

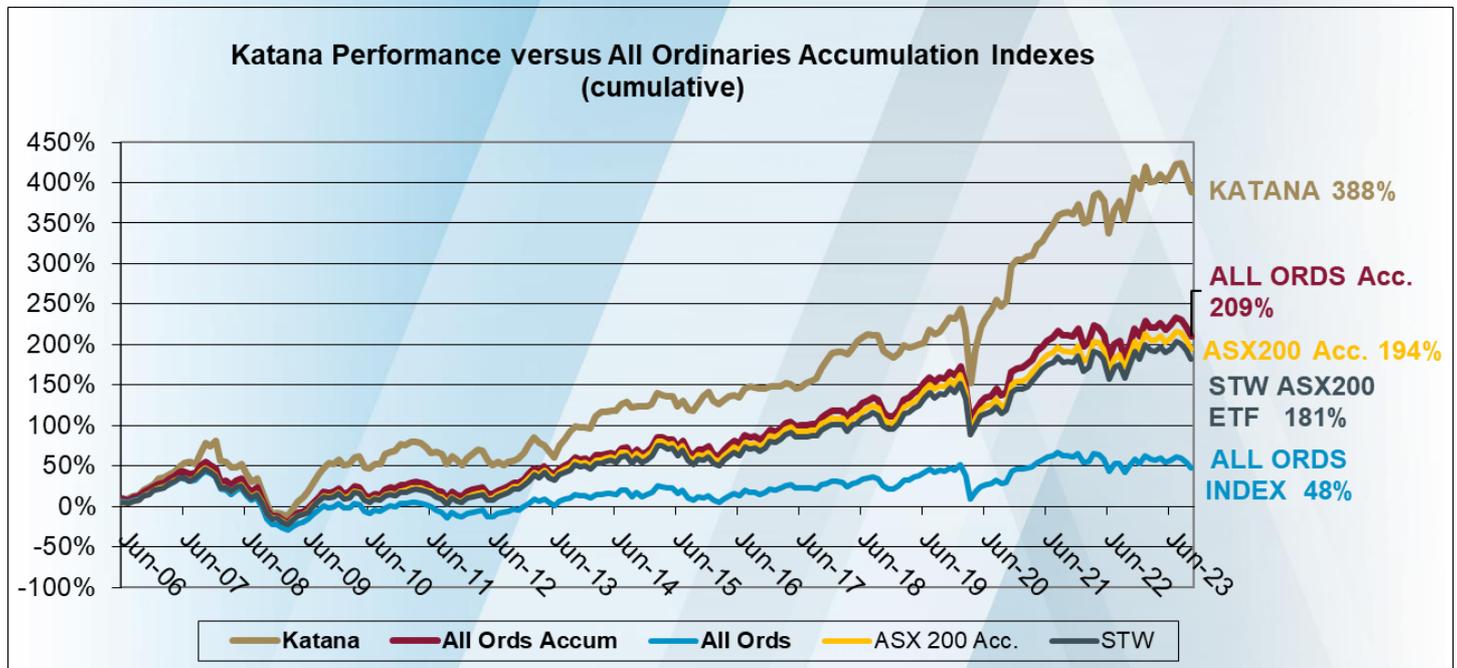
# Katana Australian Equity Fund



Performance at 31 October 2023	1 Month	1 Year	3 Years	5 Years	(Inception) 17 Years
Katana Investment Portfolio	-4.04%	1.99%	11.31%	10.77%	9.29%
ASX All Ordinaries Accumulation Index	-3.85%	2.89%	8.58%	7.40%	6.54%
<b>Outperformance (pa)</b>	<b>-0.19%</b>	<b>-0.90%</b>	<b>2.73%</b>	<b>3.37%</b>	<b>2.75%</b>

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

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 31/10/2023. Past performance is not an indicator of future performance

