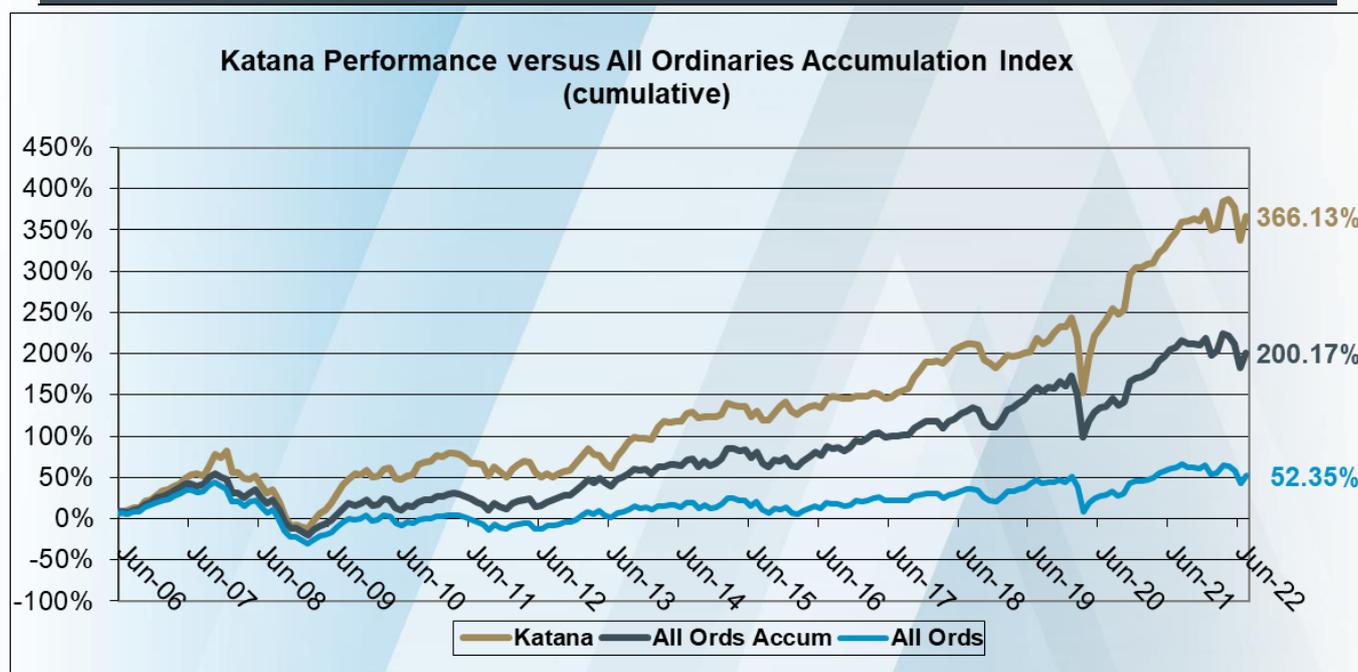


Katana Australian Equity Fund



People. Process. Passion. Performance

| Performance at 31 July 2022 | 1 Month | 1 Year | 3 Years | 5 Years | (Inception) 16 Years |
|--|--------------|--------------|--------------|--------------|----------------------------|
| Katana Investment Portfolio | 6.65% | 4.17% | 13.54% | 13.10% | 9.73% |
| ASX All Ordinaries Accumulation Index | 6.34% | -2.60% | 4.93% | 8.44% | 6.85% |
| Outperformance (pa) | 0.31% | 6.77% | 8.61% | 4.66% | 2.88% |



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 31/07/2022. Past performance is not an indicator of future performance

Key contributors:

- Mineral Resources** delivered a strong Q4 result including first sale of lithium hydroxide from Mt Marion which beat expectation
- Pepper Money** recovered most of last month's fall which was led by recession fears and the impact on volume and bad debts
- CSL Ltd** moved in-line with the broader Health Care sector which saw a rotation from investors seeking defensive exposure

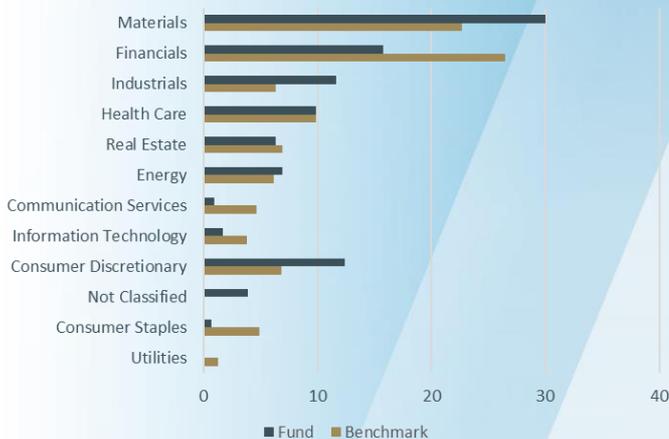
Key detractors:

- Aeris Resources** provided an update on FY22 flagging it missed production guidance and is also experiencing cost pressure
- Nitro Software** announced slippage in their growth pipeline and the need for cost saving initiatives based on tough market conditions
- Coronado Global** lowered full year production guidance due to wet weather at Curragh; coking coal prices also weakened notably

Top 10 Holdings

| Company | Weight |
|----------------------------------|---------------|
| Mineral Resources Ltd | 6.81% |
| CSL Ltd | 4.67% |
| Macquarie Group Ltd | 3.34% |
| Aristocrat Leisure Ltd | 3.25% |
| South32 Ltd | 3.03% |
| APM Human Services International | 2.45% |
| Santos Ltd | 2.37% |
| Allkem Ltd | 2.34% |
| Pepper Money Ltd | 2.28% |
| Wesfarmers Ltd | 2.26% |
| Total Top 10 Holdings | 32.80% |
| Total Cash | 26.10% |

Sector Exposure vs All Ords



Market Commentary

Australia recorded a strong rebound in July. In fact globally it was second only to the United States, which had suffered a substantially larger drawdown during the June half.

After many long months of heightened selling, the retracement in bond yields enabled the *Technology* sector to finally catch a bid, rebounding by an extraordinary 15.23%. Of course, the same factors driving this rebound, were acting as a headwind to *Materials*, which was the only sector to finish in the red with a decline of -0.67%.

Despite our strong cash weighting and the dip in *Materials*, the fund was able to outperform by a

respectable 31 basis points due to the quality of the stock holdings. This is testimony to the calibre of the people and investment process which underpin every investment decision.

Last month we wrote “*In the midst of a crash or correction, it can be easy to lose perspective. So recognising that what we have seen in June is extraordinary and almost unprecedented provides important context.*” Despite our comments, we did not anticipate that July would be as robust as it was. But that’s how the market moves: when a viewpoint reaches consensus, it rarely transpires as investors have already positioned accordingly.

So where to from here? The rebound in July looks to be overly discounting some significant headwinds. Including but not limited to a likely recession, widespread earnings downgrades, geopolitical bottlenecks and escalating Chinese housing and health crises. The August reporting season will be satisfactory in terms of trailing earnings, but outlook statements are likely to be alarming. We remain cautious heading into a traditionally weak period. We are looking to deploy capital on a bottom up basis if the reporting season throws up any gems. Else, we will hold our cash reserves until closer to year end and re-assess.

| | 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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