

Katana Capital Limited

ASX CODE KAT

AGM PRESENTATION

NOVEMBER 2017

www.katanaasset.com

Performance. Process. People. Passion.



KATANA

ASSET MANAGEMENT LTD

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Overview

Key Metrics

Katana Profile – Personnel

Investment Approach

Fund Performance & Opportunity

FY17 Performance vs Benchmark

- Gross Investment Return 6.23% vs Benchmark (All Ords Index) +8.54%

In Context - 11 Year Performance vs Benchmark

- Outperformed the index benchmark in 8 out of 11 years

Dividends

- Paid 4x quarterly dividends totalling 2c per share (Average ~70% franked)
- Dividend yield below prior years and expected to increase in FY18

FY18 YTD Strong Start

- YTD performance +11.19% vs Benchmark 3.68% (as at 31st October 2017)

Manager – Skills and Experience

- Combined direct investment experience of >110 years
- Covers 4 stock market cycles
- Professional Qualifications - economics, business, accounting, investment analysis, mining, geology
- 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 ~22% of FUM

Support Staff & Service Providers

General Katana Asset Management	Address	AMP Building, Level 16, 140 St Georges Terrace, Perth
	Administration	Christine Fernandez Stephanie Taverniti Ashleigh Smith
	Compliance	Jacqui Stewart - GRC Essentials
	Custodian	JP Morgan and Link Markets
	Banker	JP Morgan
Katana Capital Limited	Auditors	Ernst & Young
	Share Registry	Computershare
	Legal Advisors	Steinepreis Paganin
	Board of Directors	Dalton Gooding (Chairman) Peter Wallace Giuliano Sala Tenna
	Company Secretary	Gabriel Chiappini

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

Investment Approach

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

- **45-60 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.

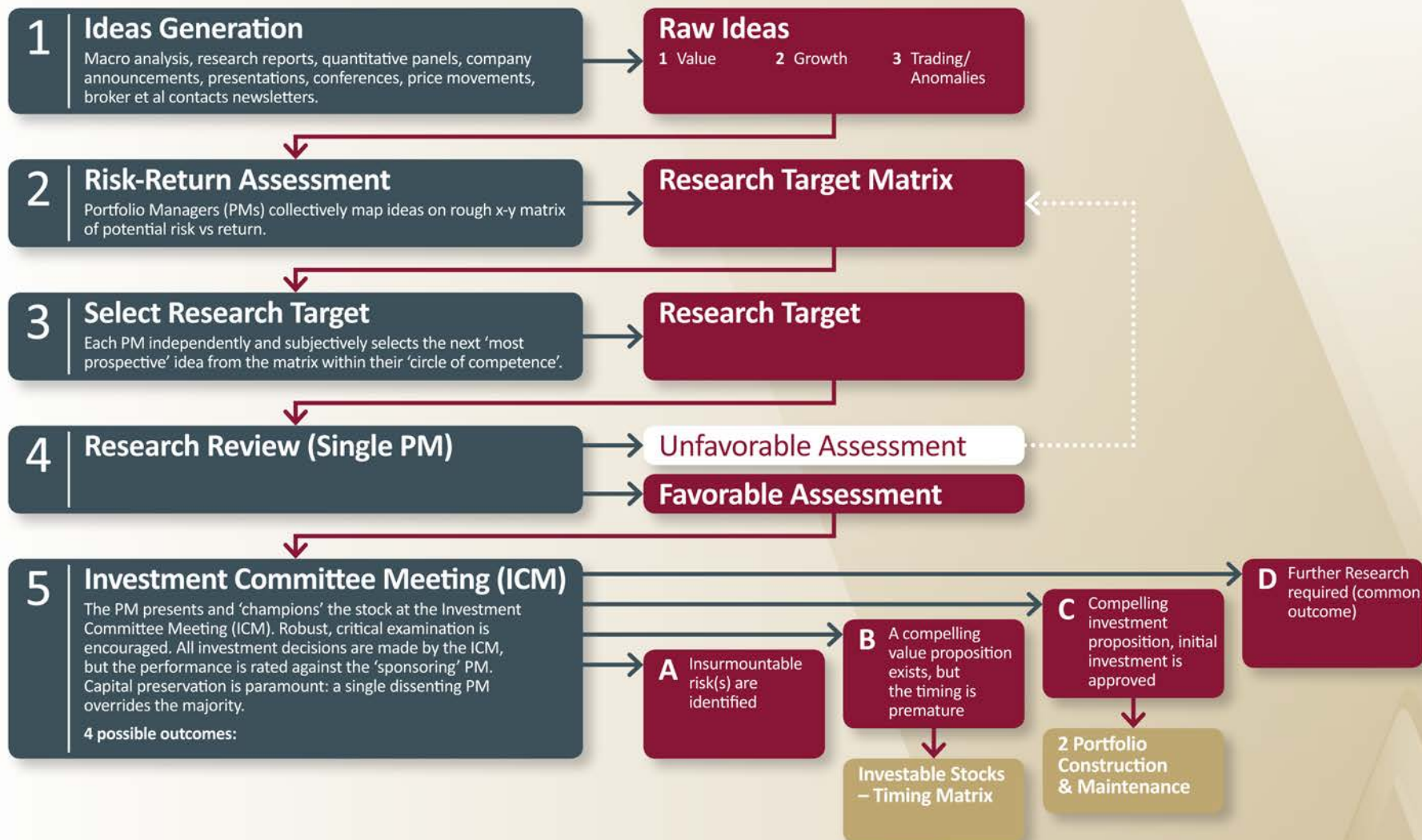
- Significant value added with stock positions outside ASX100

