

## Katana Capital (KAT): THIS IS AN EXTRACT ONLY

### Investment Mandate:

All opportunities

### Top Holdings as at: 30 Jun 07

Company	Portfolio %
Mineral Resources	7.8
Metcash	4.1
Rio Tinto	3.8
BHP Billiton	3.6
Woodside Petroleum	2.7
Automotive Holdings	2.5
IBT Education	2.5
Jubilee Mines	2.2
Telstra Corp	2.0
Wesfarmers	1.8
Insurance Aust - Prefs	1.5
Macquarie Bank	1.5
Monarch Gold Mining	1.5
Greencross	1.4
Orion Equities	1.4
ANZ Banking Group	1.4
IWL	1.4
Srike Resources	1.2
Suncorp-Metway	1.1
Zinifex	1.1
<b>% of Total Portfolio</b>	<b>46.5</b>

### Summary Info as at: 19 Oct 07

<b>Share Price</b>	<b>\$</b>	<b>1.06</b>
<b>Grossed Up Yield</b>	<b>%</b>	<b>6.1</b>
DPS (Historical)	¢	4.5
Dividend Yield	%	4.2
Franking	%	100

### Capital Structure

<b>Market Cap</b>	<b>(\$m)</b>	<b>41.6</b>
Issued Capital		
Ordinary Shares	(m)	41.6
First Listed		23 Dec 05

**Manager:** Classic Capital Pty Ltd

**Management Fee:** 1.25%

**Benchmark:** All Ordinaries Index

**Performance Fee:** Yes<sup>1</sup>

### Share Price and Net Tangible Assets Summary as at: 30 September 2007

Share Price	\$ 1.00	Premium/(Discount) to NTA
<b>Pre-tax NTA</b>	<b>\$ 1.300</b>	<b>-23.1%</b>
Post-tax NTA	\$ 1.195	-16.3%

### Investment Strategy

As an 'All Opportunities' fund, the underlying goal of the Manager is to assess the risk adjusted return of every potential opportunity identified by the Manager. The Manager's approach continues to include selectively and modestly taking higher-risk positions, providing that the potential return exceeds the additional risk—preferably in terms of both value and timing.

### Investment Portfolio Manager

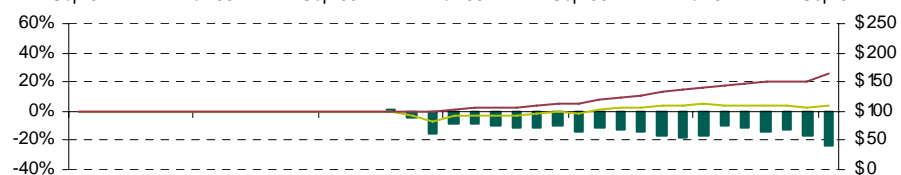
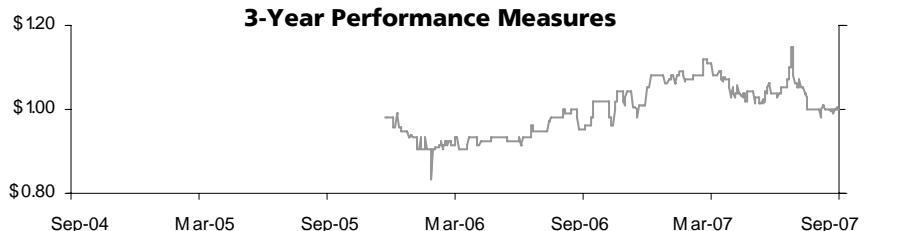
Katana Capital is managed by Classic Capital which was established in 2003. Key personnel include:

- Romano Sala Tenna: Romano spent seven years in corporate superannuation with Alcoa, before making the transition to private client advising in October 1996. He has been advising professionally for the past 11 years.
- Brad Shallard: Brad spent two years working as a tax agent before moving into Financial Planning. Brad made the transition into stockbroking in September 1995. He has been advising professionally for the past 13 years.

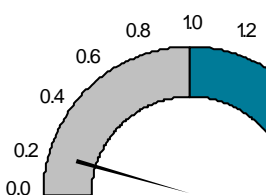
### Dividends

Pay, to the extent prudent, dividends from the profits, dividend and interest income. Dividends to be franked to the extent available franking credits permit.

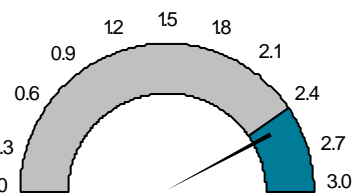
### 3-Year Performance Measures



**Share Price**  
Historical Beta



**Investment Portfolio**  
Excess Return/Risk Ratio



### 3-Year Annualised Compound Total Returns

Shareholder 4.6%      Benchmark 26.2%      Portfolio 29.2%

<sup>1</sup>18.5% of excess return above the All Ordinaries Index.

