

PRODUCT DISCLOSURE STATEMENT

**KATANA
AUSTRALIAN
EQUITY
FUND**

ARSN: 602 782 543
AFSL: 288412

DATED: 1 October 2020



KATANA
ASSET MANAGEMENT LTD

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Important notice

This Product Disclosure Statement (PDS) has been prepared and issued by Katana Asset Management Ltd (Katana).

This PDS is a summary of significant information and contains a number of references to important information contained in the Profile and Investment Approach brochure which forms part of this PDS. You should consider the information both in this PDS document and the Profile and Investment Approach brochure before making a decision about the fund.

These documents are available at www.katanaasset.com or you can request a copy free of charge by calling us on (08) 9220 9888.

The information provided in this PDS is general information only and does not take into account your personal financial situation or needs. It is recommended that you seek appropriate advice in relation to determining whether this product is suitable for your personal circumstances.

The PDS is current as at 1 October 2020. Information in the PDS is subject to change from time to time. To the extent that the change is not materially adverse to investors, it may be updated by KATANA posting a notice of the change on its website at www.katanaasset.com. We will notify you of any changes that have materially adverse impact on you or other significant events that affect the information contained in this PDS.

A copy of the constitution is also available on request. Current performance information and investors reports will be published to our website.

One Managed Investment Funds Limited has been appointed as Custodian and Administrator for the fund. One Managed Investment Funds Limited has not been involved in the preparation of this PDS or caused or otherwise authorised the issue of this PDS. One Managed Investment Funds Limited has not independently verified the information contained in this PDS and, accordingly, accepts no responsibility for the accuracy or completeness of the information. One Managed Investment Funds Limited does not guarantee the success or the performance of the Fund nor the repayment of capital or any particular rate of capital or income return.

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ABOUT KATANA ASSET MANAGEMENT LTD

Katana Asset Management Ltd (Katana) is a Western Australian based investment management firm. Katana holds an Australian Financial Services Licence Number 288412 and the Investment team has been managing money under mandate since December 2005.

Katana currently employs a benchmark unaware long only Australian equity process. Information regarding our performance is available in the Profile and Investment Approach brochure.

Katana is 100% owned by the directors and management team through various controlled vehicles.

Senior members of the Investment Team are also Authorised Representatives of Bell Potter Securities Ltd. This business arrangement is distinct from the operation of the fund.

Why Katana?

- Disciplined investment management approach
- Experienced team with ability to act on decisions quickly
- Proven track record over a sustained period in varying market environments
- Management owns the business and have a significant part of their personal wealth in the investment funds
- Specialist Australian equities manager

HOW THE KATANA AUSTRALIAN EQUITY FUND WORKS

The Fund is a simple managed investment scheme, registered under the Corporations Act 2001. Your money is pooled together with other investors' money to buy investments which are managed on behalf of all investors. When you invest in a managed investment scheme, such as the Katana Australian Equity Fund, you gain exposure to investments that you may not ordinarily have access to if you invested on your own.

The Fund is governed by its constitution and is registered with the Australian Securities and Investments Commission (ASIC). ASIC takes no responsibility for this PDS or the operation of the Fund.

Units and unit prices

When you invest in the Fund you acquire an 'interest' in the form of units in the Fund. When your money is paid into the Fund, units are issued and when you redeem or sell your units, the units are cancelled.

The number of units issued is dependent on the Application Price of the Fund for that particular day, whereas when units are redeemed the price is based on the Exit Price of the Fund on the date of redemption. Applications and redemptions are processed each day subject to time of receipt.

Unit prices fluctuate according to the changes in the market value of the assets held by the Fund. The unit price is calculated daily by dividing the Fund's net asset value (total assets less total liabilities) by the number of units on issue to all investors at the time the unit price is calculated.

Making an investment

To invest in the Fund you will need to complete in full and sign an Application Form. Katana accepts application monies by either cheque or electronic funds transfer.

Investors can increase their investment, acquiring further units in the Fund by:

- Cheque or electronic funds transfer and completing an Additional Investment Form; or
- Reinvestment of distributions

The Administrator will send unit holders a confirmation of allotment. By applying for units an investor agrees to be bound by the terms of the constitution and this PDS, both as amended from time to time, whilst the investor remains a unit holder in the Fund.