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

Investment Approach

Decision Process



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 ~ 30 - 40% of Portfolio

- **Employ a larger number of smaller positions to mitigate risk whilst still being high conviction.**
- *Ordinarily 45 - 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 (KAEF)

Percentage of Portfolio Valuation as at 31/10/2017

MINERAL RESOURCES LTD	5.6%
PIONEER CREDIT LTD	3.9%
CHALLENGER LTD	3.5%
SANTOS LTD	3.4%
JANUS HENDERSON GROUP LTD	2.8%
AMA GROUP LTD	2.6%
BT INVESTMENT MANAGEMENT LTD	2.6%
FAIRFAX MEDIA LTD	2.5%
INDEPENDENCE GROUP NL	2.4%
INGENIA COMMUNITIES GROUP	2.2%
Top 10 Equity Investments	31.4%
Remaining Equities	44.2%
Cash and Equivalents	24.4%
Total	100.0%

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

Ongoing Out-Performance Since Inception

Year Ending	Katana Gross Investment Return	All Ords Index	Outperformance
2006	9.20%	6.90%	2.30%
2007	49.03%	25.36%	23.67%
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%	0.06%
2013	8.84%	15.47%	-6.63%
2014	26.79%	12.70%	14.09%
2015	-1.57%	1.29%	-3.57%
2016	4.98%	-2.58%	7.56%
2017	6.23%	8.54%	-2.31%
2018 YTD	11.19%	3.68%	7.51%
Average	9.01%	2.77%	6.19%

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.

