

# Katana Australian Equity Fund

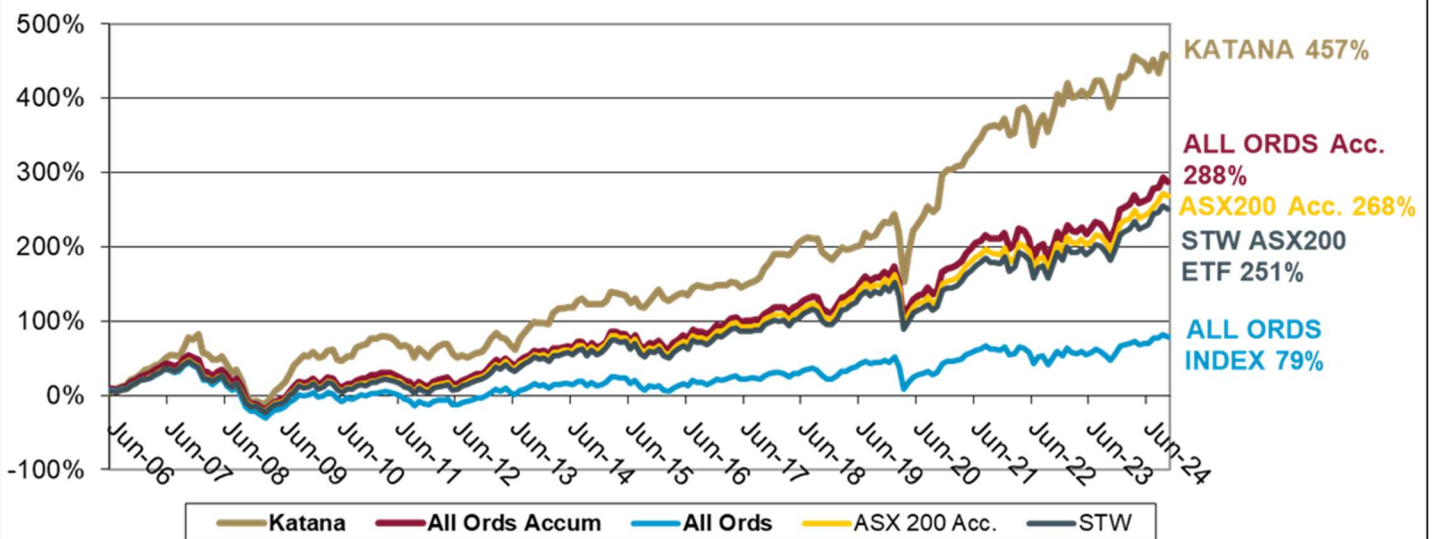


Performance at 31 October 2024	1 Month	1 Year	3 Years	5 Years	(Inception) 18 Years
Katana Investment Portfolio	-0.46%	14.18%	6.27%	11.35%	9.55%
ASX All Ordinaries Accumulation Index	-1.33%	25.36%	7.56%	8.45%	7.46%
<b>Outperformance (pa)</b>	<b>0.87%</b>	<b>-11.18%</b>	<b>-1.29%</b>	<b>2.90%</b>	<b>2.09%</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 31/10/2024. Past performance is not an indicator of future performance

## Key contributors:

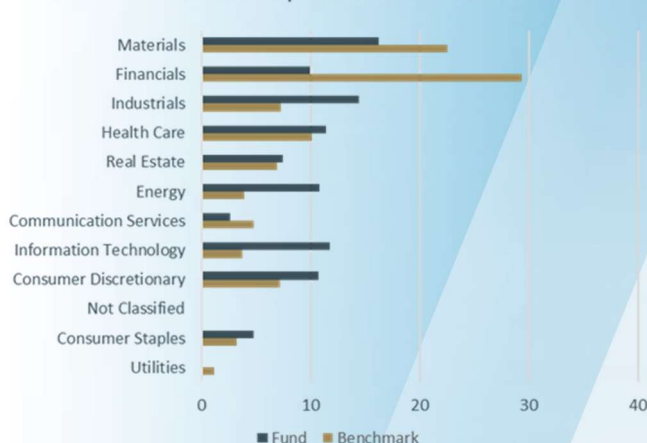
- Arcadium Lithium PLC** surged on acquisition speculation, validated by Rio Tinto's takeover bid, highlighting its strategic asset value
- HMC Capital Ltd** benefits from rising investor allocations to private markets, with private credit FUM expected to grow from A\$1.6 billion to A\$5 billion by FY 2027
- Austal Ltd** remained undervalued despite large defence contracts, long-term growth prospects and potential U.S. private equity takeover interest

