Katana Asset Management

Katana Australian Equity Fund

APIR: KTA0002AU
ARSN: 602 782 543

FORTUNA

GLOBAL ECONOMIC CHANGE

MARCH 2021

Performance. Process. People. Passion.

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Overview

- Long Term Market Returns
- Key Themes for 2021
- Performance & Long Term Compounding

Long Term Market Returns

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Total Market Returns - Historical Calendar Year

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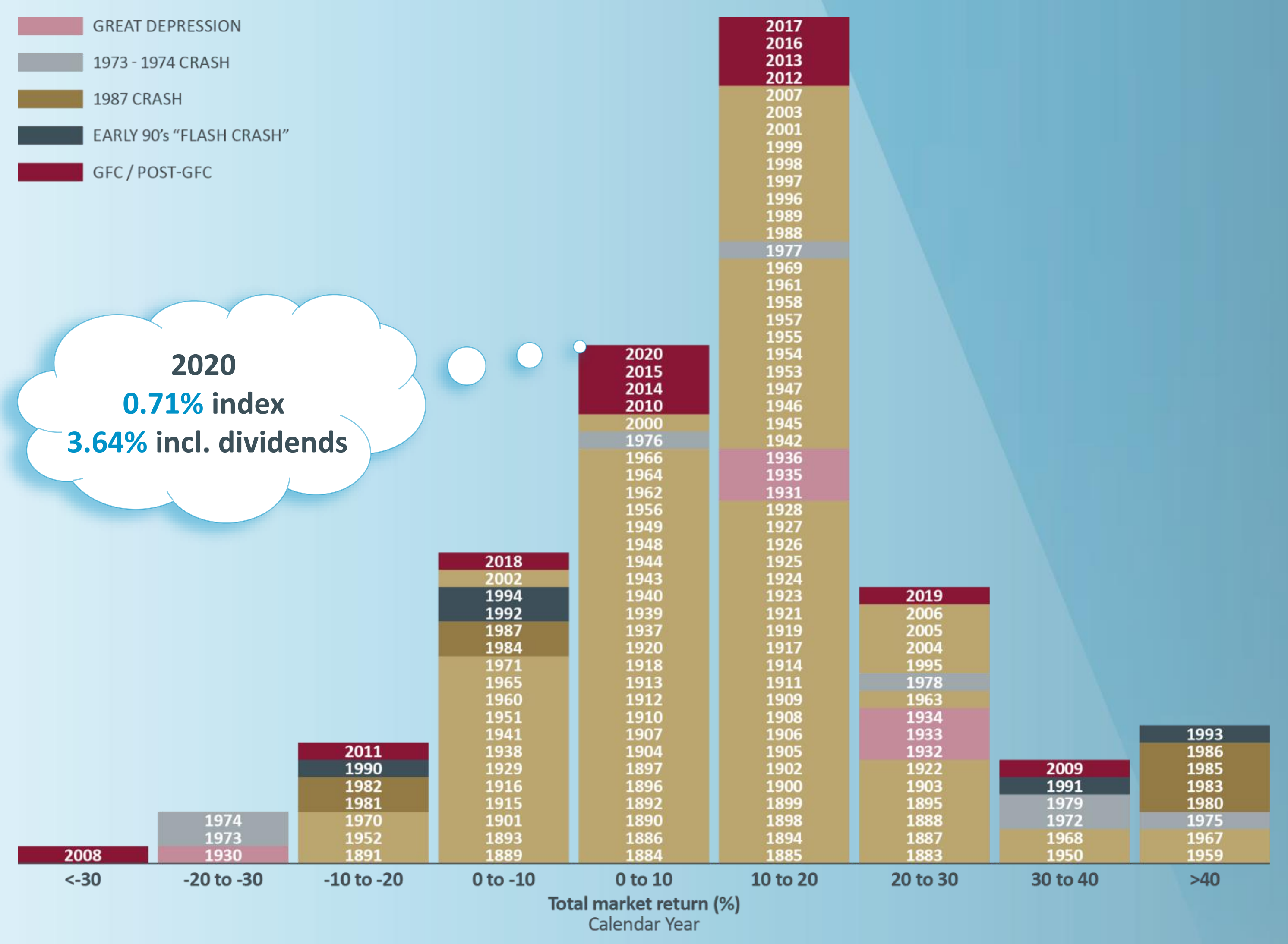