Minimum investment

The minimum initial investment in the Fund is \$25,000 AUD. The minimum (ongoing) holding in the fund is \$25,000. The Manager may, in its absolute discretion reduce the minimum investment, the minimum holding or the subsequent investment in the Fund.

Making a redemption

You can redeem all or part of your investment by notifying us in writing of the following information on the prescribed form:

- Your investor code
- The redemption amount (or number of units) you wish to redeem
- The bank account into which funds are to be paid if it differs from the account nominated on your Application form

Instruction is to be signed by the authorised signatory. We will accept instructions by fax only.

The minimum redemption amount is \$10,000 AUD. Should the value of holdings be less than \$25,000 after the redemption request, the Manager reserves the right to process a full redemption. If accepted, redemption requests received by the Fund before 12:00pm (EST) on any business day will normally receive that day's unit price. Requests received after this time will normally receive the next business day's unit price.

Withdrawal payments will generally be made to your nominated Australian bank account within five business days. Under the Trust Deed, there may be abnormal circumstances in which the Manager is unable to effect a redemption request. The circumstances in which the Manager may not give effect to all or part of a redemption request may include (although not limited to) situations where: an exchange or market on which the investments in the Fund are quoted is closed or suspended; in the opinion of the Manager, it is not practicable to sell investments in the usual timeframe or where disposal would be prejudicial to other unit holders (e.g. where there is a large single redemption, or a number of significant redemptions together, or adverse market conditions); in the opinion of the Manager the Net Asset Value of the Fund cannot be reasonably ascertained; the Fund is unable to repatriate funds to make payments or redemptions; or at a time when a transfer of funds cannot, in the opinion of the Manager be effected at normal rates of exchange.

Income distributions

The income of the Fund will generally be calculated effective the last day of June each year. To receive a distribution, you must hold units on the distribution calculation date.

Unit prices fall after the end of the distribution period to reflect the distribution entitlements. If you invest just before the end of a distribution period, you may find that you get an immediate return on some of your investment capital as income and this may, depending on your circumstances, give rise to a tax liability. Therefore, you should carefully consider the timing of your investment in the Fund. Similarly, if you withdraw your investment before the last day of the distribution period, you will receive your share of any accrued income as capital. Further realised capital gains during the financial year to June are distributed to unit holders in July. Investors in the Fund will receive their share of realised capital gains irrespective of when they purchased the unit in the Fund. This may give rise to a tax liability. We recommend that you speak with a registered tax adviser to determine your own situation.

A distribution statement will be dispatched to all unit holders estimating the taxable income and available credits as soon as possible after the financial year end.

You can request to have income distributions:

- Reinvested into the Fund; or
- Paid into your nominated Australian bank account.

If you do not make a selection the Manager will reinvest the distribution into the Fund.

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BENEFITS OF INVESTING IN THE KATANA AUSTRALIAN EQUITY FUND

The Fund is an All Opportunities fund where the underlying goal is to maximise the risk adjusted return of potential opportunities listed on the ASX. Katana will selectively and modestly initiate higher-risk positions where the potential return significantly exceeds the additional risk – both in terms of value and time.

Katana as a Manager will combine the best principles of fundamental, value and technical analysis believing that a better result is achieved by not being constrained to any one approach. The key to the long term success of the fund is considered to be their capacity to integrate the best principles of each discipline in addition to drawing on the extensive experience of the investment strategy committee.

Whilst the Manager will draw on different investment/analysis models to encourage flexibility and adaptability, this will be within an overall framework designed to control risks and stimulate sound decision making.

Katana has a style agnostic approach because it aims to outperform the index and maximise returns to investors through the economic and investment cycle. However this is balanced by their natural inclination towards capital preservation.

Katana provides the following significant benefits to its investors:

Right size

Katana has built its track record during one of the greatest financial crises of modern history and is the 'right size' to deliver meaningful performance moving forward.

