

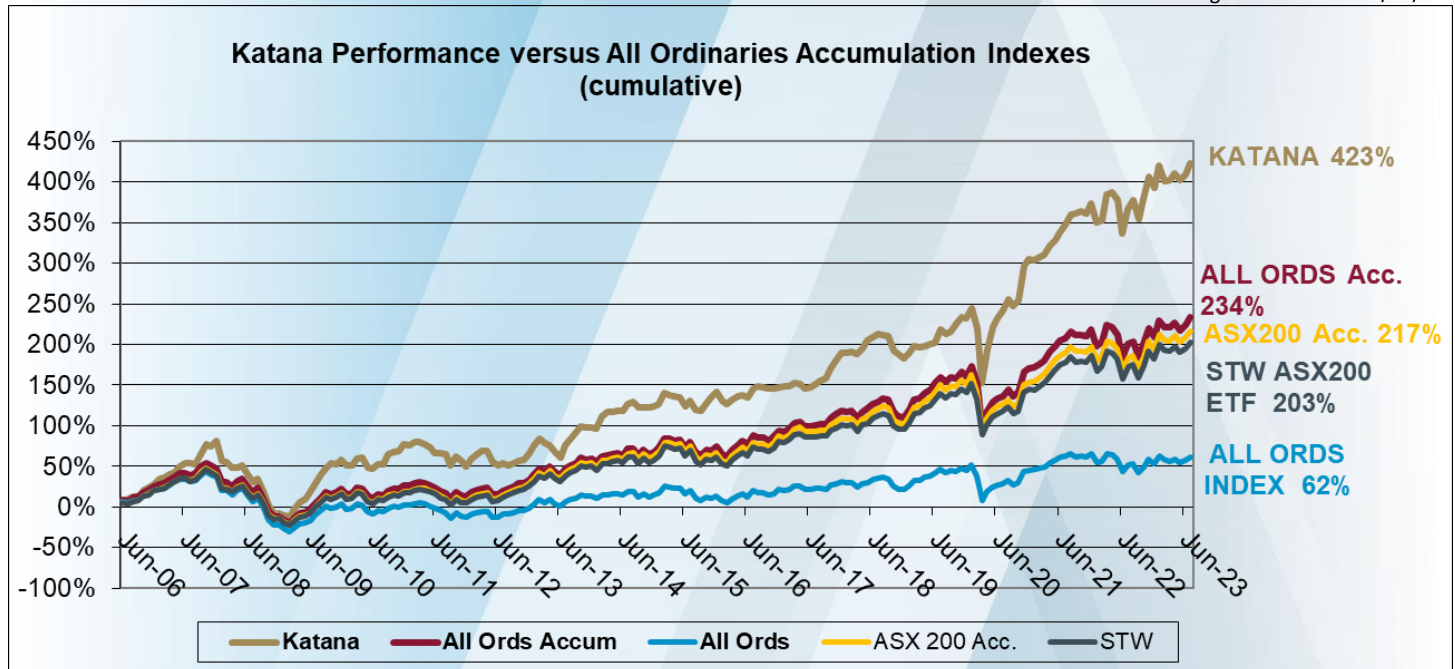
# Katana Australian Equity Fund



Performance at 31 July 2023	1 Month	1 Year	3 Years	5 Years	(Inception) 17 Years
Katana Investment Portfolio	2.84%	12.26%	15.32%	10.86%	9.87%
ASX All Ordinaries Accumulation Index	2.99%	11.14%	12.17%	7.72%	7.09%
<b>Outperformance (pa)</b>	<b>-0.15%</b>	<b>1.12%</b>	<b>3.15%</b>	<b>3.14%</b>	<b>2.78%</b>

Total Return	3 Year	5 Year
Category	11.03%	6.52%
+/- Cat	<b>5.03%</b>	<b>3.93%</b>
% Rank	<b>Top 4%</b>	<b>Top 3%</b>

Source: Morningstar Data as at 31/05/23



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 31/07/2023. Past performance is not an indicator of future performance