Stock Market More Likely to Rise than Fall

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SINCE 1875	NEGATIVE RETURNS	POSITIVE RETURNS	TOTAL
# of Years	29	116	145
% of Years	20.0%	80.0%	100.0%
Average Return	-10.4%	16.1%	**10.8%**
SINCE 1979			
# of Years	11	30	41
% of Years	26.8%	73.2%	100.0%
Average Return	-11.8%	22.0%	**12.9%**

Over the past 145 years, the market has risen **80.0%** of the time

Over the past 41 years, the market has risen by an even stronger **12.9%** per annum

Appropriate Timeframe

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Total shareholder returns were 65.2% over the average 5 year period since 1875

If you invested your money, walked away and returned in 5 years, on average the capital growth and dividends would amount to a total return of **65%** (including negative periods)

Timeframe (Rolling Average)	Average Return Since 1875
5 Years	65.1%
7 Years	100.8%
8 Years	120.5%

And once again the impact of a longer term timeframe can be seen

Over an 8 year period, the average return was 120% and there were no occasions during which a negative return occurred.

Summary : For the 143 Years Since 1875…

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Big Falls are Rare	The ASX has declined by 30% or more in a year on only <u>one</u> occasion (2008)
Rises are more Common	The ASX has risen 80.0% of the time – i.e. 4 out of every 5 years
5 Year Rolling Returns	The ASX has produced a negative return only 7 times over any 5 year rolling period and averaged 65%
8 Year Rolling Returns	The ASX has never produced a negative return over any 8,9 or 10+ year rolling period The ASX has on average returned 120.5% over an 8 year rolling period

Key Themes for 2021?