Right approach

We have a sustainable investment philosophy that does not limit your performance by restricting what we can invest in nor refrain from a high cash balance where appropriate.

Strong experience

The Katana Team have a combined investment experience of 95+ years.

Performance

Consistent, measurable out-performance over an extended period, and resilience in down markets.

Respect for unit holders

We respect our shareholders and evidence this by investing alongside your hard earned money.

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RISKS OF MANAGED INVESTMENT SCHEMES

When making any investment, the potential risks, and how they can affect the investor, need to be considered carefully. The Fund, as a result of its strategies, may potentially deviate from broader stock indices. Every investment is influenced by many factors that can affect both its value and the income it produces.

The significant risks of investing in the Fund are typical of the risks of managed investment schemes whose investment strategy is to invest in a diversified portfolio of Australian companies.

These risks include:

- **Market risks:** Risks that affect entire equity markets including investor sentiment, economic impacts, regulatory conditions, political and catastrophic events;
- **Macroeconomic risks:** The general state of the economy as well as changes in taxation policy, monetary policy and statutory requirements may influence financial markets and individual companies;
- **Security specific risk:** Investments in shares in a company can fall in value for many reasons, including changes in internal operations or management, or changes in the business environment in which the company operates;
- **Liquidity risk:** This is the risk that an investment may not be able to be sold quickly enough to prevent or minimise a loss. A lack of liquidity may also affect the amount of time it takes us to satisfy withdrawal requests;
- **Fund risk:** Risks specific to the Fund include the risk that the Fund could terminate and that the fees and costs could change. There is also a risk that investing in the Fund may give different results than investing individually because of income or capital gains accrued in the Fund and the consequences of investments and withdrawals by other investors; and
- **Investment manager risk:** Like other investment managers, Katana's investment approach directly impacts the value of the investment and performance is likely to vary in different market conditions. Potential changes in key personnel within Katana may also impact on the Fund's returns.

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HOW WE INVEST YOUR MONEY

In evaluating the Fund and its prospects, investors should also consider the following:

- The success and profitability of the Fund will depend on the ability of the Manager to make investments, which will increase in value over time;
- The value of the investment will rise and fall – positive returns are not guaranteed and you may lose some of your money;
- The value of the assets of the Fund may be affected by the general economic environment, legislation or government policy or other factors beyond the control of the Manager. As a result, no guarantee can be given in respect of the future earnings of the Fund or the earnings or capital appreciation of the Fund's investments;
- The past performance of this fund and other portfolios managed by Katana are not necessarily a guide to future performance of the Fund; and
- Laws affecting managed investment schemes may change in the future.

Investment Return Objective

The overall objective of the Fund is to maximise risk adjusted returns to investors. The Fund is a benchmark unaware long only Australian Equity portfolio.

Benchmark

ASX All Ordinaries Accumulation Index

Asset Allocation

The fund is designed to be flexible and typically holds in the vicinity of 65 - 85% of its portfolio in equities with a cap of 98%. The balance of the holdings will be in cash or cash equivalent products.

Stock Weightings

The Manager typically holds 50 - 60 companies, with a bias towards a larger number of smaller positions. However actual holdings will be dictated by market and economic sentiment which may indicate holdings in larger capitalised entities being more favourable from time to time. Therefore the Manager has set benchmarks which will provide for a level of flexibility whilst still minimising risk.

SIZE OF COMPANY	MINIMUM	BENCHMARK	MAXIMUM
Top 20	1%	5%	12.5%
Top 100/Cash Hybrids	1%	3%	10%
Top 500	No minimum	2%	7.5%
Outside of Top 500/ Other Investments	No minimum	1%	5%

Risk level (expected volatility)

Given the nature of the underlying investments, there is a risk of losing money. The Fund is actively managed and its returns may be volatile, particularly in the short term. As such, it may suit investors who are willing to accept higher risk in exchange for the potential opportunity to earn greater returns. Refer to the Profile and Investment Approach brochure for more information on volatility.

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HOW WE INVEST YOUR MONEY - CONTINUED

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund manager or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of fees based on your own circumstances, the **Australian Securities and Investment Commission** (ASIC) website www.moneysmart.gov.au has a managed investment fee calculator to help you check out different fee options.

