

Katana Capital Limited

ASX CODE KAT

AGM PRESENTATION

NOVEMBER 2022

www.katanaasset.com



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Overview



Fund Performance

Katana Profile

Outlook

FY22 Performance

- Gross Investment Return of **1.13%** vs Benchmark (All Ords Index) **-11.06%**
 - Continued strong out-performance of **12.19%** on the back of 6.43% out-performance in 2021

In Context – 16 Year Performance vs Benchmark

- Outperformed the benchmark in 13 out of 17 years (**76%** of the time)

Dividends

- Paid 4x quarterly dividends totalling 2.00c per share
- Dividends all fully franked

FY23 Strong Start

- Katana Capital has generated a Gross Investment Return for the financial year to 30th October of approximately 9% versus 4.5% for the All Ordinaries Index.

Fund Performance

Annual Investment Returns



Out-Performance Since Inception

Year Ending	Katana Gross Investment Return	All Ords Index	Outperformance
2006	9.20%	6.91%	2.29%
2007	49.05%	25.36%	23.69%
2008	-6.41%	-15.49%	9.08%
2009	-23.57%	-25.97%	2.40%
2010	24.54%	9.55%	14.99%
2011	19.10%	7.75%	11.35%
2012	-11.19%	-11.25%	0.07%
2013	8.84%	15.47%	-6.63%
2014	26.78%	12.70%	14.07%
2015	-1.57%	1.28%	-2.85%
2016	4.98%	-2.58%	7.56%
2017	6.23%	8.54%	-2.31%
2018	26.27%	9.12%	17.15%
2019	-0.43%	6.51%	-6.94%
2020	9.30%	-10.42%	19.72%
2021	32.82%	26.39%	6.43%
2022	1.13%	-11.06%	12.19%
Average	10.30%	3.11%	7.19%

1. Inception date Katana Capital January 2006. Returns quoted are gross investment returns for the fund.
2. Past performance is not necessarily indicative of future performance.

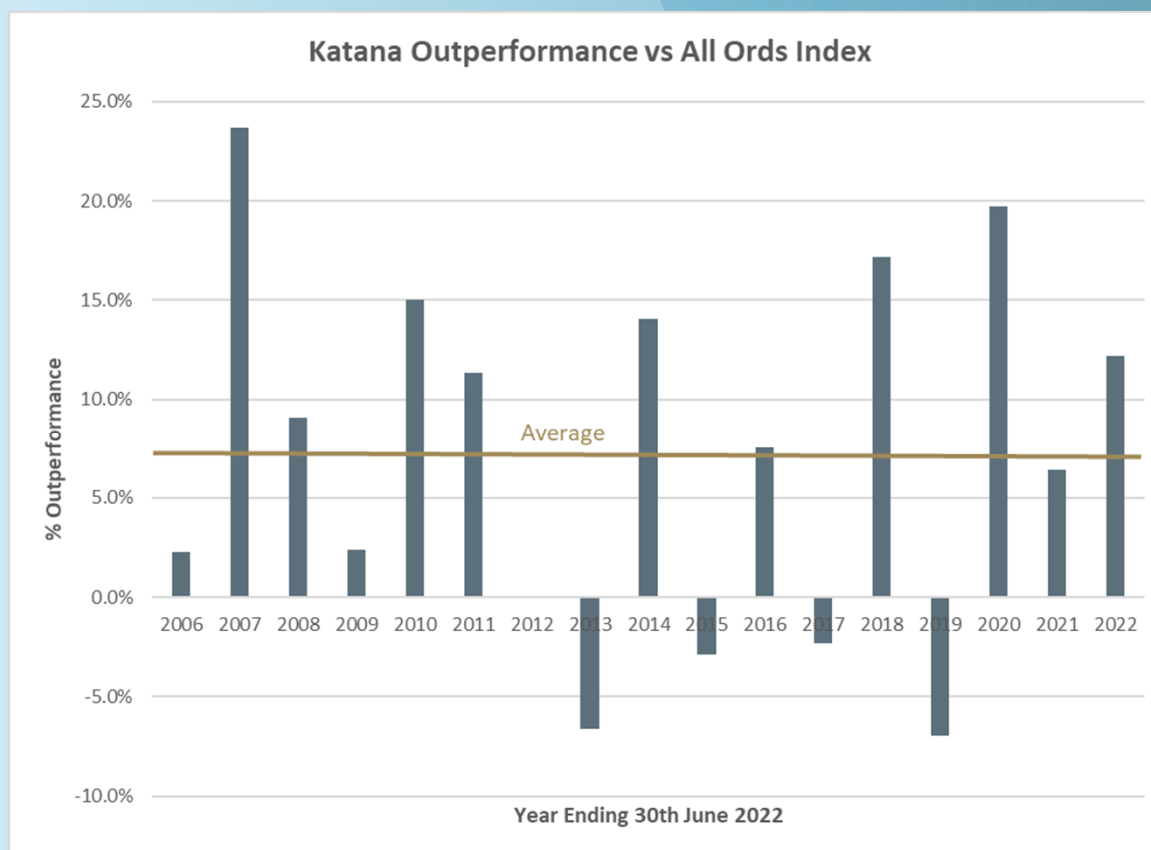
Source: Katana Asset Management Ltd; IRESS

