

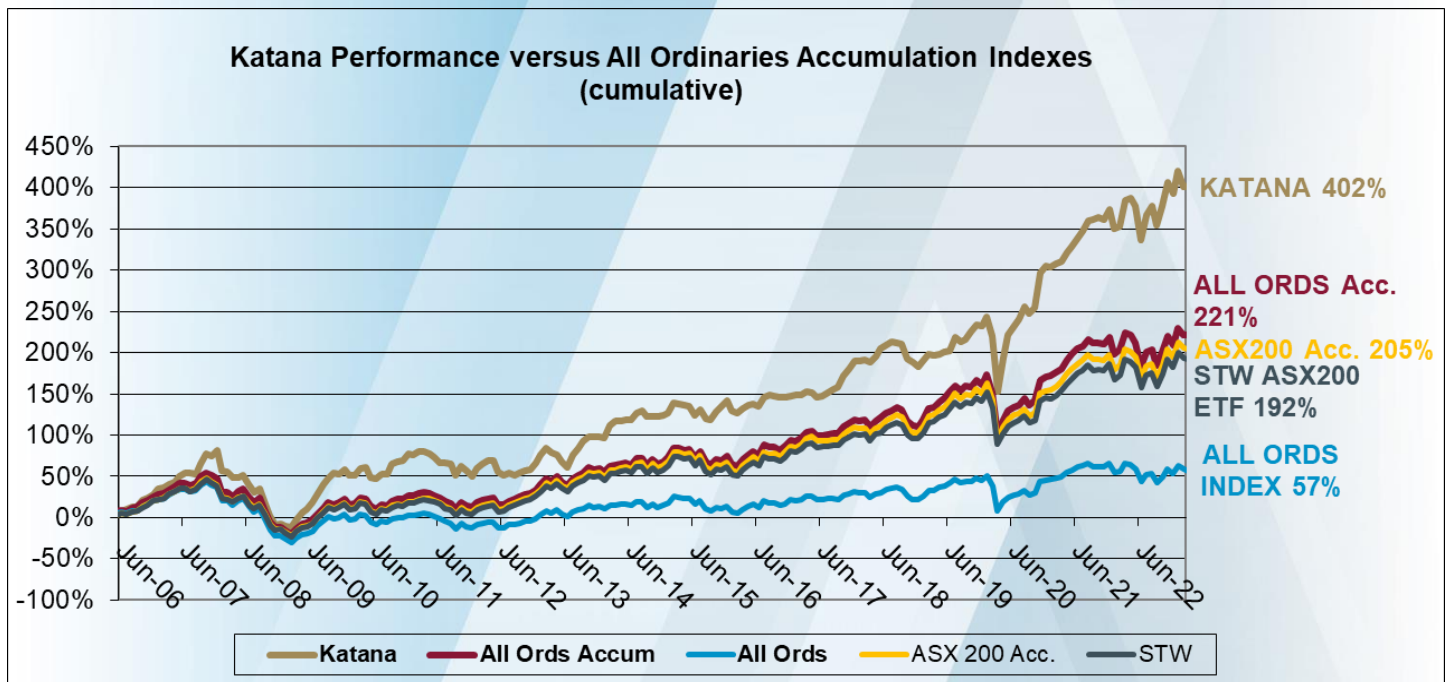
Katana Australian Equity Fund



Performance at 31 March 2023	1 Month	1 Year	3 Years	5 Years	(Inception) 17 Years
Katana Investment Portfolio	0.28%	3.73%	25.80%	11.75%	9.81%
ASX All Ordinaries Accumulation Index	-0.17%	-1.06%	17.27%	8.80%	6.99%
Outperformance (pa)	0.45%	4.79%	8.53%	2.95%	2.82%

Total Return	3 Year	5 Year
Category	8.01%	6.95%
+/- Cat	8.11%	4.54%
% Rank	Top 4%	Top 7%

Source: Morningstar Data as at 28/02/23



Source: Katana Asset Management, strategy inception was January 2005. Fund net returns are post fees, pre tax using redemption prices and assume reinvestment of distributions. Dated 31/03/2023. Past performance is not an indicator of future performance

Key contributors:

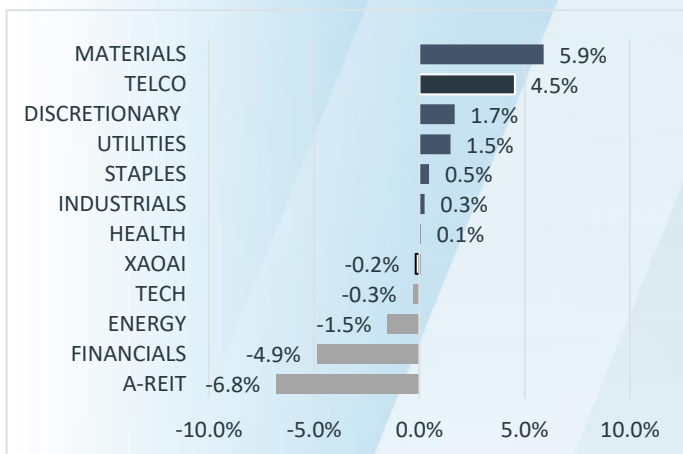
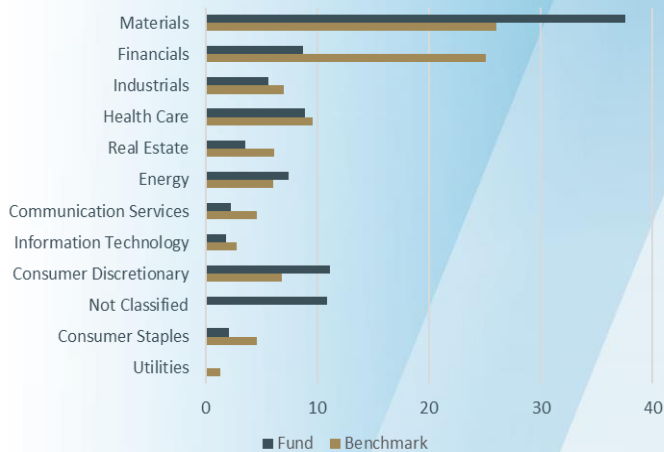
- Liontown Resources** received a takeover offer from Albemarle valuing the shares at more than a 60% premium
- Resolute Mining** benefitted from a record gold price reaching just shy of A\$3,000/oz
- Regis Resources** received final approval from the planning commission for McPhillamys and also benefitted from a strong gold price

Key detractors:

- Megaport Limited** saw selling following the surprise resignation of its CEO Vincent English
- Coronado Global** traded lower with softer met coal prices
- Macquarie Group** followed the rest of the banking sector lower as the Silicon Valley Bank collapse sparked concerns on the health of the sector

Top 10 Holdings	Weight
Mineral Resources Ltd	7.20%
CSL Ltd	4.75%
Wesfarmers Ltd	2.72%
Beach Energy Ltd	2.50%
Vaneck Global Clean Energy	2.12%
Macquarie Group Ltd	2.01%
Allkem Ltd	1.98%
Regis Resources Ltd	1.93%
IGO Ltd	1.86%
South32 Ltd	1.75%
Total Top 10 Holdings	28.82%
Total Cash	36.54%

Sector Exposure vs All Ords



Key Facts

APIR Code	KTA0002AU
Minimum Application	\$25,000
Asset Allocation	Australian equities 65-95%; Cash 5-35%

Market Commentary

I Used to be Indecisive, But Now I'm Not So Sure

For much of March, the market was moving according to our base case as it plunged nearly 4% on the back of the Silicon Valley Bank panic. However, as the regulatory response came riding to the rescue, the market rapidly rebounded to close out the month almost square.

This of course is the danger in the current market. The positioning is universally bearish. For example, a report last week by Bank of America showed that 40% of US Fund Managers are overweight cash and an even higher 50% are underweight US equities. So the price swings lower do not have strong momentum, as investors are already positioned to the downside.

We have been writing about this dilemma for close on a year: the deteriorating macro fundamentals and declining liquidity versus the consensus bearish positioning. Fundamentally this market should be in decline and with good haste. Yet the prior record level of liquidity at every data point (household, corporate and Central bank) is taking a lot longer to drain from the system than in past cycles.

So where does the market go from here? Two things are worth highlighting. Firstly, the macro is still deteriorating and all indicators are that earnings will decline and decline markedly in the coming months. However, whether this translates into share price weakness remains the harder question to answer. We think therefore that the most prudent approach is that we do not try and answer this question until the market forces us to. This may sound strange, but whilst the market is not breaking higher, we can continue to hold our overweight cash position and buy ourselves time. If in the coming weeks and months our hand is forced, then we will act and deploy capital. But for now, the market is affording us the rare luxury of being indecisive. And as Winston Churchill famously quipped '*never interrupt your enemy when he is making a mistake.*'

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