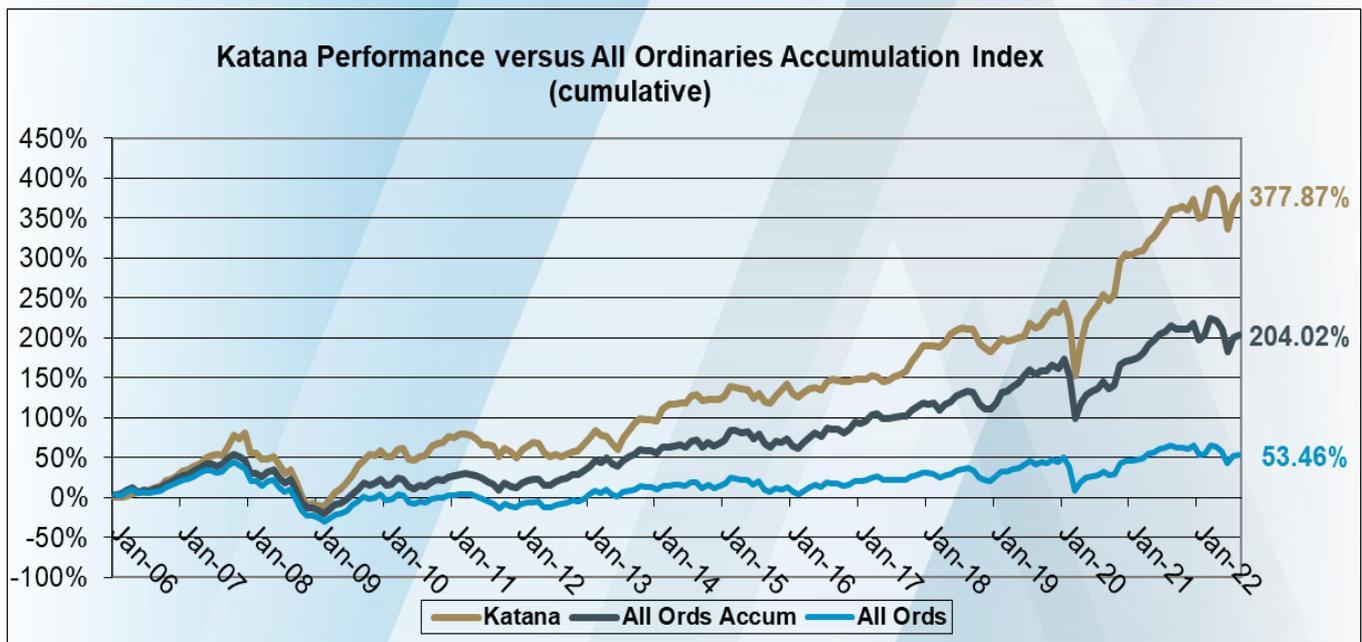


# Katana Australian Equity Fund



*People. Process. Passion. Performance*

Performance at 31 August 2022	1 Month	1 Year	3 Years	5 Years	(Inception) 16 Years
Katana Investment Portfolio	2.52%	3.90%	15.21%	13.39%	9.84%
ASX All Ordinaries Accumulation Index	1.28%	-3.86%	6.17%	8.55%	6.90%
<b>Outperformance (pa)</b>	<b>1.24%</b>	<b>7.76%</b>	<b>9.04%</b>	<b>4.84%</b>	<b>2.94%</b>



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 31/08/2022. Past performance is not an indicator of future performance

#### Key contributors:

- Mineral Resources** shook off falling Iron Ore prices with focus now centred on the Lithium operations which reported first sales last month
- Allkem Ltd** reported a record full year profit and benefitted from continued strong sentiment for Lithium stocks
- IGO Ltd** also benefitted from strong Lithium sentiment as prices remain near record highs

