

Katana Capital Limited

ASX CODE KAT

AGM PRESENTATION

NOVEMBER 2019

www.katanaasset.com



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Key Metrics

Katana Profile – Personnel

Investment Approach

Fund Performance & Outlook

FY19 Performance

- Gross Investment Return of -0.53% vs Benchmark (All Ords Index) +6.51%

In Context - 14 Year Performance vs Benchmark

- Outperformed the benchmark in 10 out of 14 years

Dividends

- Paid 4x quarterly dividends totalling 2.00c per share (Fully Franked)
- Dividends decreased on prior year but had a higher level of franking

FY20 Strong Start

- Katana Capital has generated a Gross Investment Return for the financial year (to date) in excess of 7% versus 1.1% for the All Ordinaries Index.

Manager – Skills and Experience

- Combined direct investment experience of >70 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 ~24% of FUM

Katana Profile - Personnel

Support Staff & Service Providers

General Katana Asset Management	Address	Level 9, The Quadrant Building, 1 William Street, Perth
	Administration	Christine Fernandez Stephanie Taverniti Rebecca Zaubzer
	Compliance	Jacqui Stewart - GRC Essentials
	Custodian	One Investment Group
	Banker	Macquarie Bank Limited
Katana Capital Limited	Auditors	Ernst & Young
	Share Registry	Computershare
	Legal Advisors	Steinerpreis 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

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.

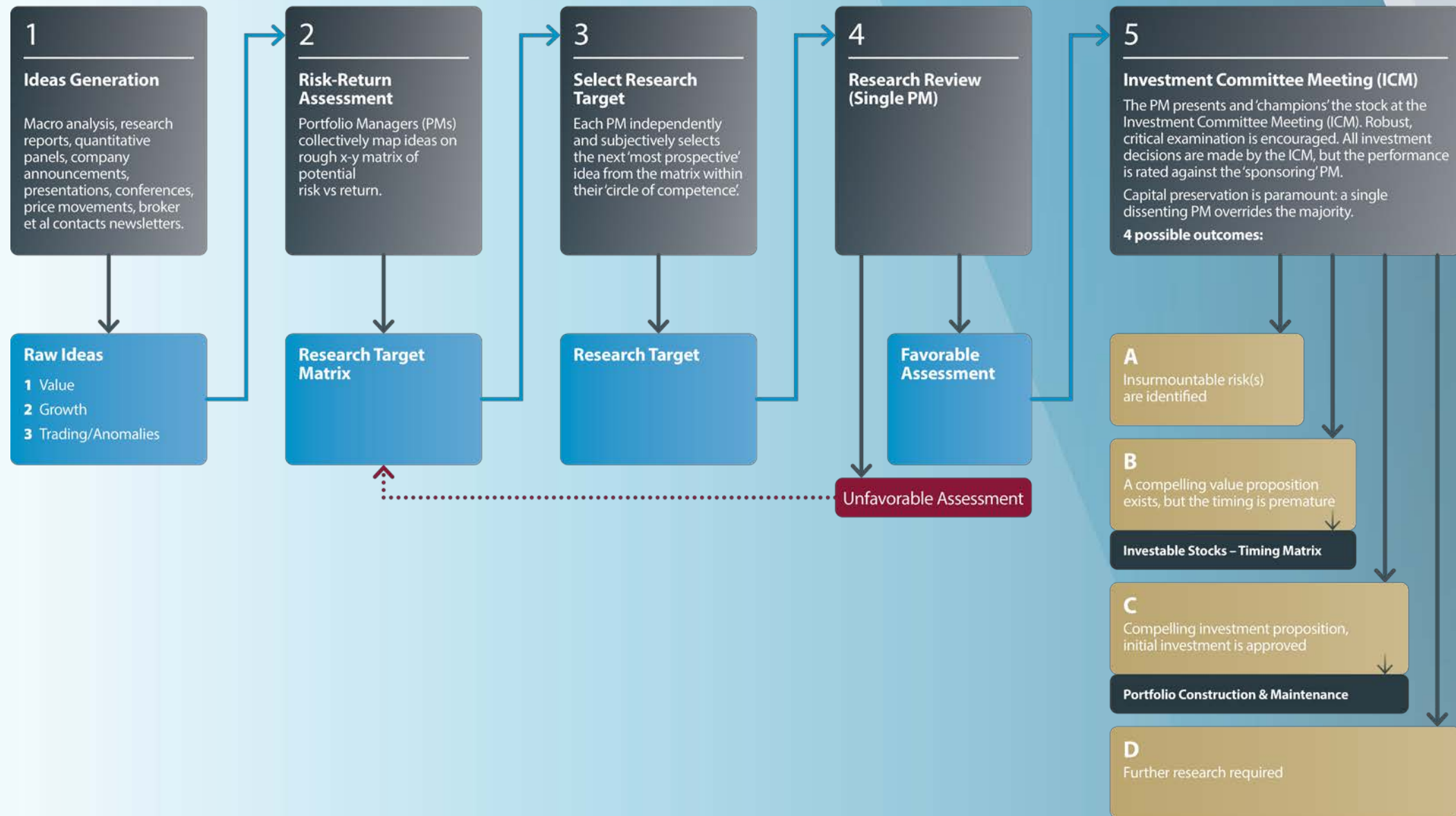
- Significant value added with stock positions outside ASX100