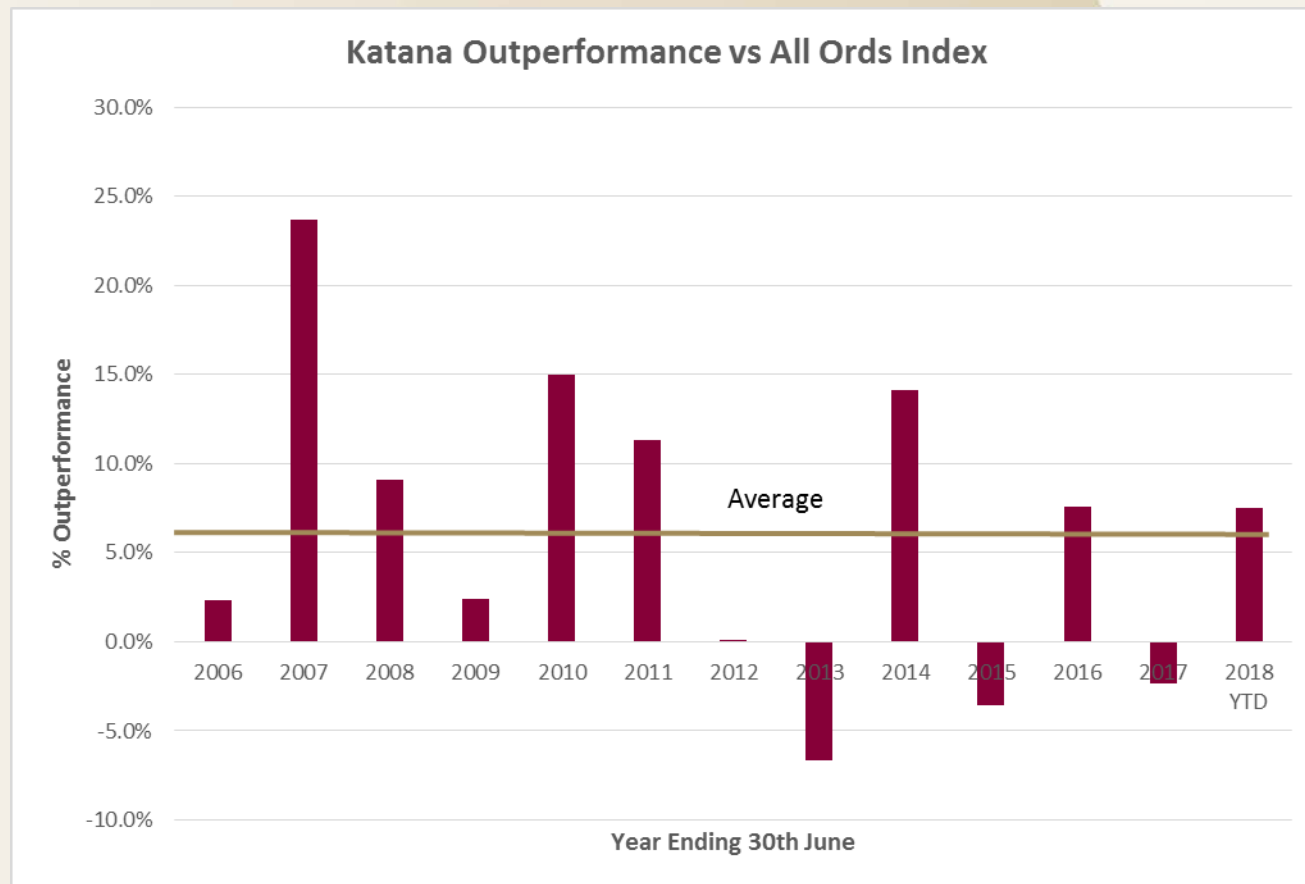
Source: Katana Asset Management Ltd; IRESS

Fund Performance and Opportunity

Investment Returns

Consistent and Strong Out-Performance

Since inception, KAEF has outperformed the All Ords Index by **6.19%** per annum on a gross basis.



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Source: Katana Asset Management Ltd; IRESS

Macro Environment

- Low interest rates persist and the path to normalization continues to be pushed out
- Global synchronized growth amongst the best on record
- Valuations in the US are now well ahead of long term averages (~2 Std deviations above on a Shiller PE / CAPE Ratio)
- China growth ahead of expectations

Australian Landscape

- ✓ Green shoots are emerging in traditional mining plus new drivers in LNG and EV minerals
- ✓ East coast is on the verge of an infrastructure boom
- ✓ Tourism, education and immigration likely to continue to drive opportunities
- × Property post peak
- × Political landscape creating uncertainty; not driving growth

Dividends

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 market conditions, dividends are likely to increase in the coming FY

Opportunity

1. Discount to NTA

- 15% Discount to NTA
- Working to narrow this gap (Buyback, DRP buyback et al)

2. 2 New Portfolio Managers Fully Contributing

- Invested substantial time and cost into team

3. Historical Performance following Under-performance

- Often, the time to invest with a manager with a long term track record is after a period of under-performance, remembering of course that past performance is no guarantee of future returns

If you would like a
more information

Please email
enquiries@katanaasset.com

Thankyou

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