

# Katana Capital Limited

ASX CODE KAT

## AGM PRESENTATION

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[www.katanaasset.com](http://www.katanaasset.com)



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# Overview



**Fund Performance**

**Katana Profile**

**Outlook**

## FY23 Performance

- Gross Investment Return of **19.42%** vs Benchmark (All Ords Index) **9.71%**
  - Continued strong out-performance of **9.71%** on the back of 12.19%% out-performance in 2022

## In Context – 18 Year Performance vs Benchmark

- Outperformed the benchmark in 14 out of 18 years (**78%** of the time)

## Dividends

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

# Fund Performance

## Annual Investment Returns

Year Ending	Katana Gross Investment Return	All Ords Index
2006	9.20%	6.91%
2007	49.05%	25.36%
2008	-6.41%	-15.49%
2009	-23.57%	-25.97%
2010	24.54%	9.55%
2011	19.10%	7.75%
2012	-11.19%	-11.25%
2013	8.84%	15.47%
2014	26.78%	12.70%
2015	-1.57%	1.28%
2016	4.98%	-2.58%
2017	6.23%	8.54%
2018	26.27%	9.12%
2019	-0.43%	6.51%
2020	9.30%	-10.42%
2021	32.82%	26.39%
2022	1.13%	-11.06%
2023	19.42%	9.71%
<b>Average</b>	<b>10.81%</b>	<b>3.47%</b>

## Out-Performance Since Inception

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

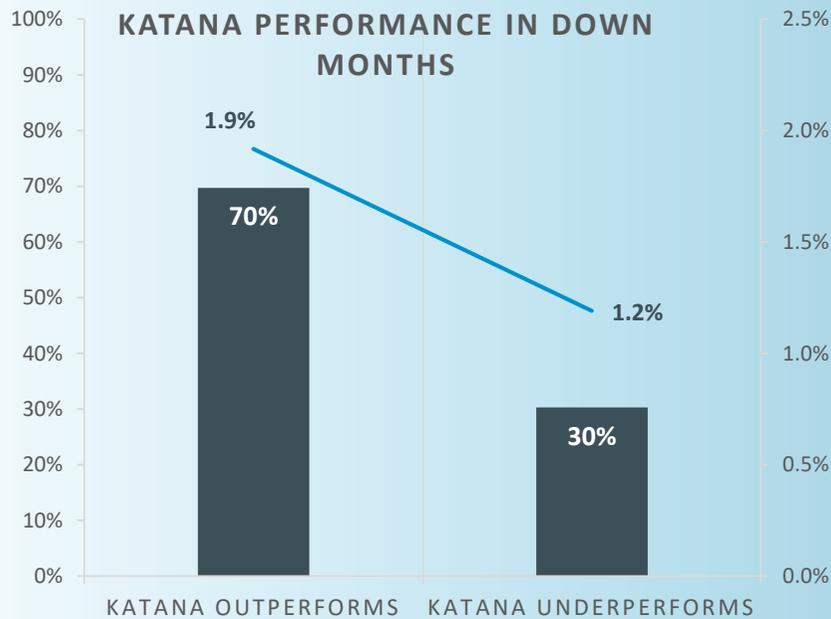
## Downside performance; Critical as returns



### 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

- 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](http://www.katanaasset.com)*

### 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

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

# Katana Profile Rigorous Investment Profile

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



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

## 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 31/10/2023	
MINERAL RESOURCES LTD	6.9%
CSL LTD	5.6%
WESFARMERS LTD	3.6%
RESMED INC.	3.0%
JUMBO INTERACTIVE LTD	2.8%
MACQUARIE GROUP LTD	2.6%
ALLKEM ORD	2.4%
ARISTOCRAT LEISURE LTD	2.3%
GLOBAL X COPPER MINERS ETF	2.2%
PERPETUAL LTD	2.1%
<b>Top 10 Equity Investments</b>	<b>33.5%</b>
Remaining Equities	52.9%
Cash and Equivalents	13.6%
<b>Total</b>	<b>100.0%</b>

Source: KAT

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

# Market Outlook

## Rangebound



Negatives	Positives
QT / Monetary contraction	Market positioning is highly 'cautious' /outright bearish 1) Record short positioning 2) Very different to 1987 (bond yields, market moves) 3) Never been a crash when so much caution
'Crowding effect' of US Government on deposits	Yield at or close to top – narrative change
Cumulative effect of rates 1) Reduction in consumption / impact on corporate earnings 2) Borrower stress	Central Bank Intervention 1) Willingness – since GFC, new level of intervention 2) Capacity – Now have capacity (OCR 5.25% - 5.50%)
Genuine alternative = 10 year US Bonds ~5%	Very modest share prices rises 1.4% pa for past 4 years on ASX
US Bank deleveraging	
Wage inflation ticking up = most difficult to combat	

# Market Outlook Rangebound



If you would like  
more information  
Please email  
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Thank you

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