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



Investment Approach

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 45 - 55 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 31/10/2019

MINERAL RESOURCES LTD	4.63%
CSL LTD	3.19%
CYBG LTD	2.84%
WOODSIDE PETROLEUM LTD	2.81%
EVOLUTION MINING LTD	2.57%
RAMSAY HEALTH CARE LTD	2.56%
SOUTH32 LTD	2.54%
PIONEER CREDIT LTD	2.45%
NORTHERN STAR RESOURCES LTD	2.44%
SYNLAIT MILK LTD	2.28%
Top 10 Equity Investments	28.31%
Remaining Equities	47.83%
Cash and Equivalents	23.86%
Total	100.0%

Source: KAT

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

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%
Average	9.42%	3.42%	5.99%

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.

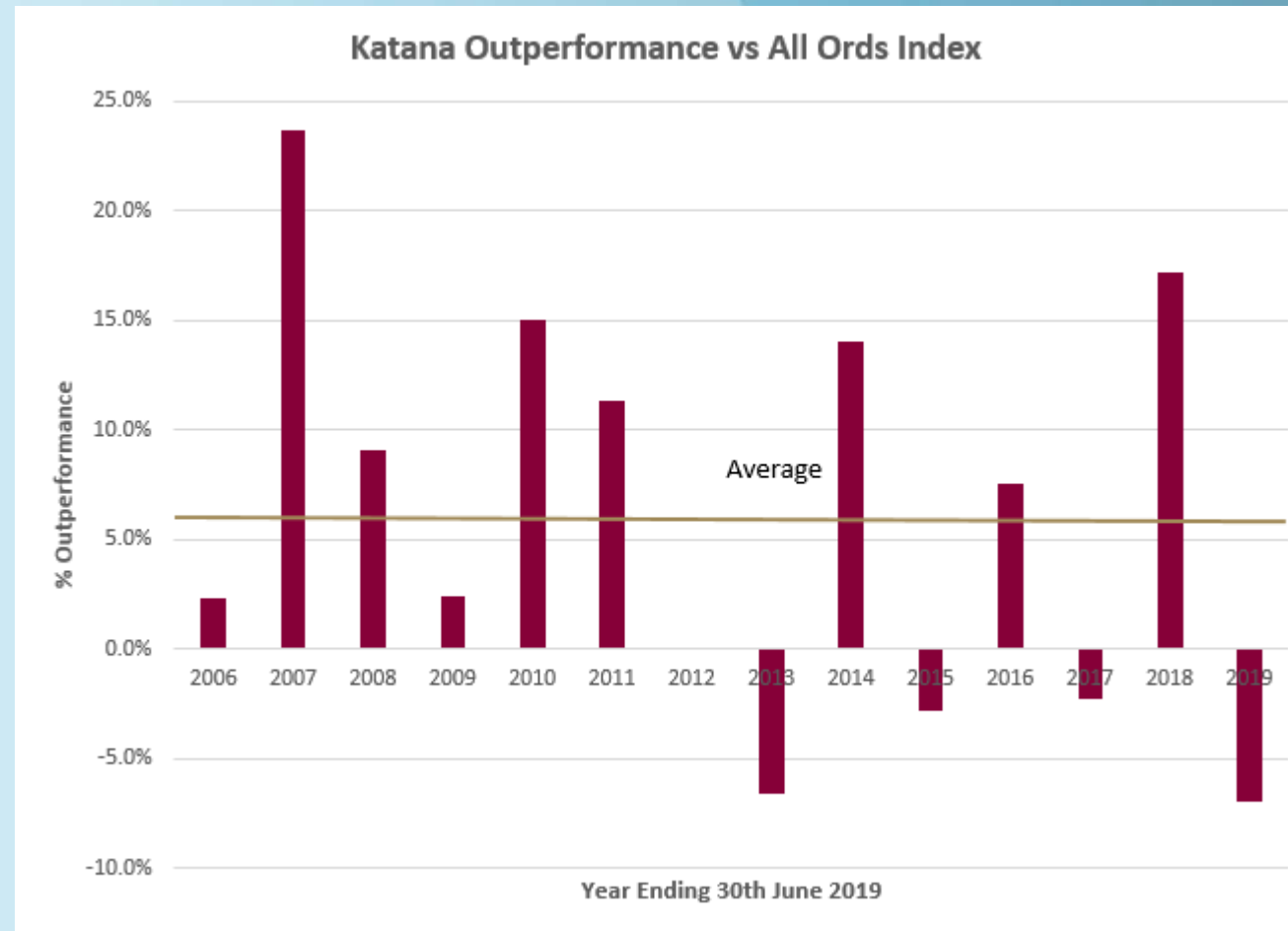
Source: Katana Asset Management Ltd; IRESS