Fund Performance

Annual Investment Returns

Consistent and Strong Out-Performance

Since inception, Katana Capital's Gross Investment Return has out-performed the All Ords Index by **7.19%** per annum.



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Source: Katana Asset Management Ltd; IRESS

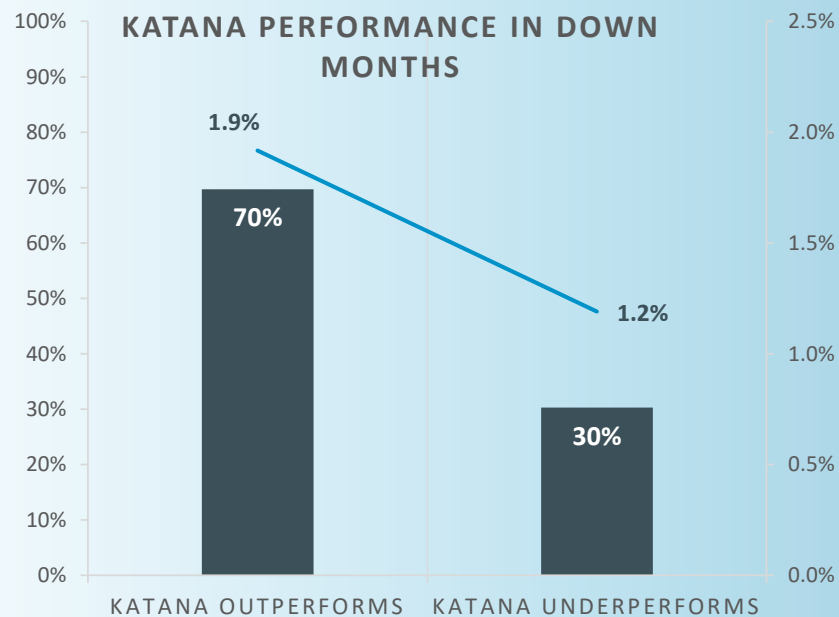
Fund Performance

Downside performance; Critical as returns

Significant Out-Performance since inception

Since inception, the fund has provided resiliency for investors, particularly in down months.