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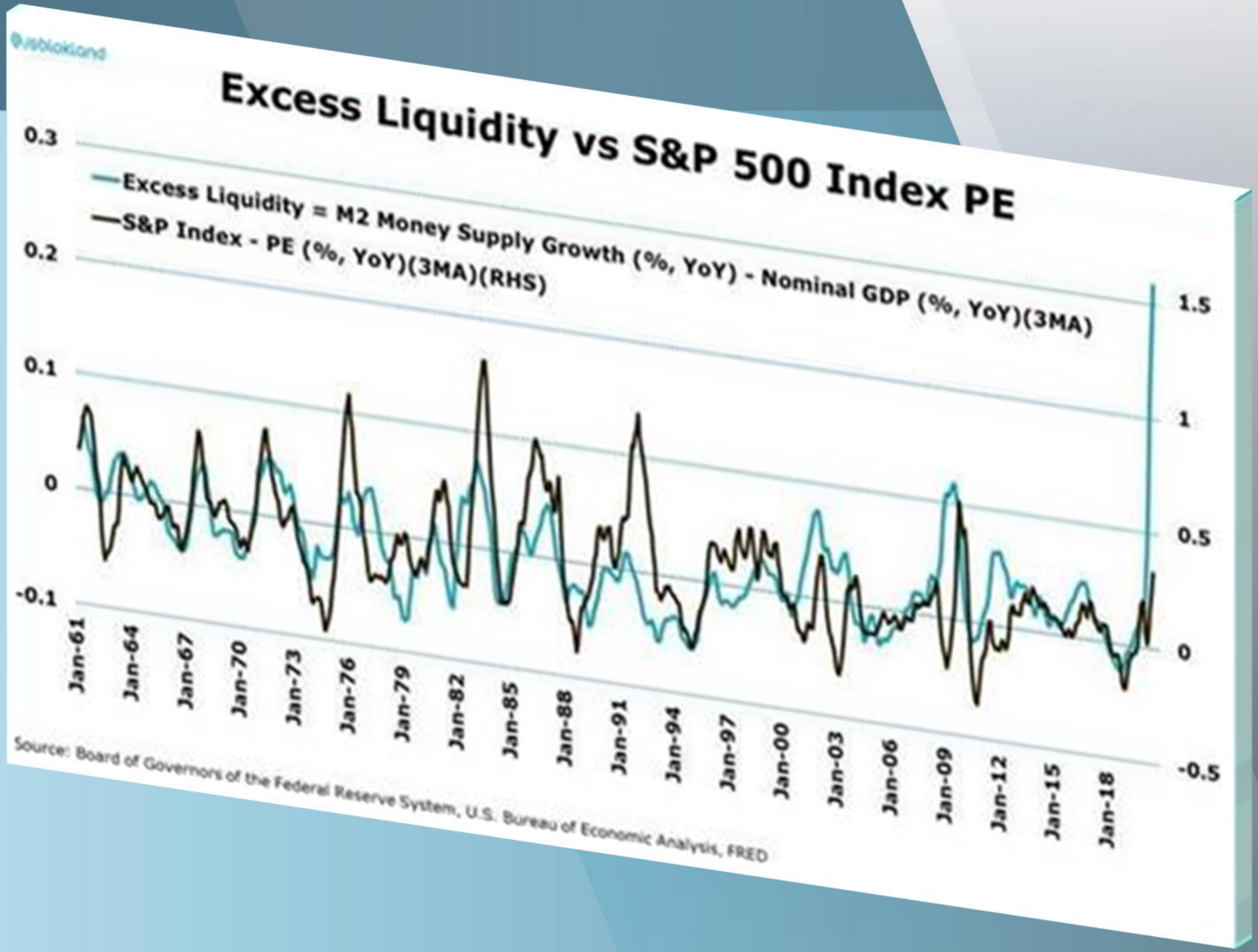
Market Outlook - November

Liquidity

- Central Banks globally have ‘printed’ more money more rapidly than at any time in history
- The velocity of money waslow but is now increasing rapidly
- An ever increasing supply of money will inflate finite assets such as property and equities
- Traditional (monetary) policy will have less scope to reduce liquidity versus previous cycles



Added to this:

- Investors remain underweight equities and overweight cash
- The tsunami of all flows is about to reverse as the **37 year bond bull market ends** = equity funds receive greater weightings versus bond funds