## Key contributors:

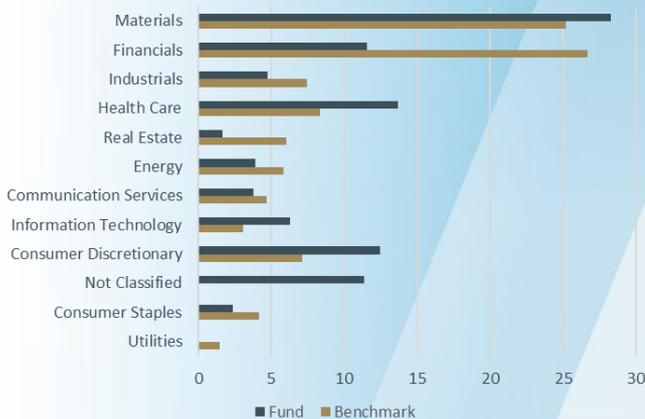
- Tietto Minerals** received a takeover offer from its second largest shareholder at a 36% premium
- Regis Resources** released a positive Q3 result and reaffirmed full year guidance
- Newcrest Mining** received all regulatory approvals for the proposed acquisition by Newmont

## Key detractors:

- Mineral Resources** provided a positive update on growth projects but traded down with a weaker Lithium price
- IGO Ltd** announced lower than expected Nickel production and a material downgrade to spodumene sales in the coming quarter
- Allkem Ltd** announced a mixed quarterly result and saw selling from weaker lithium prices

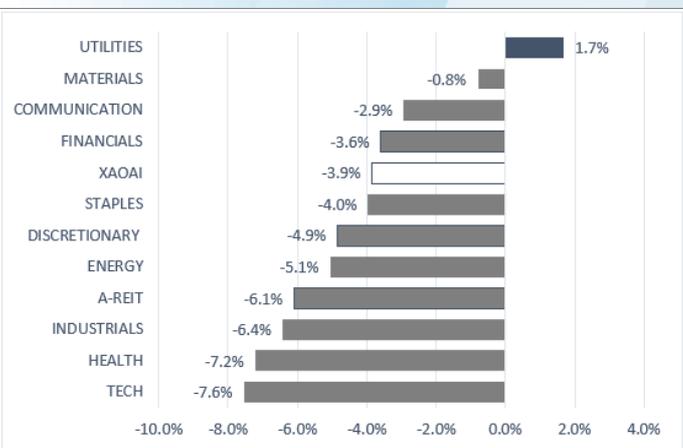
Top 10 Holdings	Weight
Mineral Resources Ltd	5.38%
CSL Ltd	4.50%
Wesfarmers Ltd	2.85%
Resmed Inc	2.36%
Global X Copper Miners ETF	1.92%
Macquarie Group Ltd	1.92%
Allkem Ltd	1.86%
Perpetual Ltd	1.69%
Elders Ltd	1.67%
Pepper Money Ltd	1.61%
<b>Total Top 10 Holdings</b>	<b>25.76%</b>
<b>Total Cash</b>	<b>31.33%</b>

Sector Exposure vs All Ords



**Key Facts**

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



Market Commentary

**Successful Investing is Anticipating the Anticipations of Others**

John Maynard Keynes

The fund was well positioned for the October sell-down in terms of its cash holdings. However a pronounced sell-down in the lithium price complex disproportionately impacted portfolio performance. The top 3 detractors for the month of October were all lithium producers.

Long term followers of our fund would be aware that it is particularly rare for the Manager to form concentrated or highly correlated positions. Lithium has been an exception and has stood us in good stead (both in relative and in absolute terms) to this juncture. But not during October. Of the course the only question that is worth our consideration is *what do we do right here, right now?*

In the case of lithium, this is a harder question to answer than most as the market is shallow, immature and lacks transparency. The supply-demand-cost profiles we utilise in other commodities, simply don't exist to the same degree. And small fluctuations in volume or sentiment can create large price distortions. As the market expands, this will become less of an issue. But at the present moment, we note the following:

1. The data indicates that EV sales are on track and are expected to accelerate
2. Supply-demand forecasts continue to highlight notable deficits
3. If the price deteriorates further, it will impact higher cost producers and therefore supply
4. At some point in the next 12-24 months, the Li price will have an up-cycle.

So, whilst we have resisted the temptation to materially add to Li holdings, the best *course* from here is to continue to stay the *course*. The stocks we hold are cashed up, low-cost producers and operate in safe jurisdictions. When they recover as we expect, they are likely to add some notable alpha to the portfolio in the coming months..

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