

# Katana Australian Equity Fund



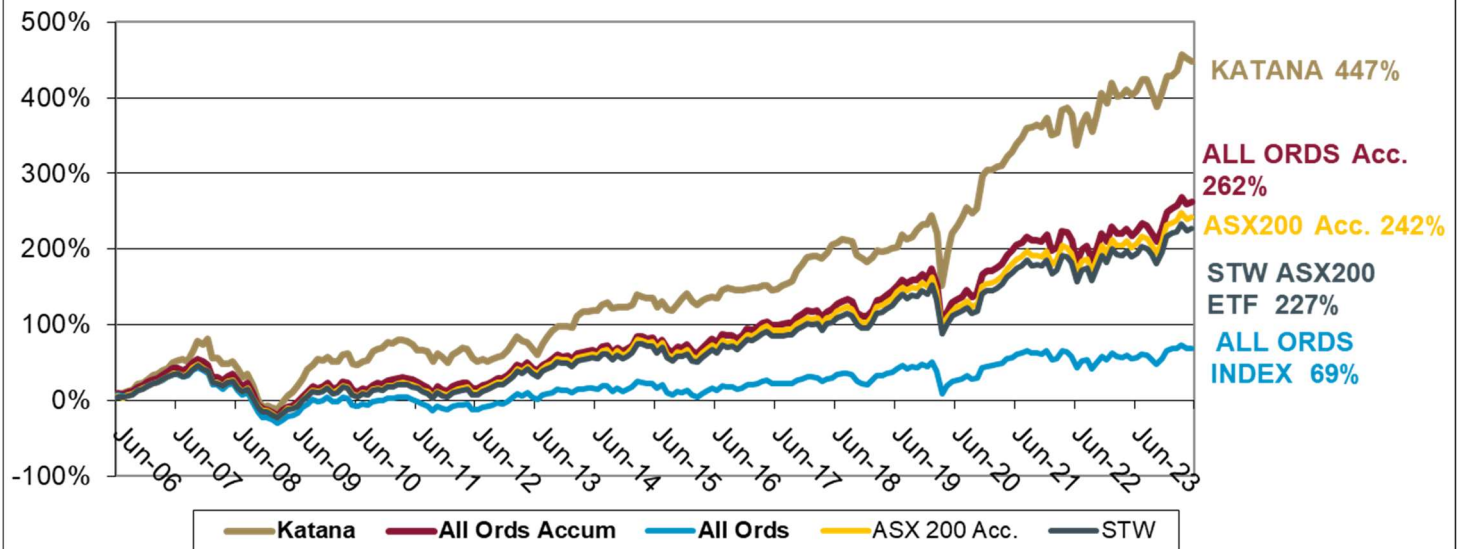
**KATANA**  
ASSET MANAGEMENT LTD

Performance at 31 May 2024	1 Month	1 Year	3 Years	5 Years	(Inception) 18 Years
Katana Investment Portfolio	-0.88%	8.91%	8.55%	12.74%	9.67%
ASX All Ordinaries Accumulation Index	0.87%	13.89%	6.77%	8.21%	7.23%
<b>Outperformance (pa)</b>	<b>-1.75%</b>	<b>-4.98%</b>	<b>1.78%</b>	<b>4.53%</b>	<b>2.44%</b>

### Alignment and Respect

Our team is passionate about what we do because our futures ride alongside those of our investors. Currently, staff interests comprise in excess of 20% of the total funds under management across both investment trusts.

**Katana Performance versus All Ordinaries Accumulation Indexes (cumulative)**



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 31/05/2024. Past performance is not an indicator of future performance