Market Outlook - November

Necessity

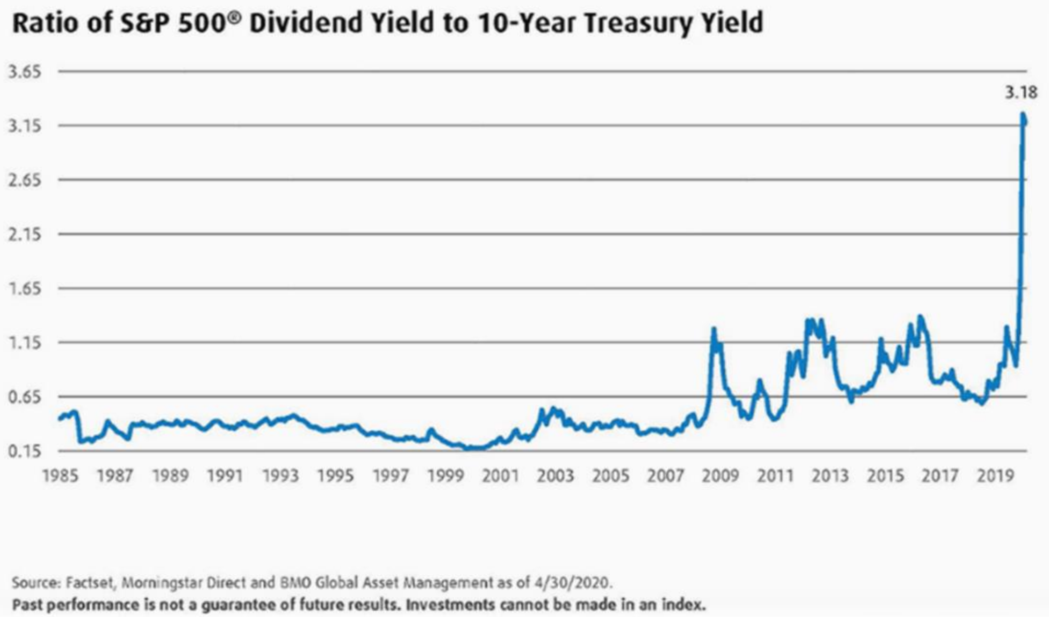
Relative

- Differential between cash rates/bond yields and equity yields is the highest on record
- This differential far exceeds any rational application of equity risk premium
- In a *relative* sense, advisers and investors alike have no alternative but to increasingly allocate to equities on a risk-adjusted basis

Absolute

- Cash rates are the lowest on record with most major economies at or near 0%, with some nominal rates actually negative
- After deducting tax and inflation the yield is in the order of negative 2%
- Advisers and investors alike will be forced to take on more risk – reluctantly at first but inevitably in the end

Ratio of S&P 500® Dividend Yield to 10-Year Treasury Yield



Market Outlook

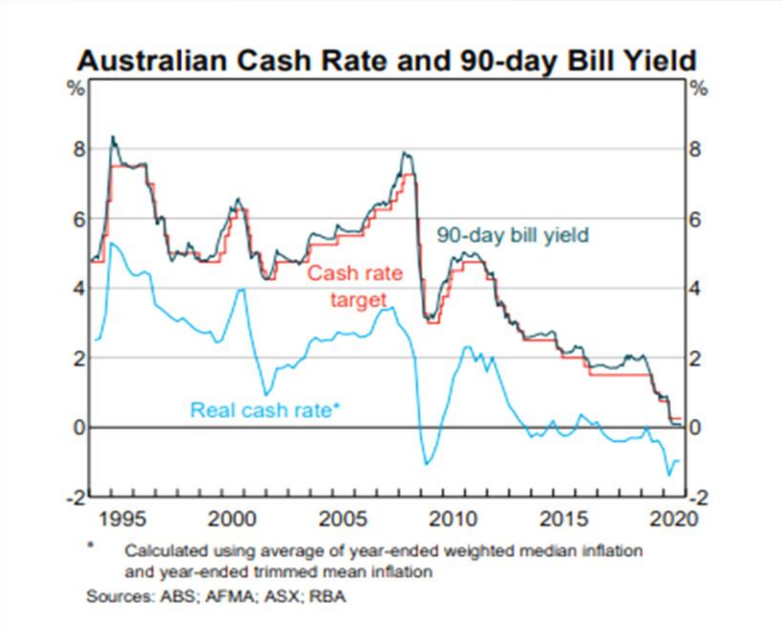
Australian Landscape Highly Accommodative