Investment strategy

Katana will focus on purchases under two parameters Investments or Market Opportunities.

Investments are considered to be holdings where the underlying value can be quantified and the current market price is below this quantifiable value. Market Opportunities on the other hand are typically focussed on shorter term "trade" ideas and may not meet all of the Managers' criteria to be considered an "investment". A Market Opportunity may arise due to dislocation of the markets, technical trading factors, initial public offerings and secondary capital raisings to name a few.

Market Opportunities are typically held for a shorter duration than Investments.

Katana employs several overall strategies to provide robustness and sustainability, these include:

- Assessing and investing in holdings that are within their "circle of competence";
- Seeking holdings that have a long term sustainable competitive advantage;
- Investing in entities where the management is considered robust and competent;
- Ensuring that volatility is within an accepted range.

As part of its overall investment framework, Katana has established key parameters with regard to exposure to certain holdings, liquidity and asset allocations.

Minimum suggested investment timeframe

3-5 years

Fund suitability

The Fund will be suited to you if you:

- Want an investment in a diversified portfolio of Australian companies
- Want manager expertise in Australian equities portfolio management
- Desire diversification by way of company spread
- The fund blends with either value or growth style Australian equity managers
- Are seeking long term capital growth and income; and
- Can tolerate fluctuations of income and the risk of capital loss, especially in the short term

Labour, Environmental, Social and Ethical Considerations

Generally, Katana does not take into account labour standards, environmental, social or ethical considerations for the purposes of selecting suitable investments or retention of investments with the exception of impact on a company's value.

Katana does not have a pre-determined view on what these standards and considerations are and will determine their impact on a case by case basis.

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FEES AND COSTS

This section provides summary information about the main fees and costs that you may be charged for the Fund. These fees and costs may be deducted from your investment, the returns on your investment

or from the Fund's assets as a whole. You should read all the information about fees and costs as it is important to understand their impact on your investment. You can also use this information to compare the

fees and costs with those of other simple managed investment schemes. The ASIC managed investments fee calculator can be used to calculate the effect of fees and costs on your account balance.

TYPE OF FEE OR COST		AMOUNT
Fees when your money moves in or out of the managed investment product		
Establishment fee:	<i>The fee to open your investment</i>	Nil
Contribution fee:	<i>The fee on each amount contributed to your investment</i>	Nil
Withdrawal fee:	<i>The fee on each amount you take out of your investment</i>	Nil
Management costs – The fees and costs for managing your investment		
Management fee (details below)		1% (plus GST) per annum of the Gross Asset Value (before fees and expenses) calculated monthly and paid quarterly in arrears directly from the fund.
Performance fee (details below)		10% (plus GST) of the Fund's out-performance of the Benchmark subject to the units net asset value being positive for the performance period. Calculated monthly and paid annually in arrears directly from the fund.

Management Fee

For the duration of the PDS, the Manager intends to charge a management fee of 1% (plus GST). The Manager may pay from its fee, a rebate of a part of the fee or other payment to one or more unit holders or financial advisers. Under the Trust Deed, the Manager is entitled to receive the management fee (calculated on the last business day of the month) within 14 days of the end of each calendar quarter.

Expenses

The Manager is entitled to be reimbursed from the Fund in respect of a range of costs and expenses in relation to the proper performance of its duties which include,

but are not limited to, costs associated with the Trust Deed (including amendments), custodial fees, unit holders meetings, audit fees, government duties and taxes, brokerage, paid independent research, performance attribution and consultancies in relation the Fund.

Consultancy and Research Fees

The Manager is entitled to pay out of the assets of the Fund various research and consultancy fees or industry consultant expenses, including legal, accounting, audit or investment banking, relating to advice in connection with securities, industries or asset classes in which the Fund invests.

Performance Fee

By applying for units in the Fund, you also agree to pay the Manager a performance fee. The performance fee is calculated monthly and paid annually in arrears directly from the Fund. The performance fee is 10% (plus GST) of the Fund's outperformance above the All Ordinaries Accumulation Index subject to the units net asset value being positive over the performance fee time period. The calculated fund return includes both distribution and increases in capital value over the performance period. Refer below for example.

