

Katana Australian Equity Fund



KATANA

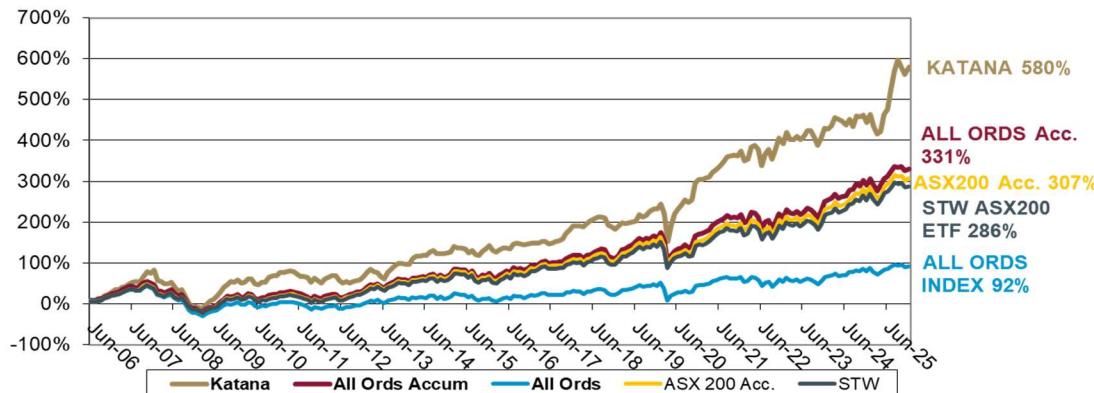
ASSET MANAGEMENT LTD

Performance at 31 December 2025	1 Month	1 Year	3 Years	5 Years	(Inception) 19 Years
Katana Investment Portfolio (net of all fees)	2.75%	25.25%	11.33%	10.94%	10.06%
ASX All Ordinaries Accumulation Index	1.26%	10.56%	11.66%	9.72%	7.58%

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 (net of all fees) versus All Ordinaries Accumulation Index



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 31/12/2025. Past performance is not an indicator of future performance

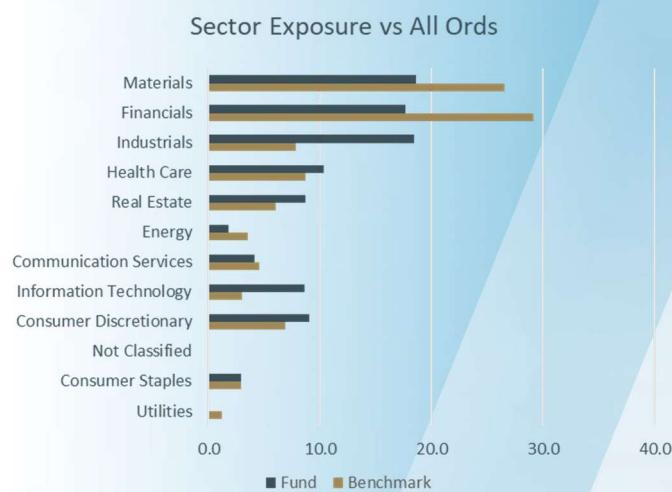
Key contributors:

- Electro Optic Systems Holdings Ltd** had an extraordinary month, announcing three large contracts worth up to US\$80m, US\$21m, and US\$33m. The contract cycle is accelerating, and EOS is well positioned in the rapidly emerging drone warfare arena.
- Mach7 Technologies Ltd** is returning to its roots under new CEO and announced its first new contract of merit in several years. Momentum is turning, and while early days, the prize is significant if the team can execute. M7T is in the same space as Pro Medicus Ltd (PME), which has seen an enormous uplift in its share price.
- Mineral Resources Ltd** the re-rating in the lithium market combined with the partial asset sale to ameliorate balance sheet concerns.

Key detractors:

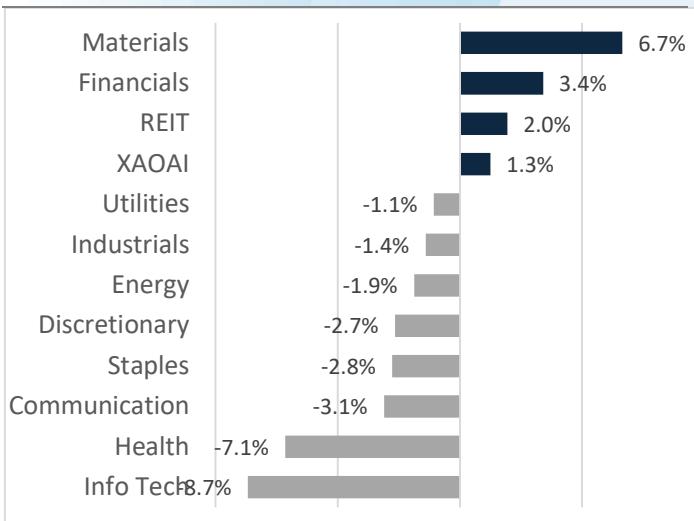
- Life360 Inc** a partial shift to enhanced profitability over growth has the market concerned growth rates will slow in the future; we remain positive on both aspects.
- ResMed Inc** part of the overall sell off in the health care sector coupled with ongoing updates on weight loss drugs have contributed to the share price decline.
- CAR Group Limited** concerns AI will interrupt the company's business model and the sell off in the tech sector contributed to the share price decline. We continue to believe that CAR is best-in-breed with off-shore expansion optionality.

Top 10 Holdings	Weight
Electro Optic Systems Holdings Ltd	5.80%
Wesfarmers Ltd	3.78%
GenusPlus Group Ltd	3.48%
Mineral Resources Ltd	3.34%
ResMed Inc.	3.31%
BHP Group Ltd	2.51%
Macquarie Group Ltd	2.50%
Life360 Inc.	2.06%
Centuria Office REIT	1.98%
Sonic Healthcare Ltd	1.94%
Total Top 10 Holdings	30.70%
Total Cash	19.96%



Key Facts

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



Market Commentary

“Diversification is the only free lunch in investing.”
Harry Markowitz, US Nobel Prize-winning economist

December was another robust month for the fund, returning **2.75%** and out-performing the benchmark by 1.50% net of all fees. This capped off a stellar year. For the 12 months ending 31 December 2025, the All Ordinaries Accumulation index returned 10.56%. Over the same timeframe, the Katana Australian Equity Fund (KAEF) returned **25.25%**, resulting in a strong out-performance of **14.69% net of all fees**.

One of the more pleasing aspects was the ability to generate this strong outperformance, despite the lower risk characteristics of the fund. As we have highlighted on numerous occasions, KAEF does not take on debt, derivatives, offshore or unlisted investments. The fund maintains a relatively high cash weighting throughout the year (typically 10-20%). And - to return to the quote of the month - the fund is highly diversified. Once again, during the year the fund averaged in excess of 55 stock holdings.

This last point is worthy of further emphasis. Managed Funds are often thrown into the same bucket. But the risks characteristics differ significantly. A fund generating returns with 10-12 stock holdings, takes on substantially more risk than one that is able to generate the same returns with 50-60 stocks. As a recap, KAEF generally commences with a position size of <1%. Over time, if that becomes a high conviction holding, the weighting commonly grows to 2-3%. In rare circumstances a holding may grow to 4%. And in the 2 decades since the strategy commenced, there have only been 4 occasions when an individual stock holding has exceeded 5% of the value of the portfolio. On all 4 occasions, this was due to stock price appreciation, as opposed to the actual purchase cost exceeding 5%. Diversification is a free lunch. Many choose to ignore it. But over time, the results invariably speak for themselves.