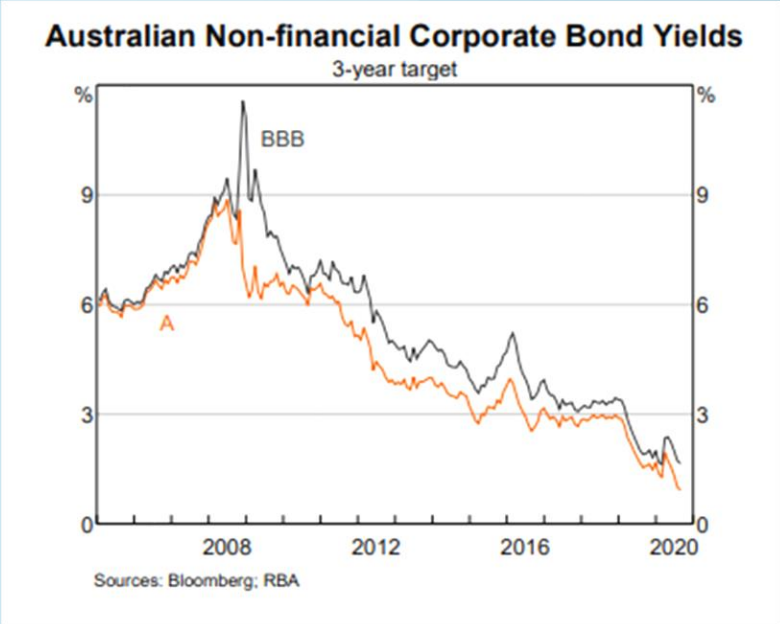
RBA Most Accommodative in Modern History

- RBA has engaged in Quantitative Easing for the first time since its formation

Interest Rates Lowest on Record

- Term deposits in Australia are the lowest on record with rates at ~0.4% and declining





Regulatory landscape has relaxed significantly

- Eg Bank oversight; rollback of responsible lending; Frydenberg ‘war’ on corporate regulator

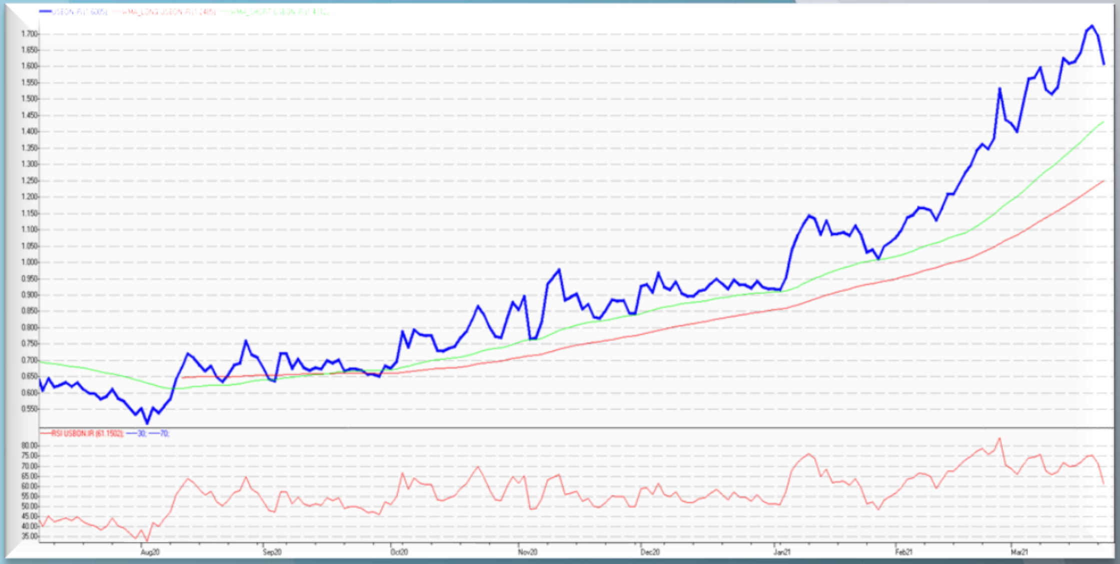
Market Outlook - February

Rotation

- *“Clearly the dominant theme was the dramatic increase in the yield on US 10-year Treasuries from 107 to 143 basis points.”*

- *“Whilst it is still too early to definitively call it, the current rotation from high PER, long duration assets to value and cyclical stocks looks on the balance of probabilities to be passed the inflection point.”*

- *“… we are currently in the process of positioning the portfolio for what we anticipate will be an ongoing (investor) rotation.”*