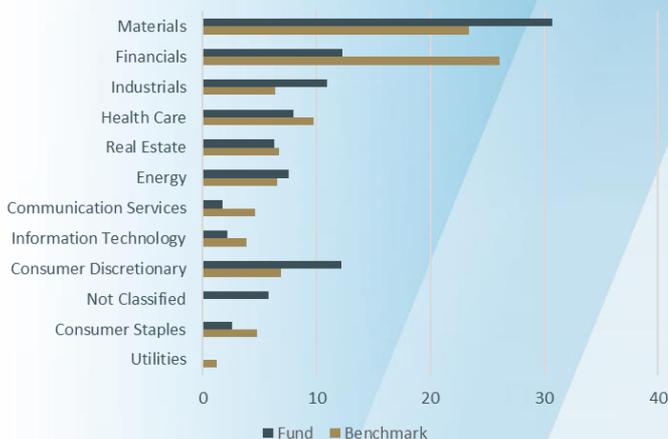
#### Key detractors:

- Genesis Minerals** completed a \$100m capital raise to fund mine development at Ulysses and acquisition of Dacian Gold (pending completion)
- Domino's Pizza** jumped over 10% on their FY22 results release but quickly reversed on growth concerns and moving Ex Div
- Regis Resources** downgraded their stockpile values based on cost inflation and a weakening gold price

### Top 10 Holdings

Company	Weight
Mineral Resources Ltd	7.07%
CSL Ltd	4.54%
Aristocrat Leisure Ltd	3.16%
Macquarie Group Ltd	3.14%
South32 Ltd	2.88%
Santos Ltd	2.46%
APM Human Services International	2.38%
Seven Group Holdings Ltd	2.26%
Wesfarmers Ltd	2.18%
Vaneck Global Clean Energy	1.86%
<b>Total Top 10 Holdings</b>	<b>31.93%</b>
<b>Total Cash</b>	<b>31.66%</b>

Sector Exposure vs All Ords



### Market Commentary

Surprisingly in the face of a potential recession, the 2 best performing sectors during August were *Energy* (+7.81%) and *Materials* (+4.35%). Not surprisingly, *A-REITs* was the worst performing sector, as rising interest rates attacked everything from property valuations to borrowing costs. Despite our defensive cash position, some excellent stock selection enabled the fund to once again outperform the broader index by a considerable margin. Looking forward, we face somewhat of a conundrum. On the one hand, the structural outlook is more challenging than at anytime in recent memory. Between covid lockdowns and the rapidly deteriorating property market, China is in the worst shape it has been for nearly 2 decades.

*The information contained in this email is of a general nature only. It does not*

*take into consideration your specific needs or circumstances. You should seek appropriate advice to determine personal suitability before investing.* Copyright © 2021 Katana Asset Management Ltd, All rights reserved. (AFSL 288412) For questions or to talk to a product specialist please contact Romano Sala Tenna on (08) 9320 4733. 102 Forrest Street, Cottesloe WA 6011 Ph: (08) 9320 4733 Email: [bdm@katanaasset.com](mailto:bdm@katanaasset.com)

Inflation has the global economy knocking on the door of recession. Interest rates and bond yields are attacking corporate profits and the capacity to grow. QT (Quantitative Tightening) is now underway and the rate of shrinkage has doubled to US\$90bn/month from 1 September. The war in Ukraine is creating significant flow on effects such as the crippling European gas crisis. Forecasts across the spectrum are perched on the cusp of a precipice. And finally, valuations are no longer cheap after the recent rally.

However, as always we need to ask 'how much has been factored in?' And this is where we see a conundrum. Because virtually every professional investor to a tee, is forecasting a crash or at the very least an epic correction. And if investors are forecasting this, then invariably they are positioned for such an eventuality. Meaning a lot of the selling has already occurred and there is likely to be ample cash sitting on the sidelines.

So what to do? For some funds the conclusion will be different, but at *Katana* capital preservation has always been the most important consideration. At present, the weight of structural challenges outweighs our concern with consensus positioning. We have steadily built our cash reserves to over 1/3 of the fund and have critically examined every stock position with a new urgency. Now, we sit and wait to see what unfolds in September and October.

	Total Return	+/- Cat	+/- Index	Cat Rank
3 Year	17.80%	+8.36%	+8.38%	3/304
5 Year	14.12%	+5.78%	+5.31	3/273

Source: Morningstar, July 31 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%