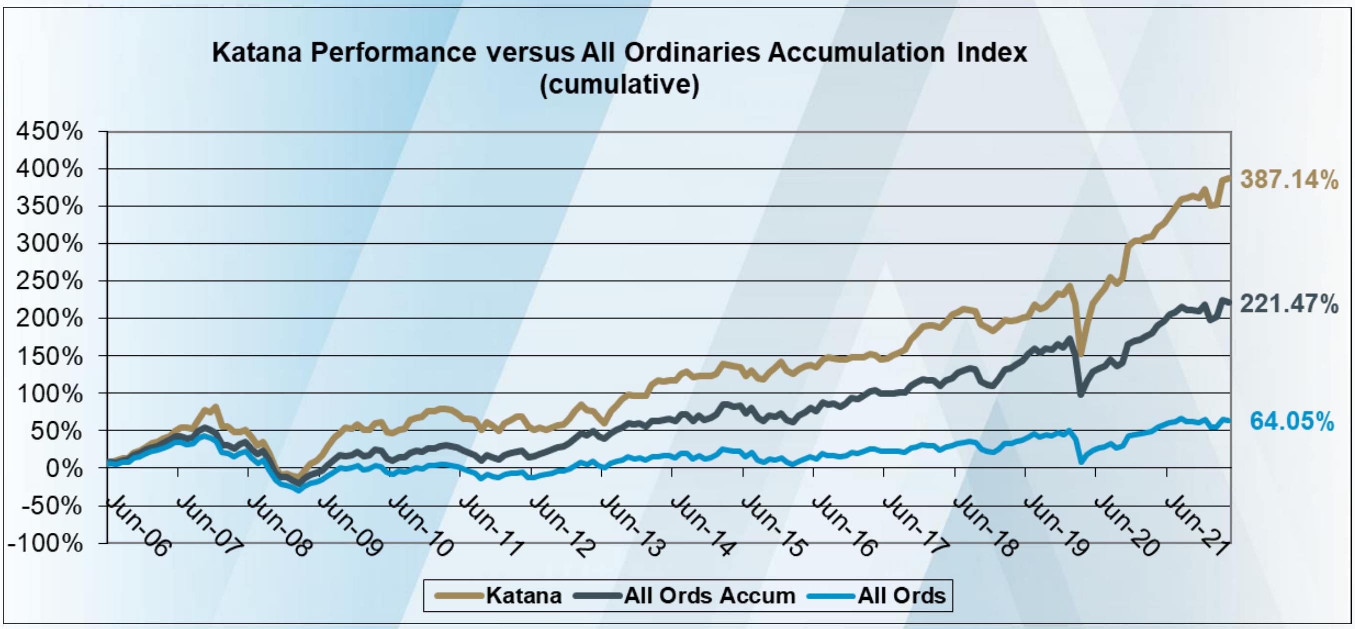
MANAGED FUND

Katana Australian Equity Fund

KATANA ASSET MANAGEMENT LTD

People. Process. Passion. Performance

Performance at 30 April 2022	1 Month	6 Months	1 Year	3 Years	5 Years	Since Inception
Katana Investment Portfolio	0.60%	4.95%	15.42%	17.80%	14.12%	10.18%
ASX All Ordinaries Accumulation Index	-0.81%	3.14%	10.22%	10.24%	9.47%	7.41%
Outperformance	**1.41%**	**1.81%**	**5.20%**	**7.56%**	**4.65%**	**2.77%**



Source: Katana Asset Management, strategy inception was December 2005. Fund net returns are post fees, pre tax using redemption prices and assume reinvestment of distributions. Dated 30/04/2022. Past performance is not an indicator of future performance