Market Outlook – March

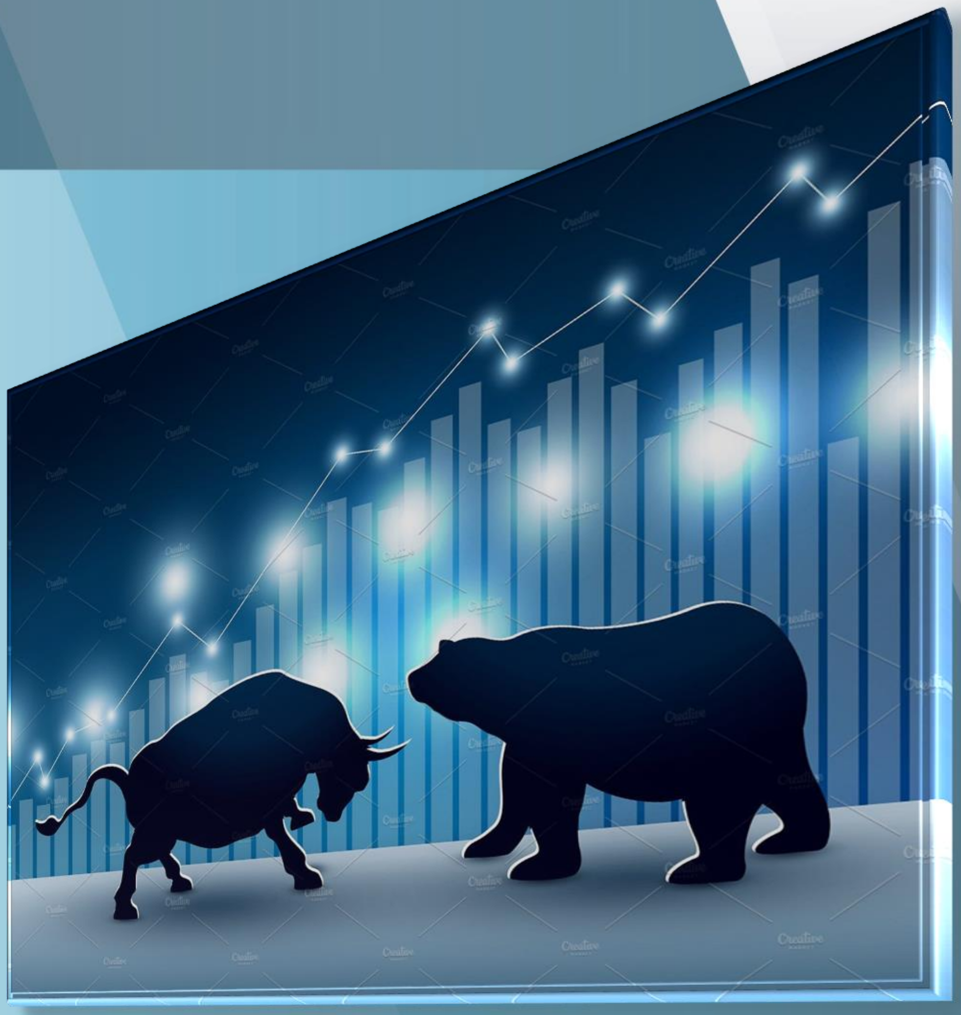
Fine Tuning our Positioning

- Bond yields need to plateau ~200bp
    - The knee jerk reaction will subside

- Lead into an '**Everything**' rally but
    - Broader/more discerning / less prolonged

- Favored Sectors
    - Value
    - Inflation = old world cyclicals, bulks/commodities
    - IR beneficiaries / exit bond proxies
    - Possibly gold?