Fund Performance and Outlook

Investment Returns

Consistent and Strong Out-Performance

Since inception, Katana Capital's Gross Investment Return has out-performed the All Ords Index by **5.99%** per annum.



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Source: Katana Asset Management Ltd; IRESS

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 increase dividends in the coming year.

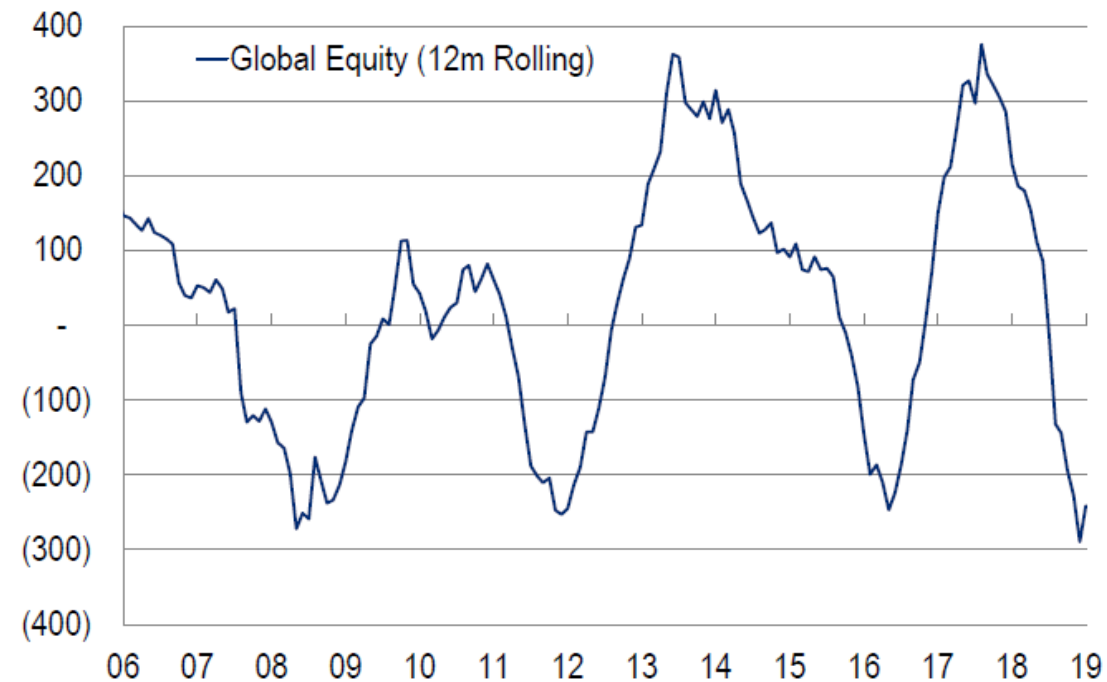
There are a host of reasons as to why the ASX could fall in the coming 12 months, including but not limited to: Yet despite all of these (valid) concerns, our base case remains that equities will continue to 'climb a wall of worry' and grind higher.