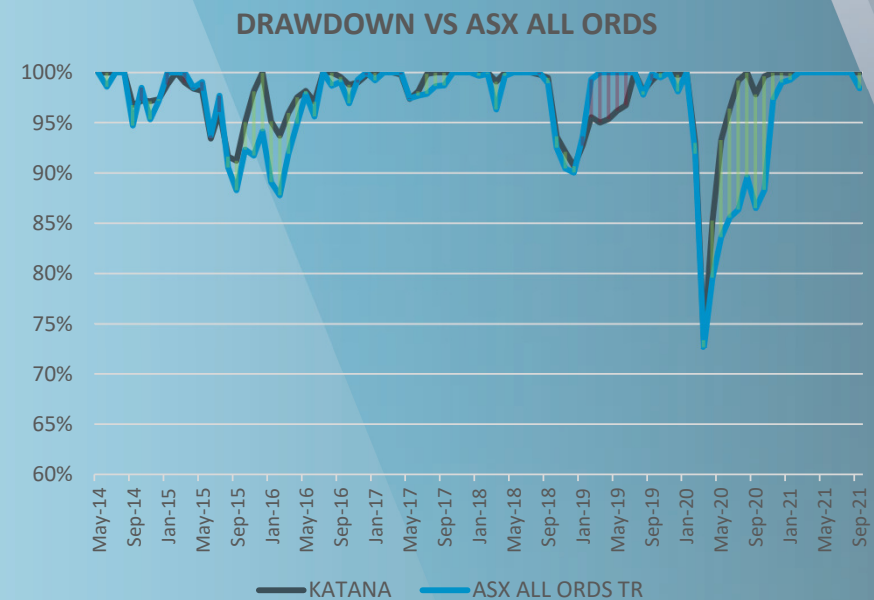
Exceptional outperformance in down months, outperforming the benchmark 69% of the time by an average of 1.9%



Frequency of outperformance (LHS), % out/underperformance (RHS)

Strong performance in sharp drawdowns

The fund has recovered markedly quicker in deep drawdowns than the market



Dividend History

- Paid dividends every year since listing
- Quarterly dividends provide regular cash flow to yield conscious investors
- Dividend Reinvestment Plan - company purchases shares on market so no dilution

Future Dividends

- Katana Capital has had a strong start to the FY and holds surplus franking credits. Subject to ongoing market conditions, the company is well positioned to continue to pay at least equivalent dividends in the coming year.

Manager – Skills and Experience

- 4 investment professionals
- Combined direct investment experience of >85 years
- Across 3 stock market cycles
- Professional Qualifications - economics, business, accounting, investment analysis
- Diverse Backgrounds – domestic, international
- Results Focused
- Strong Processes - rigorous decision-making
- Media Recognition - regular contributions to all forms of media
- Aligned Interests - managers personally own ~30% of FUM

Think independently but act in unison with the market, by combining the best precepts of the 5 key investment disciplines:

1. **Value Investing**
2. **Fundamental Analysis**
3. **Growth Investing**
4. **Technical Analysis**
5. **Market Experience and Observation**
 - Overriding pre-occupation with capital preservation
 - Comfortable to remain weighted in cash for extended periods
 - Emphasis on flexibility within a strong overlying framework of accountability & risk management
 - Companies are imperfect; our lot is to choose the 'less imperfect' by clearly prioritising our investment criteria

A comprehensive outline of our Investment Philosophy has been provided on our website: www.katanaasset.com

Katana Profile

Fund Parameters



Portfolio Overview

- **Long only**
- **ASX** listed securities
- **Benchmark 'Unaware'** – i.e. flexibility to maximise returns without constraints on market capitalisation, sector or theme.

By removing restrictions on size, sector and weightings, we enable each investment to be assessed on its merit.

Top Down Macro Overlay with Bottom Up Stock Analysis

- Economic cycle (timing) decisions
- Asset allocation - preparedness to move to, and maintain a cash position
- Sector allocation – portfolio based on prospectivity not sector weighting
- Stock selection and allocation

Portfolio Parameters

- **55-65** individual **stock positions**
- Average position **size 1%–5%**, with a pre-disposition towards holding a greater number of smaller positions
- Mandated maximum position sizes based upon market capitalization and liquidity
- Cash Position mandate range is 0 – 80%; historically **15%-35%**

Generally towards the upper end of this range and has been as high as 50% of funds under management

Achieving high returns with a high cash balance reduces risk through the cycle

- Significant value added with stock positions outside ASX100
Thematic exposure achieved through ASX100, but additional alpha derived through detailed bottom-up analysis of ex-100
- **No gearing or shorting** applied in the portfolio

“Performance. Process. People. Passion.”

