

Katana Australian Equity Fund

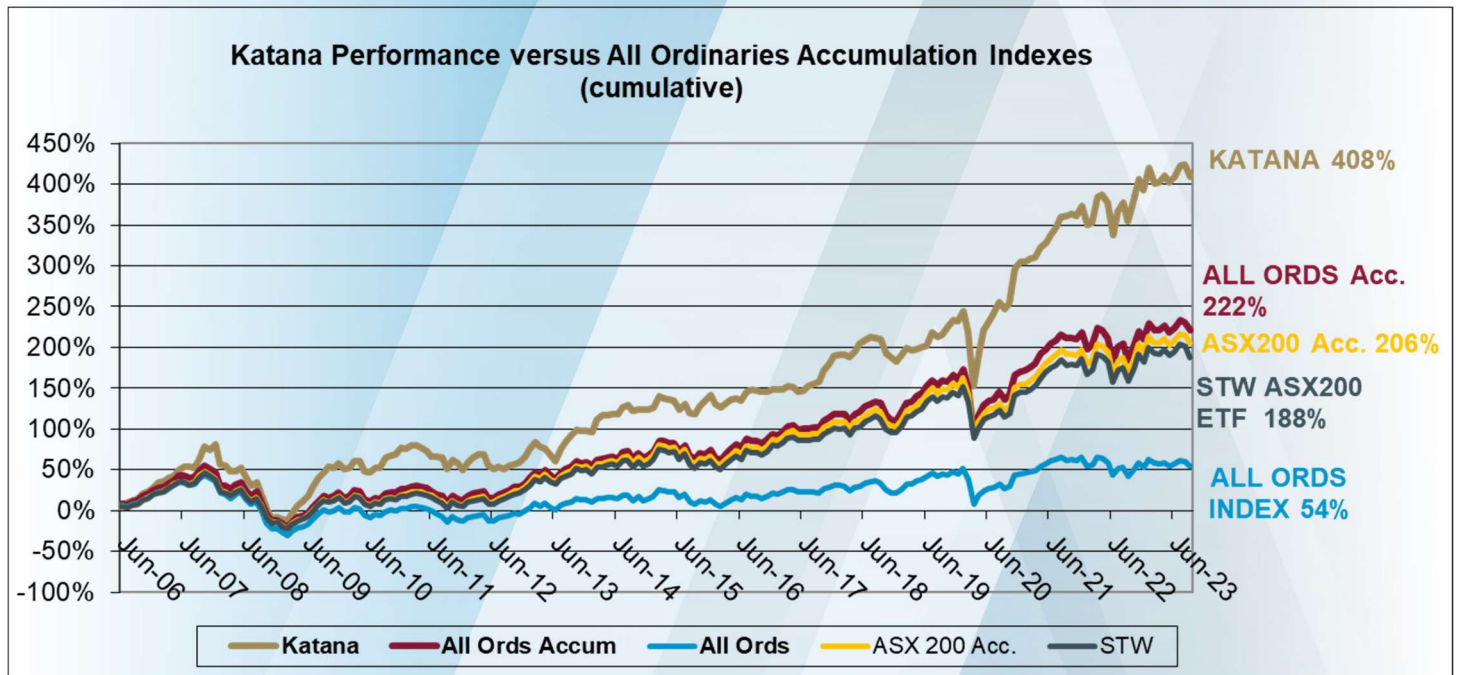


KATANA
ASSET MANAGEMENT LTD

Performance at 30 September 2023	1 Month	1 Year	3 Years	5 Years	(Inception) 17 Years
Katana Investment Portfolio	-2.98%	11.81%	13.55%	10.35%	9.59%
ASX All Ordinaries Accumulation Index	-2.82%	13.09%	10.77%	6.81%	6.81%
Outperformance (pa)	-0.16%	-1.28%	2.78%	3.54%	2.78%

Total Return	3 Year	5 Year
Category	9.95%	6.11%
+/- Cat	3.83%	4.79%
% Rank	Top 8%	Top 2%

Source: Morningstar Data as at 31/08/23



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 30/09/2023. Past performance is not an indicator of future performance

Key contributors:

- Coronado Global** traded higher on the back of stronger met coal prices now back above US\$320/t
- Boss Energy** rallied as uranium prices climbed to its highest level in over a decade on supply fears
- Seven Group Holdings** continued last months momentum following strong FY23 results

