

# Katana Australian Equity Fund



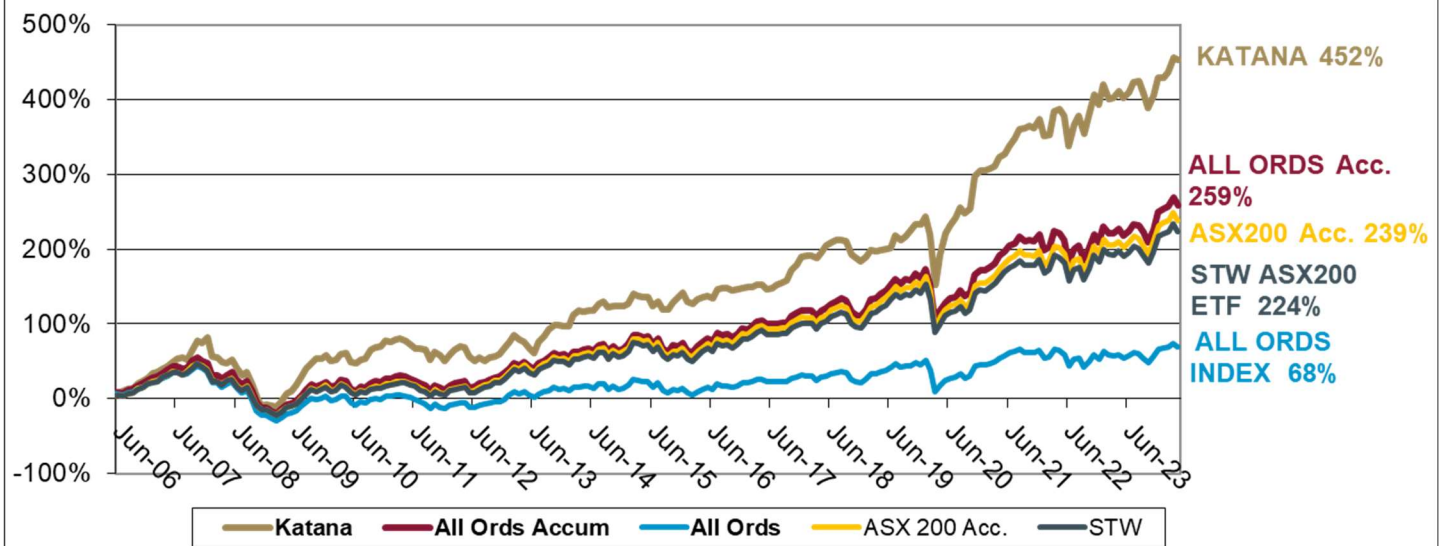
**KATANA**  
ASSET MANAGEMENT LTD

Performance at 30 April 2024	1 Month	1 Year	3 Years	5 Years	(Inception) 18 Years
Katana Investment Portfolio	-0.76%	8.19%	9.37%	13.13%	9.77%
ASX All Ordinaries Accumulation Index	-2.70%	9.94%	7.15%	8.38%	7.22%
<b>Outperformance (pa)</b>	<b>1.94%</b>	<b>-1.75%</b>	<b>2.22%</b>	<b>4.75%</b>	<b>2.55%</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 30/04/2024. Past performance is not an indicator of future performance