Lower Risk Characteristics

No Gearing	No debt
No Derivatives	No options, warrants, futures contracts or other derivatives
Highly diverse Portfolio	55-65 stocks, rarely exceeding a maximum weighting of 3% per stock
High cash weighting	15-35% through the cycle
High Quality Stocks	Every investment must pass a rigorous checklist that focusses on risk ; especially historical performance, gearing, liquidity and profitability
No currency, commodity or off-shore market risk	Only ASX listed equities
No Short-selling	Long only investor
Highest level of Alignment	Management team own ~30% of Funds under Management; capital preservation is at the forefront of every decision

Katana Profile

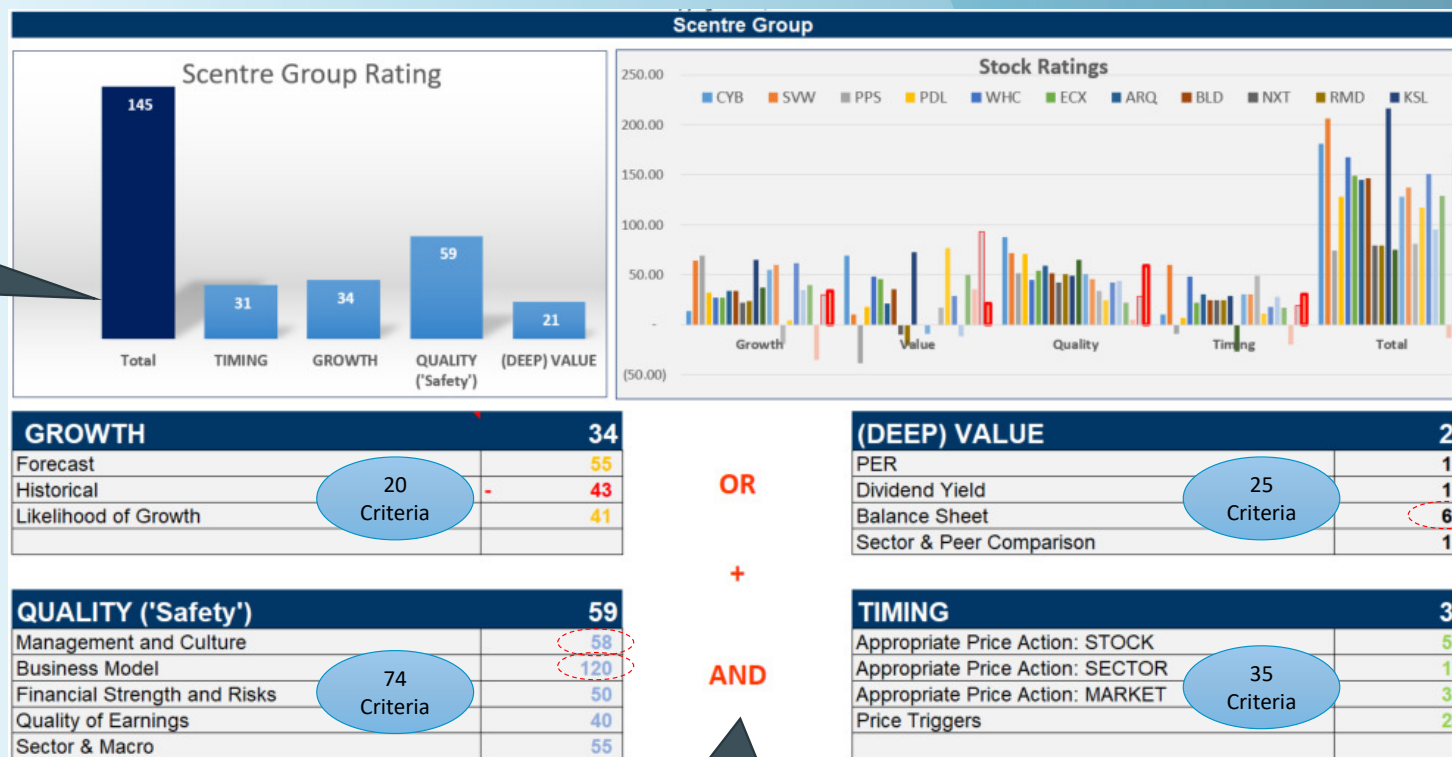
Rigorous Investment Profile

SCENTRE GROUP

KATANA
CAPITAL LIMITED

Every investment submission must cover off on set criteria in 4 categories across 11 topics.
The total universe of assessable criteria is now in excess of 160 individual attributes.