- Trade war and rising economic nationalism
- Burgeoning debt in the 4 largest economic zones
- Deteriorating PMIs
- Lackluster inflation, verging on deflation in some countries
- Widespread negative bond yields and US yield curve inversion
- European issues including BREXIT, a reticent Italian Government
- Etc etc

Yet despite all of these (valid) concerns, our base case remains that equities will continue to 'climb a wall of worry' and grind higher.

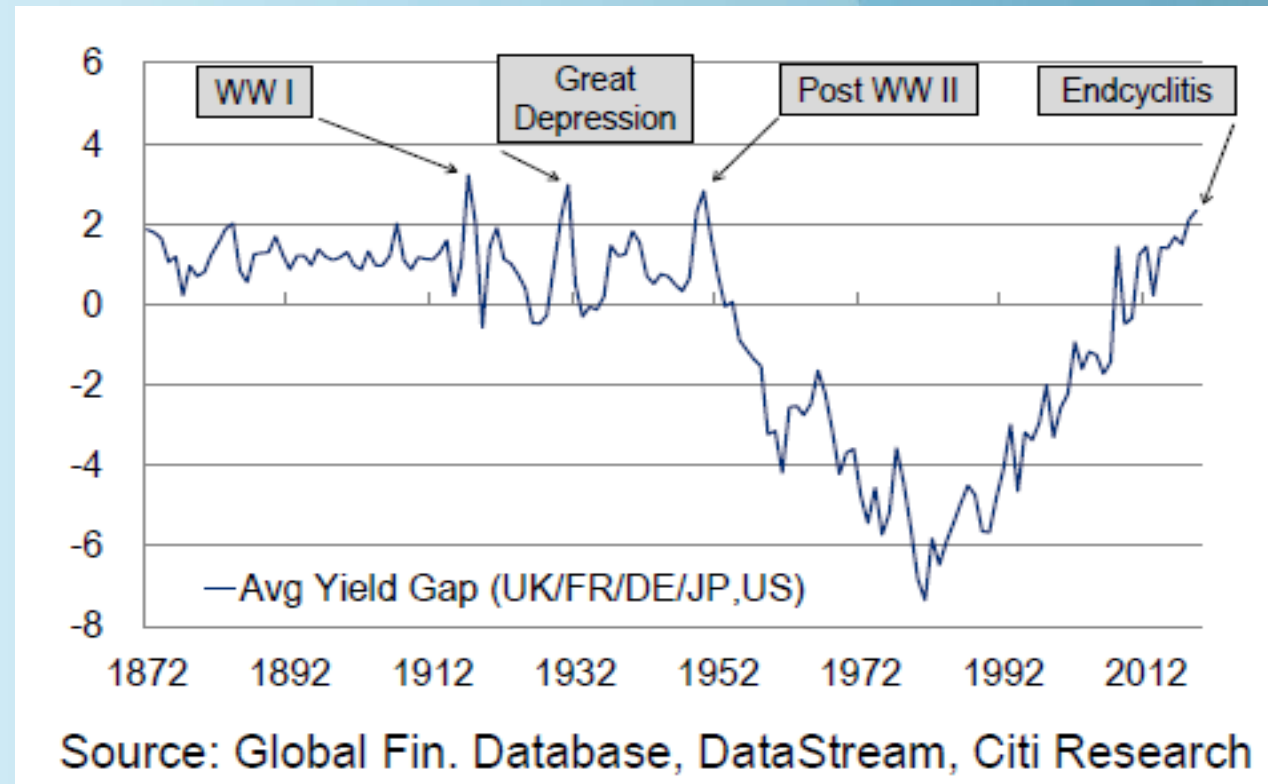
1. Trump Government mandated support and 'Powell Put'
2. Global equity out-flows are on a scale not seen since the GFC = investors en masse are cautious, skeptical and underweight

Figure 11. Global Equity Fund Flows (12m rolling, US\$bn)



Source: EPFR, Citi Research

3. Relative yield differential and absolute yield level



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

Thankyou

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