- *"However as always we remain ready to pivot rapidly should the coming data points not line up with our expectation."*



Performance and Long Term Compounding

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Katana profile - Returns

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Consistent and Strong Out-Performance

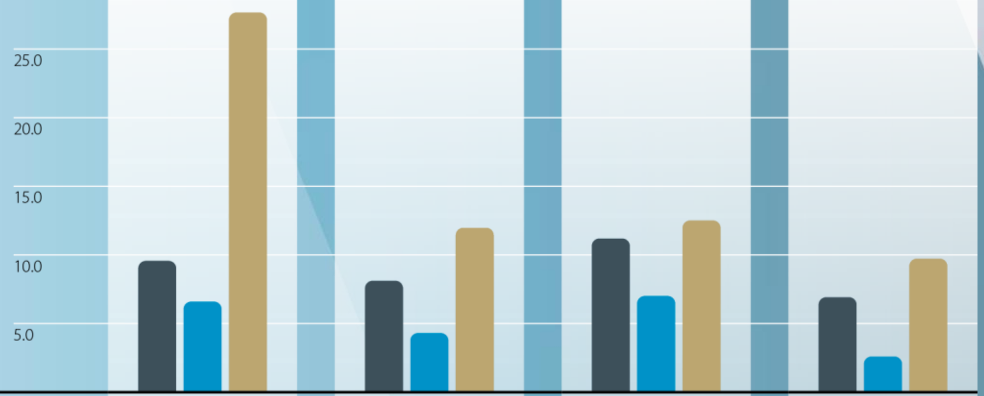
Since inception, KAEF has out-performed the All Ords Accumulation Index by **2.81%** per annum net of fees.

This is a significant level of out-performance over all time frames: short, medium and long term.

Katana versus All Ordinaries & Accumulation Index

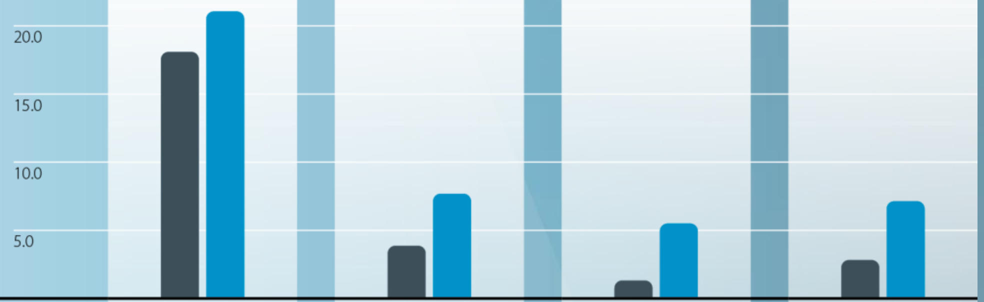
as at 28 February 2021 (net of fees)

Per annum comparison



ANNUAL RETURN		1 YEAR	3 YEAR	5 YEAR	SINCE INCEPTION (14 YEARS)
All Ords Accumulation Index	% pa	9.56	8.11	11.19	6.91
All Ords Index	% pa	6.59	4.30	7.00	2.59
Katana Asset Management	% pa	27.65	11.97	12.50	9.72

Per annum out-performance



RELATIVE OUT-PERFORMANCE		1 YEAR	3 YEAR	5 YEAR	SINCE INCEPTION (14 YEARS)
v All Ords Accumulation Index	% pa	18.09	3.86	1.31	2.81
v All Ords Index	% pa	21.06	7.68	5.49	7.13

Inception date Katana Capital January 2006. Returns quoted net of fees pre-tax. From 1st July 2011 performance data Katana Australian Equity Fund Vehicle. Past performance is not necessarily indicative of future performance.