## Key contributors:

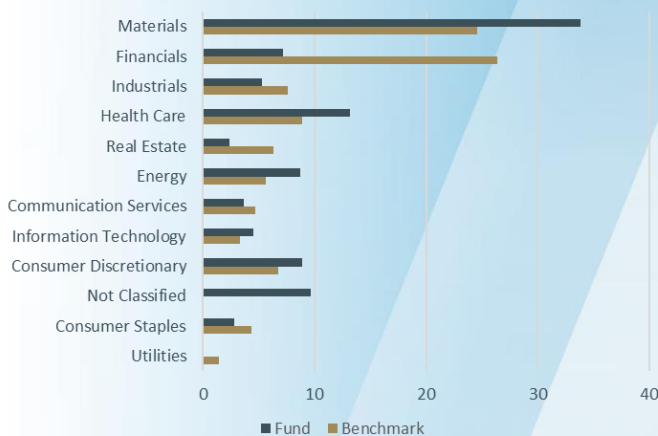
- Megaport Ltd** upgraded their EBITDA guidance for both FY23 and FY24, and confirmed they're now cash flow positive
- Beach Energy Ltd** beat production expectations in Q4 and is a beneficiary of rising east coast gas prices
- Mach7 Technology** announced a major contract win which includes expansion into the US Veterans Affairs contract – the largest in the US

## Key detractors:

- CSL Ltd** failed to bounce from last months disappointing update. Health Care was also the weakest sector for the month of July
- IGO Ltd** announced a A\$880-980m impairment to the valuation of the Western Areas assets driven by rising costs
- Allkem Ltd** released good production figures for Q4 but disappointed on sales as realised prices were below guided levels

Top 10 Holdings	Weight
Mineral Resources Ltd	5.74%
CSL Ltd	4.82%
Beach Energy Ltd	2.76%
Wesfarmers Ltd	2.59%
Global X Copper Miners ETF	2.06%
Macquarie Group Ltd	1.93%
Elders Ltd	1.91%
Vaneck Global Clean Energy	1.72%
Pepper Money Ltd	1.69%
Genesis Minerals Ltd	1.63%
<b>Total Top 10 Holdings</b>	<b>26.85%</b>
<b>Total Cash</b>	<b>32.76%</b>

Sector Exposure vs All Ords



Market Commentary

**Stubborn or Resilient?**

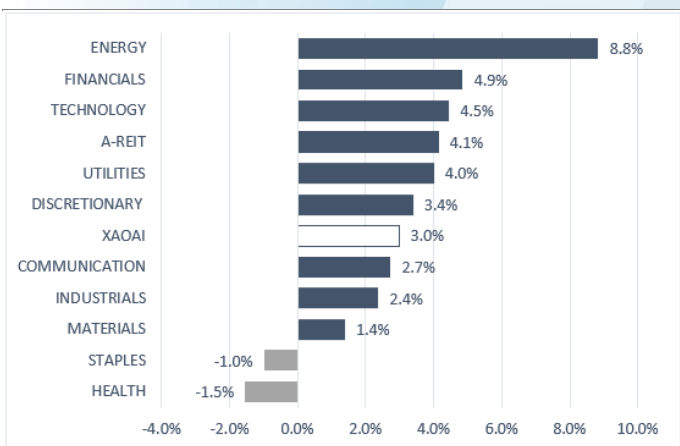
In the short term, markets are driven by the marginal buyer. The marginal buyer more often than not is the aggregation of investors that change their view. This premise has given rise to the popular idiom ‘markets don’t peak until the last bear capitulates’. During the month, we have certainly witnessed some high-profile bears capitulate. But did they get it wrong, or have the pressures of short-term performance forced their hand? And those bears that hold on – are they stubborn or resilient? In the US, the median time to recession post the inversion of the 10 year and 6 month yield curves, has historically been 11 months. We are currently sitting at around 13 months. It is important to remember that this is an average, as this lag has been as high as 21 months. However, we are increasingly questioning ‘is this still the issue?’ The fact that earnings have declined materially and will decline further from here is not in dispute. The issue is how investors respond to this decline in earnings. And to date that response has been considerably more robust than we would have anticipated.

Indeed, the technicals point to the probability that what we are experiencing is more than a bear market rally. That bullish sentiment has returned. In the US for example, the indices have recovered more than 20% (the threshold for a new bull market) and have crossed above their respective 200 day moving averages.

Accordingly, over the past month, the fund has deployed around 5% of its cash reserves. And this is a road map as to how we are likely to respond in the coming months. If technical indicators continue to strengthen, the fund will continue to deploy capital. Gradually until the end of September. But then more aggressively as we head into the seasonally strong October to April period. Of course this is a snapshot: if the facts change as we adjudge them, then we will change accordingly.

**Key Facts**

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



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