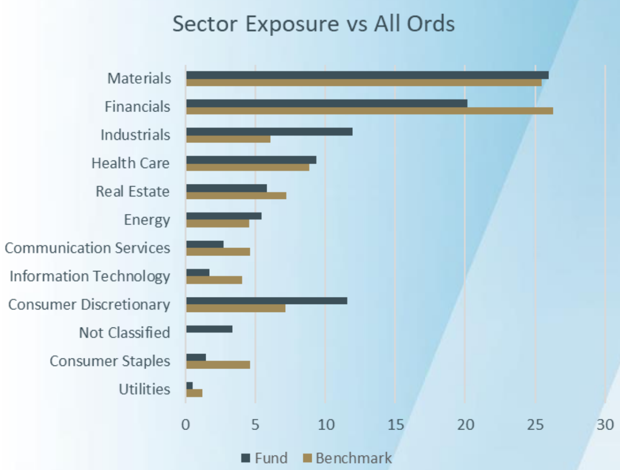
Key contributors:

1. **Mineral Resources** provided a positive update on their lithium business and benefitted from continued strong Iron Ore and Lithium prices
2. **Pendal Group** announced a share buy-back and received a takeover offer from Perpetual valuing the company at a premium
3. **Uniti Group** continued last months rally following two takeover bids in quick succession

Key detractors:

1. **Aristocrat Leisure** was weaker on rising yields which puts pressure on valuations, especially long duration Tech stocks
2. **Global Clean Energy ETF** was also weaker on rising yields with many clean energy holdings having long duration earnings
3. **Domino's Pizza** received a few broker downgrades driven by inflationary pressures on operating costs

Top 10 Holdings	
Company	Weight
Mineral Resources Ltd	6.44%
CSL Ltd	3.82%
Macquarie Group Ltd	3.31%
Aristocrat Leisure Ltd	2.36%
Westpac Banking Corporation	2.29%
Pepper Money Ltd	2.20%
Seven Group Holdings Ltd	2.20%
Wesfarmers Ltd	2.08%
APM Human Services International	2.07%
Sandfire Resources Ltd	2.05%



Market Commentary

Relative performance is increasingly being dictated by what one is <u>not</u> holding rather than the converse. Once again we saw this in bold letters, with the *Technology* sector declining by double digits (-10.37%). Surprisingly, *Materials* (-4.33%) was the 2nd worst performing sector, albeit we see the Chinese lockdowns as being more transient in nature. *Utilities* (+9.33%), *Industrials* (+3.47%) and *Consumer Staples* (+3.29%) led the gains.

The fund performed strongly during the month, **rising by 0.60%** net of all fees versus the -0.81% decline in the index. This was a combination of strong bottom-up stock performance together with top-down positioning in relation to sector weightings. This continues the fund's strong track record of out-performing in down markets. Over the past 16 years, KAEF has out-performed the market in a negative month 70% of the time, by an average of just under 1%.

For over 18 months we have been writing about inflation and the inevitable rise in the yield curve. This has now played out to a large degree. However what has surprised us, is the tardiness with which equity markets are recalibrating. With the US 10-year (bond) yield through 3%, some old factors come into play. Firstly, as has been well documented, the dramatic rise in the risk-free rate has crunched the net present value (NPV) of long dated earnings. Secondly, the cost of borrowing has increased and in the coming months and years will directly impact company profits. And finally – and this is something receiving very little airtime – cash yields now provide a genuine alternative to equity yields. Cash is back.

Accordingly, investors should be comforted to learn that we have increased our cash weighting further to 25%. We are seeing some early opportunities emerge, but we shall remain cautious at this time and wait for further clarity.

	Total Return	+/- Cat	+/- Index	Cat Rank
3 Year	17.80%	+8.36%	+8.38%	**3/303**
5 Year	14.12%	+5.78%	+5.31	**4/ 269**

Source: Morningstar, April 30th 2022

Key Facts	
APIR Code	KTA0002AU
Responsible Entity:	Katana Asset Management Ltd
Minimum Application	$25,000
Asset Allocation	Australian equities: 70-95%; Cash 5-30%

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