Total rating based on 160+ different criteria assessed



Comparison against previous assessments

Could be Growth or Value play.. But needs to be Quality & have appropriate price action

Typical portfolio – “All-Opportunity”

Historical Characteristics:

~ 5 of the top 10 portfolio holdings in ASX50

2-3 of the top 10 portfolio holdings in ASX100

2-3 of the top 10 portfolio holdings in ASX300

1-2 of the top 10 portfolio holdings ex ASX300

Blue chip companies form the largest holdings, providing safety and liquidity

Additional value added through emerging/high growth stocks; overall a good blend of safety + performance

Top 10 companies regularly make up ~ 20 - 35% of portfolio and remaining holdings usually ~ 40 - 50% of Portfolio

- **Employ a larger number of smaller positions to mitigate risk whilst still being high conviction.**
- *Ordinarily 50 - 60 companies*
- Encompasses stocks in the accumulation or selling phases as well as trading positions

High ‘through-the-cycle’ balance of Cash

- ***Cash through the cycle is typically within the 15 - 35% band.***
- A high cash balance provides a lower risk profile over time and a buffet to market volatility.

Top 10 Investments (KAT)

Percentage of Portfolio Valuation as at 31/10/2022

MINERAL RESOURCES LTD	7.9%
CSL LTD	4.7%
ARISTOCRAT LEISURE	3.6%
MACQUARIE GROUP ORD	3.3%
SOUTH32 ORD	2.7%
SEVENGROUP HOLDINGS ORD	2.4%
WESFARMERS LTD	2.3%
INDEPENDENCE GROUP ORD	2.2%
CORONADO GLOBAL RESOURCES	2.1%
VANECK VECTORS GLOBAL CLEAN ENERGY	2.1%
Top 10 Equity Investments	33.3%
Remaining Equities	42.4%
Cash and Equivalents	24.3%
Total	100.0%

Source: KAT

*For most recent Katana Capital Top10 and NTA, please refer to the Katana website.

Outlook

Recap – Most of the Positive Drivers Have Reversed

	Positives	Uncertainties
Liquidity	<ul style="list-style-type: none">• Central bank stimulus →• Confidence returning (velocity)• Bond market →• Record Cash (US\$17trn)	<ul style="list-style-type: none">• Central bank tapering• Complacency / lacking catalysts
Necessity	<ul style="list-style-type: none">• Relative →• Absolute (versus cash) →	<ul style="list-style-type: none">• Inflation
Earnings	<ul style="list-style-type: none">• Strong growth (esp.US) →	<ul style="list-style-type: none">• Past peak earnings growth?• Covid-19 Variants
Long Term Trend	<ul style="list-style-type: none">• 80.1% of the time the market rises	
✓ Outlook for equities is more positive than negative		

Outlook

Current Views November 2022

	Positives	Negatives
Liquidity shrinking to fight Inflation	<ul style="list-style-type: none"> Near record cash (US\$18trn) albeit peaked May 	<ul style="list-style-type: none"> Restrictive Monetary Policy - <i>Don't Fight the Fed</i> Central bank tapering (QT) Bond market outflows to reverse Deleveraging – consumers and corporates
Consumer Spending (50% of GDP)	<ul style="list-style-type: none"> High employment Savings buffer 	<ul style="list-style-type: none"> Mortgage/rent costs Food Inflation Property crash to reduce household wealth/equity Energy – gas/electricity/fuel
Corporate Earnings		<ul style="list-style-type: none"> IR costs to hit profitability IR level to reduce growth / M&A Consumer spending to bite
Other	<ul style="list-style-type: none"> Consensus positioning remains negative = partially factored? 	<ul style="list-style-type: none"> China lockdowns, stressed property market & increased nationalism
Comparative Value	<ul style="list-style-type: none"> Average PER 13.1x (11% discount) Dividend yield 4.8% (7% premium) 	<ul style="list-style-type: none"> US Bonds now provide higher yield Deposit rates likely to accelerate
Long Term Trend	<ul style="list-style-type: none"> 80.1% of the time the market rises 	
x Outlook for equities is more negative than positive		

If you would like
more information
Please email
enquiries@katanaasset.com

Thankyou

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