### Key contributors:

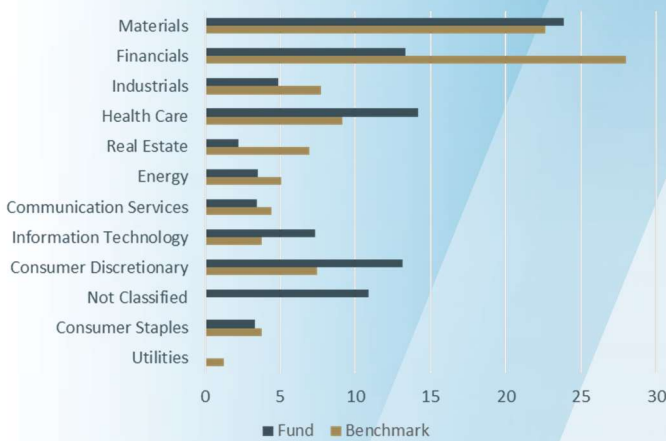
- Aristocrat Leisure** beat expectations in their 1H24 results driven by strong performance in North America
- Laramide Resources** rose after the US Senate unanimously passed a bill to ban uranium fuel imports from Russia
- Technology One** reported a strong 1H24 result and provided a positive outlook for the year ahead

### Key detractors:

- Regis Resources** reversed the previous month's gains after receiving a few broker downgrades
- Electro Optic Systems** saw profit taking after rallying over 100% since the start of the calendar year
- De Grey Mining** launched a \$600m equity raise to fully fund the equity component of the Hemi Gold Project

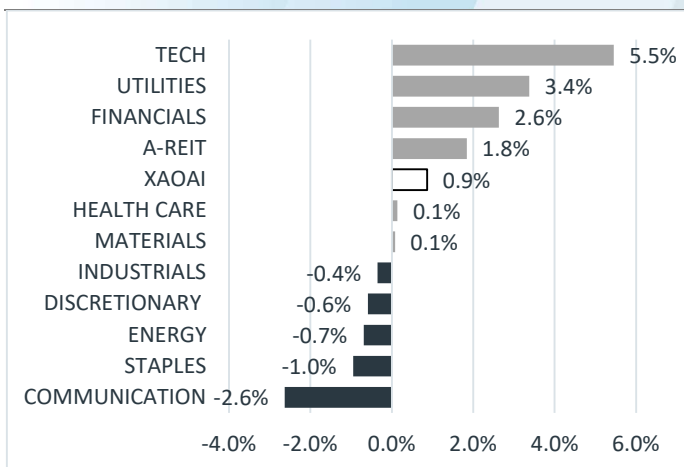
Top 10 Holdings	Weight
Mineral Resources Ltd	8.18%
Whitehaven Coal Ltd	3.78%
Wesfarmers Ltd	3.51%
CSL Ltd	2.69%
Macquarie Group Ltd	2.29%
Boss Energy Ltd	2.03%
Perpetual Ltd	2.02%
Coronado Global Resources Inc.	2.01%
Technology One Ltd	1.92%
Woolworths Group Ltd	1.90%
<b>Total Top 10 Holdings</b>	<b>30.33%</b>
<b>Total Cash</b>	<b>14.79%</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

*“In the short run, the market is a voting machine, but in the long run, it is a weighing machine”*

*Benjamin Graham*

The above quote is often attributed to Warren Buffet, but it is actually Buffet’s earliest mentor - Ben Graham - who first coined the phrase. Regardless of the author, its wisdom is as apt today as it was when it was written nearly 90 years ago.

The temptation for most investors, screen jockeys, brokers and professional money managers alike, can be to overly focus on short term movements. Doing so however almost guarantees long term underperformance. The big moves - the real alpha – is born out of patience. During May, we have once again been reminded of that very fact. Our conviction in the macro forces driving the composition of the portfolio have been tested. In particular, our belief in the structural forces shaping the gold sector came into question, with 2 of the top 3 detractors from this segment.

As we have stated many times, gold is notoriously difficult to forecast. Some long-term investors may therefore question why we are trying to do precisely that. The short answer is that the facts have changed. And in particular the facts around central bank buying.

Over the past 8 years, China has more than doubled its gold reserves from \$71bn to \$161bn or 2,262 tonnes. Yet this still represents only 4.64% of its foreign reserves. The US by contrast holds 8,133 tonnes, representing a significant 75% of foreign reserves. Germany has 70.5% of its reserves in gold; France 68.6% and Italy 67.5%. \$US dilution, de-dollarisation and sharpened political and military agendas, are powerful tailwinds. In our view, a paradigm shift has occurred in the past 2-3 years, and it may take a decade or more to play out. Gold equities have notably lagged the physical price, due in part to the scepticism around the current level. But the price action is strong and suggests that this move has further to go. This means that broker upgrades are not too far away.

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