EXAMPLE OF ANNUAL FEES AND COSTS

Type of Fee	Amount	
Contribution fees	0%	Balance of \$50,000 with a contribution of \$5,000 during the year. You will be charged \$0 on both the initial and additional contributions.
Plus: Management fee	1% plus GST	And, for every \$50,000 you have in the Fund you will be charged \$500 each year (plus GST). If you had an investment of \$50,000 at the beginning of the year and contribute an additional \$5,000 during that year, the fee charged would increase from \$500 to \$550.
Plus: Performance fee	10% of out-performance plus GST	If the Benchmark rises 10% during the year and the fund generates an investment return of 15%, then this equates to an out-performance of 15% - 10% = 5%. On a \$50,000 investment, the out-performance equates to 5% x \$50,000 = \$2,500. The manager is entitled to 10% of the additional performance = 10% x \$2,500 = \$250 for every \$50,000 invested.

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HOW MANAGED INVESTMENT SCHEMES ARE TAXED

Investing in a registered managed investment scheme is likely to have tax consequences. You are strongly advised to seek your own professional tax advice about the applicable Australian tax (including income tax, GST, capital gains, withholding and duty) consequences and, if appropriate, foreign tax consequences which may apply to you based on your particular circumstances before investing in the Fund.

The Fund is an Australian resident for tax purposes and does not pay tax on behalf of its members. Australian resident investors are assessed for tax on any income and capital gains generated by the Fund. Tax may apply even if distributions are reinvested.

Katana will provide an annual statement to unitholders who have received distributions to assist them in completing their tax return.

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HOW TO APPLY

Before completing the Application Form please ensure that you have read this PDS together with the Profile and Investment Approach brochure.

Initial applications for units can only be made on the current Application Form issued with this PDS. Your completed application form should be forwarded to:

One Registry Services

c/o Katana
PO Box R1479
Royal Exchange NSW 1225

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OTHER INFORMATION

Complaints

If you have a complaint about the Fund please contact us by email at admin@katanaaasset.com or by writing to us at GPO Box Z5364 Perth St Georges Tce WA 6831

We will confirm receipt of any complaint by email, and get back to you when we have investigated the circumstances. If we are not able to resolve your complaint within 21 Business Days, you may be able to seek assistance from the Australian Financial Complaints Authority. This complaints process is available to both direct and indirect investors.

Australian Financial Complaints Authority

Post: GPO Box 3
Melbourne VIC 3001
Phone: 1800 931 678
Email: info@afca.org.au
Website: www.afca.org.au

Cooling-off

Unless you are a "wholesale" client (as defined under s761G of the Corporations Act 2001) you have a 14 day 'cooling-off right' whereby you can change your mind about your initial investment in the Fund and ask for your money to be returned.

The cooling off right enables you to have your investment returned and your money will be repaid after any adjustments for market movements, transaction costs and taxes (if incurred).

If you elect to cancel your investment during the cooling off period, you must do so in writing to Katana. The cooling off period only applies to initial investments and does not apply to any additional investments.

Privacy

Katana respects your privacy and is committed to protecting your personal information. Katana only collects personal information about you if it is necessary for one or more of our functions. We collect and use your personal information to provide services to you and to keep you updated in relation to the Fund's development and activities. The specific type of information we collect and reasons for collecting may vary depending on particular circumstances. The types of organisations we might disclose your information to include the Australian Taxation Office, financiers, accountants, auditors, legal advisers and other professional service providers who assist us in providing financial services to you.

You may gain access to the personal information Katana holds about you, subject to certain exemptions under the Privacy Act. If you would like to make a request for access, please contact Katana.

Further information in relation to privacy matters is outlined in our Privacy Policy, which will be provided upon request.

Anti-Money Laundering

In order to meet our obligations under the AML/CTF Act, we may require further information from you as to your identity, the source of your funds and similar matters. Katana, or its agents, are required to verify that information by sighting appropriate documentation. Please refer to the Financial Services Guide for additional information.



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