20.42%	26.88%	-6.46%
Information Technology	+5.13%	5.28%	-0.15%
Health Care	+9.26%	9.65%	-0.39%
Consumer Discretionary	+4.97%	8.75%	-3.78%
Consumer Staples	+2.25%	4.65%	-2.40%
Energy	+7.09%	3.47%	+3.62%
Materials	+22.77%	20.77%	+2.00%
Industrials	+11.31%	7.01%	+4.30%
Communication Services	+4.42%	5.05%	-0.63%
Utilities	+0.60%	1.45%	-0.85%
Real Estate	+8.53%	7.04%	+1.49%
Not Classified	+3.25%	0.00%	+3.25%

## Key Investment Staff

### **Romano Sala Tenna: Portfolio Manager**

Mr Sala Tenna commenced at Alcoa as a trainee programmer in 1989 and worked in a variety of roles including systems analyst. In 1996, he commenced work as a private client adviser at William Noall Ltd. He joined Johnson Taylor Potter in 2000 which was subsequently subsumed by Bell Securities to form Bell Potter Securities. In 2003 Mr Sala Tenna co-founded Katana Asset Management. He is a past lead lecturer at Finsia and the ASX. He is regularly quoted in the AFR, The Australian, SMH and a variety of national and local publications.

Mr Sala Tenna has completed B.Bus (Distinction), Grad Dip. Applied Investment Analysis, ADA 1&2, F.Finsia.

### **Brad Shallard: Portfolio Manager**

Mr Shallard commenced as a tax accountant in 1994 and then transitioned into financial planning. In 1995, Mr Shallard moved into stockbroking at William Noall Ltd. He joined Johnson Taylor Potter in 2001 which was subsequently subsumed by Bell Securities to form Bell Potter Securities. In 2003 he co-founded Katana Asset Management.

Mr Shallard has completed B.Bus (Accounting), CPA, Dip of FP, Grad Dip Applied Investment Analysis, ADA 1&2, F.Finsia.

### **Giuliano Sala Tenna: Investment Manager**

Mr Sala Tenna commenced in January 2010. He has worked in the Finance Industry for over 18 years in various fields including Credit, Business Development, Product Structuring, Funds Management, Investment and Corporate Advisory. He is regularly quoted in the AFR and has made media appearances on the ABC News and Business Program.

Mr Sala Tenna has completed a B.Bus (Distinction), FFIN, Graduate Diploma in Financial Planning at the Securities Institute of Australia, the Company Directors Course at the Australian Institute of Company Directors and is an ASX Derivatives Accredited Adviser.

### **Hendrik Bothma: Analyst**

Mr Bothma joined KFM in February 2020. He has strong financial modelling skills and experience in mid-cap resources, financial and industrial companies. At FTI Consulting, he built bespoke DCF valuation models from scratch to calculate the enterprise value for some of WA's largest Government Traded Enterprises (GTE's). Mr Bothma developed strong financial statement and tax knowledge while working for a Big 4 accounting firm.

Although all reasonable care has been taken to ensure that the information contained in this document is accurate, neither SQM Research nor its respective officers, advisers or agents makes any representation or warranty, express or implied as to the accuracy, completeness, currency or reliability of such information or any other information provided whether in writing or orally to any recipient or its officers, advisers or agents.

SQM Research and its respective officers, advisers, or agents do not accept:

- any responsibility arising in any way for any errors in or omissions from any information contained in this document or for any lack of accuracy, completeness, currency or reliability of any information made available to any recipient, its officers, advisers, or agents; or
- any liability for any direct or consequential loss, damage or injury suffered or incurred by the recipient, or any other person as a result of or arising out of that person placing any reliance on the information or its accuracy, completeness, currency or reliability.

This document contains statements which reflect current views and opinions of management and information which is current at the time of its release but which may relate to intended or anticipated future performance or activities. Such statements and financial information provided have been estimated only and are based on certain assumptions and management's analysis of the information available at the time this document was prepared and are subject to risk and uncertainties given their anticipatory nature. Actual results may differ materially from current indications due to the variety of factors.

Accordingly, nothing in the document is or should be relied upon as a promise or representation as to the future or any event or activity in the future and there is no representation, warranty or other assurance that any projections or estimations will be realised.

By accepting the opportunity to review this document the recipient of this information acknowledges that:

- it will conduct its own investigation and analysis regarding any information, representation or statement contained in this or any other written or oral information made available to it and will rely on its own inquiries and seek appropriate professional advice in deciding whether to further investigate the business, operations and assets of the business; and
- to the extent that this document includes forecasts, qualitative statements and associated commentary, including estimates in relation to future or anticipated performance, no representation is

made that any forecast, statement or estimate will be achieved or is accurate, and it is acknowledged that actual future operations may vary significantly from the estimates and forecasts and accordingly, all recipients will make their own investigations and inquiries regarding all assumptions, uncertainties and contingencies which may effect the future operations of the business.

In providing this document, SQM Research reserves the right to amend, replace or withdraw the document at any time. SQM Research has no obligation to provide the recipient with any access to additional information or to release the results of or update any information or opinion contained in this document.

### Reproduction

SQM Research assessment reviews cannot be reproduced without prior written permission from SQM Research. Each assessment review completed by SQM Research is held under copyright. Extracts may not be reproduced.

Requests to reproduce or use an SQM Research assessment review should be sent to [info@sqmresearch.com.au](mailto:info@sqmresearch.com.au)

### Disclosure

SQM Research has no involvement in this fund or any of the organisations contained in the product disclosure statement. This assessment does not constitute an investment recommendation. It is designed to provide investment advisers with a third party view of the quality of this fund, as an investment option. SQM Research charges a standard and fixed fee for the third party review. This fee has been paid under the normal commercial terms of SQM Research.

Analyst remuneration is not linked to the rating outcome. Where financial products are mentioned, the Analyst(s) may hold financial product(s) referred to in this document, but SQM Research considers such holding not to be sufficiently material to compromise the rating or advice. Analyst holdings may change during the life of the report. The Analyst(s) certify the views expressed in the report accurately reflects their professional opinion about the matters and financial product(s) to which the report refers.

SQM Research, under its Australian Financial Services Licence (Licence number 421913) operates under the provisions set down under ASIC Regulatory Guide 79.

Please note a Financial Services Guide and a [Conflicts of Interest policy](#) is available on our website. Subscribers to SQM Research receive access to the full range of fund research, ratings and fund updates.

This report has been prepared for Financial Advisers Only.



**SQM**  
RESEARCH

**Address:**

Level 16, 275 Alfred Street  
North Sydney, New South Wales, 2060

**Contacts:**

Louis Christopher 02 9220 4666  
Rob da Silva 02 9220 4606

**Analyst:**

Brendan Irwin

**Central Contacts:**

Phone: 1800 766 651  
Email: [info@sqmresearch.com.au](mailto:info@sqmresearch.com.au)  
Web: [www.sqmresearch.com.au](http://www.sqmresearch.com.au)