## Key detractors:

- Mineral Resources Ltd** Chris Ellison will step down as managing director within 12-18 months amid a company probe into tax and conduct issues
- IPH Ltd** Experienced stock overhang following capital raise, share purchase plan and a release of vendor stock from escrow
- Woolworths Group Ltd** Q1 sales met expectations, but Australian Food EBIT fell short due to margin pressures from value-driven promotions

Top 10 Holdings	Weight
Mineral Resources Ltd	4.48%
CSL Ltd	4.12%
Wesfarmers Ltd	3.62%
Whitehaven Coal Ltd	2.94%
Technology One Ltd	2.92%
ResMed Inc	2.65%
Austal Ltd	2.38%
IPH Ltd	2.25%
Macquarie Group Ltd	2.22%
Woolworths Group Ltd	2.15%
<b>Total Top 10 Holdings</b>	<b>29.73%</b>
<b>Total Cash</b>	<b>16.62%</b>

Sector Exposure vs All Ords



## Market Commentary

*"Know what you own, and know why you own it."*

Peter Lynch

The past 12 months have tested our resolve with both individual stock holdings and sector weightings. In particular, the relative performance of *Financials* over *Materials* has created a degree of confusion. As the year has unfolded, it has become increasingly clear that the flow of passive money is driving share prices in an unprecedented manner. And more than the flows into ETFs, the real driver has been Australia's handful of mega industry super funds; driving prices in a manner that runs counter intuitive to traditional valuation metrics.

This leaves investors with 2 alternatives: 1. Jump on the momentum bandwagon, or 2. Stick to investments that are fundamentally sound and wait for the narrative to change.

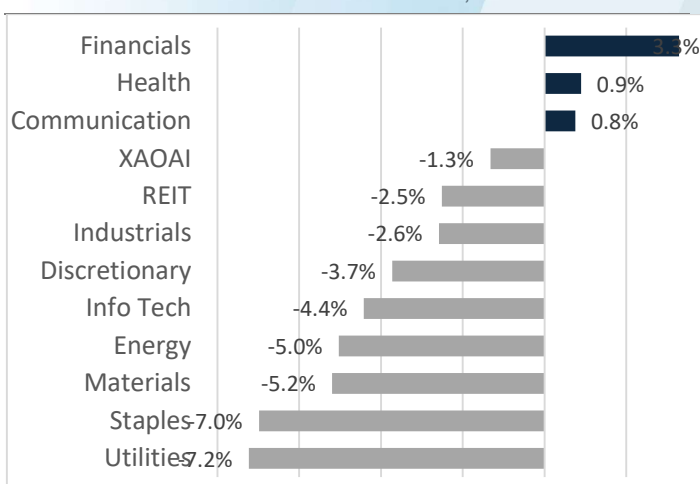
As appealing as the first alternative appears in the short term, it is unlikely to end well. Strong companies, with innovative and passionate management, trading at reasonable valuations, will invariably out-perform over the longer term.

One such company is Mineral Resources Ltd (MIN). MIN received a significant amount of press during the past month, and clearly there are areas of corporate governance that need improvement. In this regard, the media focus is a good thing for all shareholders, as it will sharpen the Board's resolve and focus in this important area.

But lost in the media frenzy, was a balanced perspective around the enormous value accretion that the current management team has been responsible for over the past 2 decades. In the very week where the media frenzy was reaching its climax, we saw another example of this value accretion, with the sale of MIN's gas assets for up to \$1.1bn. Assets that MIN developed from scratch. Few companies have generated the returns for shareholders that MIN have. Despite the short-term issues, we remain focussed on the long term track record and the enormous growth ahead of them.

## Key Facts

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



The information contained in this email is of a general nature only. It does not take into consideration your specific needs or circumstances. You should seek appropriate advice to determine personal suitability before investing. Past performance is no guarantee of future performance.

Copyright © 2024 Katana Asset Management Ltd, All rights reserved. (AFSL 288412) For questions or to talk to a product specialist please contact (08) 9320 4733 or email [bdm@katanaasset.com](mailto:bdm@katanaasset.com)