

MARCH 2020 Investment Update and NTA Report

Katana Capital Limited (ASX: KAT) ("Katana") gives notice that the unaudited Net Tangible Assets (NTA) per share after tax as at 31 MARCH 2020 was \$0.802 and the total Net Assets were \$31.033m.

	% Change	March 2020	February 2020
NTA Backing per share after tax	-14.80%	\$0.802	\$0.942
NTA Backing per share before tax	-21.38%	\$0.739	\$0.941

As at 31 MARCH 2020 the fund was holding 25.5% in cash.

The March 2020 quarter will go down in the history books as one of the worst on record. It was an extraordinary quarter, during which the ASX All Ordinaries index initially made a record high on 20 February of 7,290, only to fall nearly 40% within the space of 4 weeks. This represented the fastest fall in the 145 year history of the ASX.

Ordinarily we are less concerned with the short term horizon and more focused on the medium term and beyond. This is an exception. Given the scale and speed of events unfolding in the US, our team is closely monitoring the next 2-4 weeks, as we believe that this is likely to be a period of ongoing volatility. Whilst not as panic-stricken as the 2nd half of March, we expect to still see some wild swings as the first stage of the pandemic plays out.

Beyond April and mid-May, the attention will then be very much upon the bigger questions regarding how long it will take for companies and economies to recover. Whilst cognizant of the very real and substantial impact Covid-19 has had and will continue to have for some time to come, we are also focused on 4 factors which give rise to optimism: largest Government intervention and stimulus, aided by oil price; record liquidity; largest ever differential between dividend yields and bonds/cash and cheap valuations.

Portfolio Positioning

Genuine crises are rare, but with crisis comes opportunity. For example, if an investor purchases a stock after it has fallen 50%, then it would yield an increase of 100% simply to regain its pre-existing price. A stock that has fallen 60%, would yield a 150% increase. Of course some companies will not recover and others will take considerable time.

Since early March, the team at KAEF have been working on 2 fronts to re-position the portfolio. Firstly, the team has been critically assessing every stock holding to ensure that we are maximizing the risk adjusted return within the portfolio. In particular, holdings that have held up robustly to date, but offer only modest upside from the current level, have been progressively transitioned into companies that offer above average 'alpha' (excess return). In this regard, the Portfolio Managers believe that the portfolio is strongly positioned to generate solid returns when the market inevitably recovers.

Secondly, the team has been working to raise cash to capitalize on an expected flood of capital raisings. There are a significant number of ASX listed companies that are likely to tap investors in the coming weeks and months. The sheer scale and urgency of these capital raisings has already seen some exceptional bargains in the likes of Cochlear, Webjet, Flight Centre, Auckland Airport and IDP Education (in the last fortnight alone). These raisings are likely to accelerate, and provide a once in a decade opportunity to build and add to positions at fire sale valuations.

Further Information and About Katana: Please refer to Page 3 (Appendix 1) of this document for a current listing of Katana's top 10 holdings as at 31 MARCH 2020.

For further information on the Katana Capital investment philosophy and approach, please refer to our Profile and Investment Approach on Page 3 of this document or visit our website at:

www.katanaasset.com

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Appendix 1: Fund Holdings Update - Top 10 Investments:

Percentage of Portfolio Valuation as at 31 MARCH 2020:

Company Name	Portfolio %
Macquarie Group Ltd	2.9%
Mineral Resources Ltd	2.9%
Regis Resources Ltd	2.9%
Seven Group Holdings Ltd	2.8%
Commonwealth Bank of Australia Ltd	2.7%
Australia New Zealand Banking Ltd	2.6%
Oz Minerals Ltd	2.5%
Bank Of Queensland Ltd	2.3%
Westpac Banking Corporation Ltd	2.1%
L1 Long Short Fund Ltd	2.0%
Top 10 Equity Investments	25.7%
Remaining Equities	48.7%
Cash and Equivalents	25.5%
Total	100.0%

Information: More about Katana Asset Management

Company Overview

As a listed investment fund, Katana Capital combines the ease of buying a proven investment track record and approach with the simplicity of buying on the ASX.

Katana Capital provides experienced & disciplined asset management with a focus on capital preservation, exclusively investing in Australian Equities. Our aim is to provide investors with access to investment techniques aimed at generating the best risk adjusted returns while aiming to preserve capital.

Investment Philosophy

The strategy of the Katana fund is look for opportunities across all market capitalisations and sectors in the market. The underlying goal of the Manager is to assess potential opportunities to generate the best risk adjusted return possible with the aim of capital preservation being front of mind. We aim to out-perform the All Ordinaries Index by encouraging flexibility and adaptability, within the confines of strong risk framework.

The fund is focused on combining the best principles of value investing, growth investing, fundamental, technical analysis and market observation. Our aim is to be “style agnostic” and not constrained by the constructs of any one approach. As we are not forced to hold certain stocks in an index, the Fund has features of being un-correlated and “benchmark unaware”. As a defensive stance, it is also able to move to high levels of cash to preserve capital. These factors allow us to out-perform across a range of market conditions.