## Key contributors:

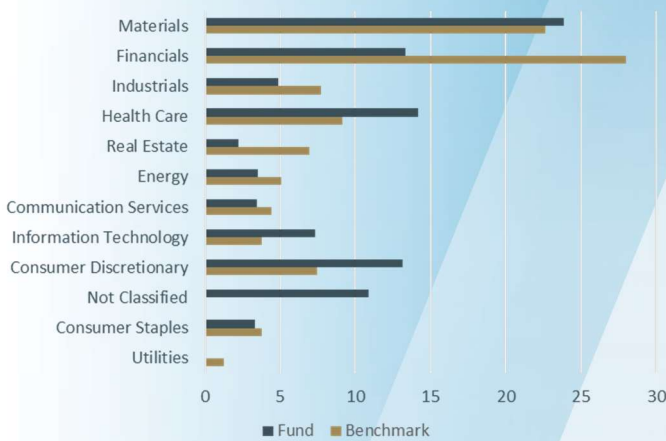
- Whitehaven Coal** completed the acquisition of Daunia and Blackwater and received several analyst upgrades
- South32** generated better than expected cashflow in the quarter aided by stronger commodity prices
- West African Resources** rallied with the broader gold sector as spot gold rose above US\$2,400 for the first time in history

## Key detractors:

- APM Human Services** traded lower as CVC withdrew their \$2 per share takeover bid for the company
- Charter Hall Group** declined as rate sensitive stocks adjusted for rising yields which puts pressure on valuations
- Karoon Energy** traded lower with the oil price together with production downgrades

Top 10 Holdings	Weight
Mineral Resources Ltd	7.81%
Wesfarmers Ltd	3.62%
Whitehaven Coal Ltd	3.20%
CSL Ltd	2.66%
Macquarie Group Ltd	2.26%
Perpetual Ltd	1.94%
Sonic Healthcare Ltd	1.77%
Karoon Energy Ltd	1.76%
iShares China Large-Cap ETF	1.67%
Boss Energy Ltd	1.61%
<b>Total Top 10 Holdings</b>	<b>28.30%</b>
<b>Total Cash</b>	<b>19.37%</b>

Sector Exposure vs All Ords



Market Commentary

*“You can’t stop the waves, but you can learn how to surf.”*  
 Jon Kabat-Zinn

In the April update, we highlighted that a number of key trading indicators were flashing red. Over the month of April, we saw a textbook 5% retracement (on an intraday basis). On a closing basis, the index was down 2.7% for the month.

There are a good number of factors which continue to suggest that we may experience a further decline in May. Persistent inflation – especially in respect to wages – is front and centre. This has of course pushed back the timing for rate cuts. The latest consensus view is now for a maximum of one rate cut in 2024. And an increasing number of analysts are forecasting that rate cuts may not commence until the 2025 calendar year.

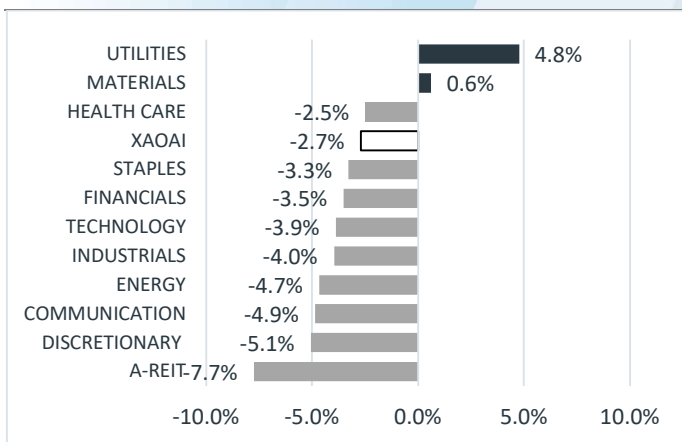
During April, the team used the volatility to adjust the cash weighing to under 20%. Internally, we are targeting 15% by 30 June, subject of course to the prevailing market.

The fund remains overweight *Materials* and *Healthcare* and underweight *Financials*. The *Materials* weighting seems to align with the market’s view at present, but *Healthcare* has been a laggard for some months. We suspect that this is indicative of investors using the highly defensive *Healthcare* space as a source of funding to increase purchases in the *Materials* sector.

The underweight posture in *Financials* continues to make sense - to us at least. We believe that this sector will at best provide market beta and at worst further downside. Banks are trading on above average multiples with below average growth prospects. This disconnect may have further to play out.

Key Facts

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



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