Source: Katana Asset Management Ltd; IRESS

Katana profile - Returns

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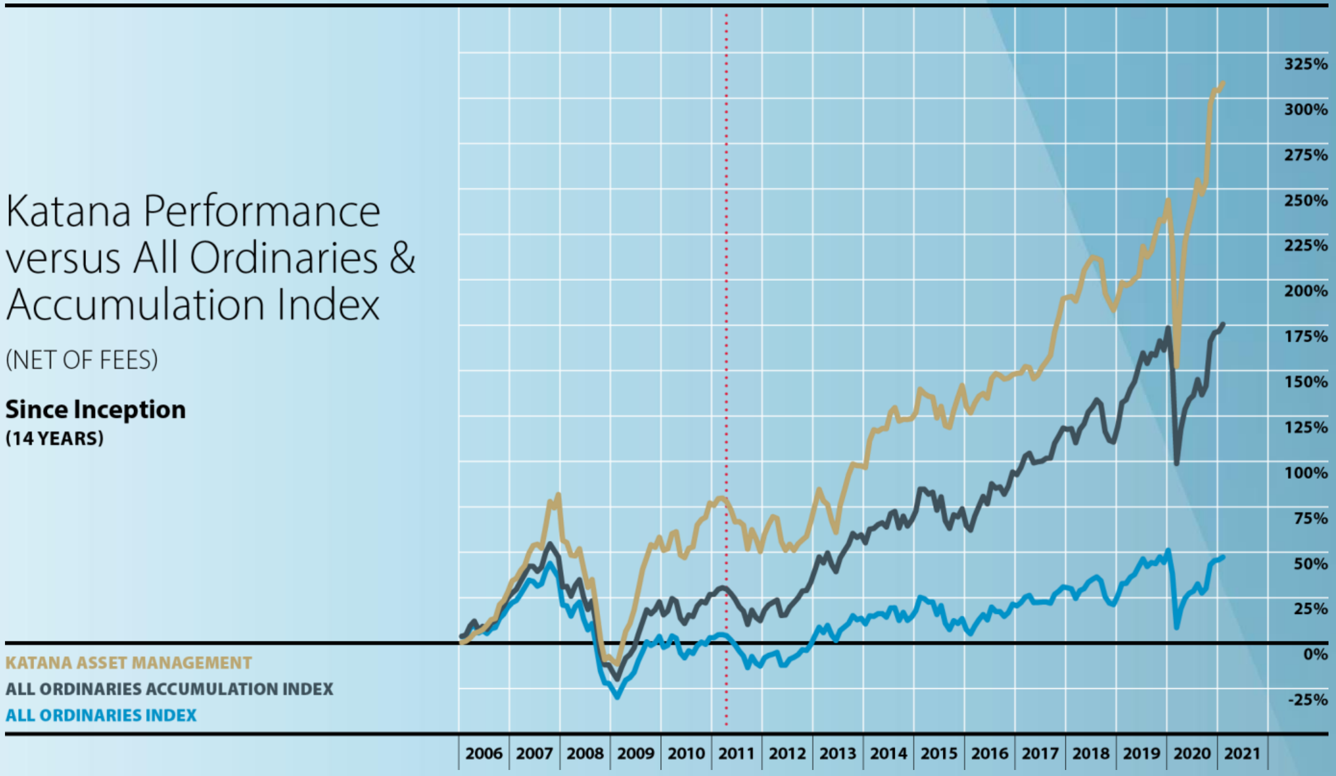
Significant Out-Performance since inception

Since Jan 2006, the Katana fund has returned **308.4%** vs **47.4%** for the All Ordinaries Index and **175.6%** for the Accumulation Index.



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Source: Katana Asset Management Ltd; IRESS

Independent validation of process and performance

MONEY|MANAGEMENT
FUND MANAGER OF THE YEAR 2021
AUSTRALIA'S FIRST INDEPENDENT AND WHOLE OF MARKET AWARDS
SHORTLIST
Australian Large Cap Equities

MORNINGSTAR®
Morningstar Ratings

Overall	★★★★★
3 Year	★★★★★
5 Year	★★★★★

Trailing Total Returns

	Total Return	+/- Cat	Category Rank
1 Yr	8.71	16.45	5 / 350
3 Yrs	**9.23**	**6.27**	**6 / 324**
5 Yrs	9.19	3.57	10 / 296

Morningstar data As at February 2021

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