Key detractors:

- CSL Ltd** moved lower with the Health Care sector as surging yields put high PE stocks under pressure
- Tietto Minerals** announced a material downgrade to guided gold production following drilling results
- Allkem Ltd** provided a business update which included materially higher operating and capital costs than expected

Top 10 Holdings	Weight
Mineral Resources Ltd	5.84%
CSL Ltd	4.49%
Wesfarmers Ltd	2.76%
Resmed Inc	2.04%
Global X Copper Miners ETF	1.92%
Allkem Ltd	1.89%
Macquarie Group Ltd	1.85%
IGO Ltd	1.78%
Megaport Ltd	1.77%
Newcrest Mining Ltd	1.72%
Total Top 10 Holdings	26.05%
Total Cash	30.80%

Market Commentary

'To Lose Patience is to Lose the Battle'

Mahatma Gandhi

Each month, the team tracks noteworthy macro news items. During September, there were 16 such 'significant' items that came across our desk; 15 of them were negative. And that in a nutshell is the story of September: the narrative (finally) turned negative.

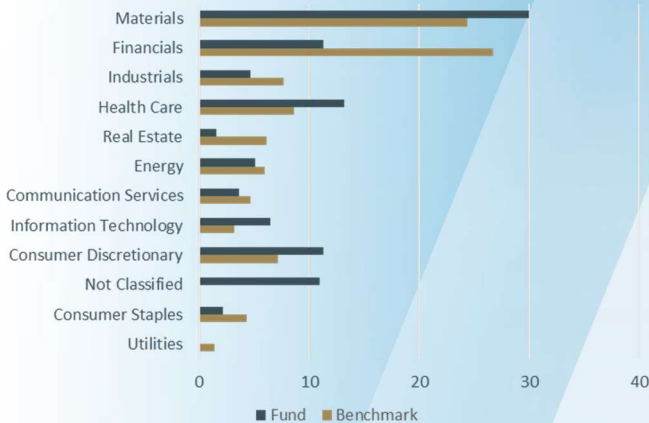
Clearly the main driver was the breakout in US 10-year bond yields. Despite no action on the part of the US Fed (or RBA more locally), the market increased its expectations of further rate rises. And we would hasten to add that the cumulative effects of the inflation induced rate rises over the past 2 years look to be finally biting. Covid savings buffers have been eroded. Household spending is beginning to rebase. Corporate sales and earnings are coming under pressure.

Of course, all of this has taken 9 months longer to occur than we would have expected, given that markets are supposedly 'forward looking'. The strength in the US indices (especially NASDAQ) has had us on the cusp of deploying meaningful capital in order to remain true to process. However, with the change in technical indicators, this pressure has abated for the time being. In fact, the market now looks to be oversold, and additionally October usually signals the beginning of the strongest period each year. So we would not be surprised to see a relief rally in the coming weeks.

But when we step back from the short-term machinations, there is a large headwind facing markets: the yield on bank deposits now presents a genuine alternative to stocks. This is likely to reduce the marginal flow of funds into equities and accelerate outflows, should fear take hold.

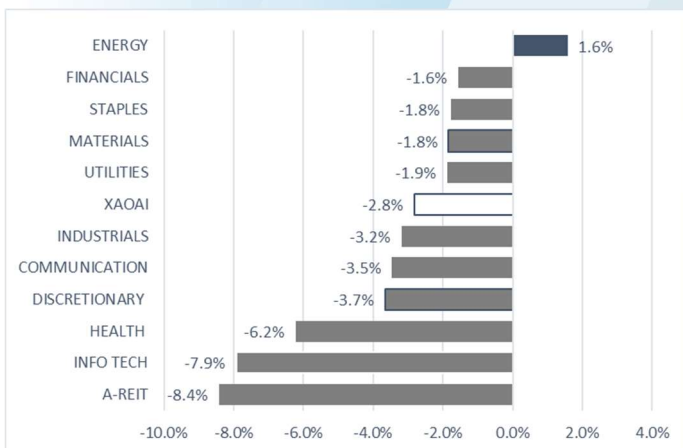
The fund is finally receiving some reward for its cash sleeve and remains well positioned with 30% in reserve. We shall endeavour to remain faithful to both patience and process. At this juncture we would expect to exit October with similar weightings to September.

Sector Exposure vs All Ords



Key Facts

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



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