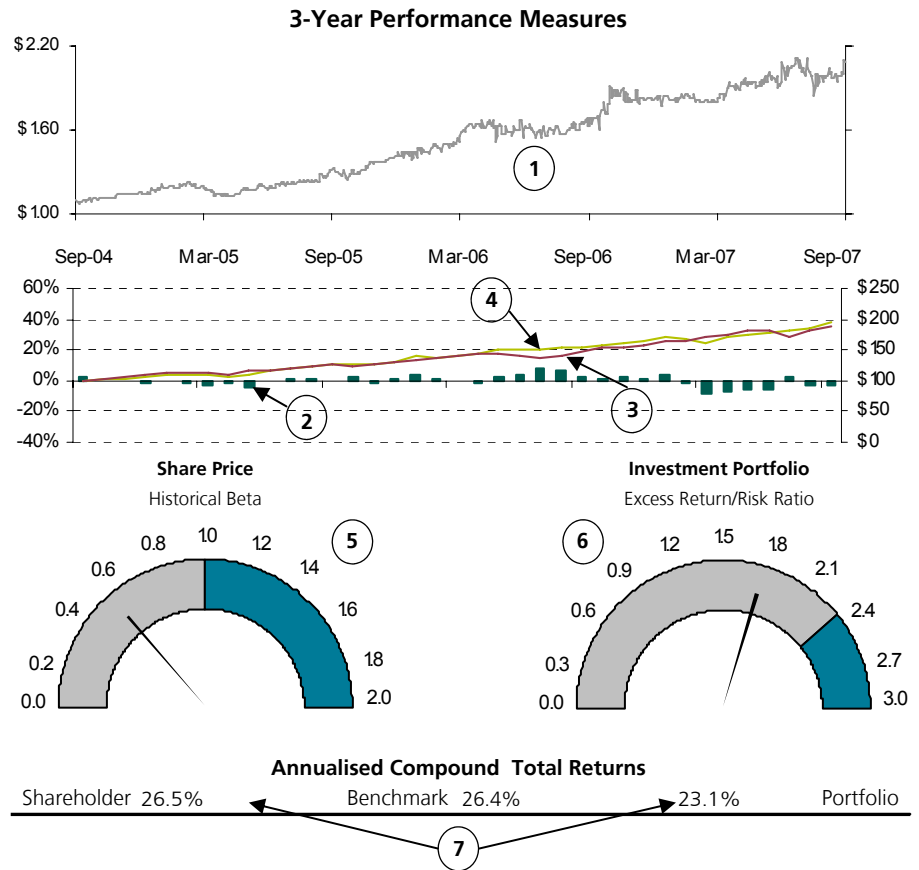
Information sourced from Company data, Iress and Bell Potter estimates.

For a glossary of terms and information relating to calculations please refer to the back of this report.

### Legend to 3-year performance measures

The following provides an explanation of each item contained within our '3-Year Performance Measures'. The number beside each item reflects its location in Figure 8.

**Figure 7: 3-Year Performance Measures**



#### 1) Share Price

- The upper graph, as presented in Figure 7, provides the daily closing share price of each LIC over the last 3 years and is presented using the *actual* share price on the left-hand-axis of that graph.

#### 2) Premium/Discount to pre-tax NTA

- The columns in the lower graph, as presented in Figure 7, shows the share price premium/discount paid by investors relative to month-end pre-tax NTA and is measured as a percentage on the *left-hand-axis* of the lower graph.

#### 3) Investment Portfolio Performance

- The dark line in the lower graph, as presented in Figure 7, highlights the total increase in the value of \$100 invested by that Investment Manager over the last 3 years (assumes dividends reinvested) on a pre-tax basis. Portfolio performance is measured in dollars on the *right-hand-axis* of the lower graph.

#### 4) Total Shareholder Return (TSR)

- The light line in the lower graph, as presented in Figure 7, highlights the total increase in the value of \$100 invested by a shareholder in that LIC over the last 3 years (assumes dividends reinvested). TSR takes into account grossed up dividends paid as well as share price appreciation and may differ from share price performance in this regard. TSR is measured in dollars on the *right-hand-axis* of the lower graph. **PLEASE NOTE:** For the purposes of calculating dividends we exclude any 'special' dividends declared.

## **Legend to 3-year performance measures cont...**

### **5) Historical Share Price Beta**

- A LIC's historical beta is a measure of the volatility of its share price relative to the volatility of the market as a whole. A beta of 1 means that a LIC's share price has moved in line with the market. A LIC with a beta less than 1 suggests that its share price has been less volatile than the market. However, we note that given that some LICs trade infrequently this measure may not fully represent the volatility of those securities.
- We use a weekly historical share price beta which is measured against the weekly movements of the All Ordinaries Accumulation Index.

### **6) Excess Return to Risk Ratio**

- This ratio, also known as the Sharpe ratio, provides a measure of the return of each LIC's portfolio relative to the risk taken by the Investment Manager in achieving those returns. A high return is only desirable if it does not come with too much additional risk (volatility of returns). In the context of this report each LIC's excess return to risk ratio can be looked at in combination with its annualised compound total return directly below (refer note 7).
- The position of the split in the shading of the dial represents the excess return/risk ratio of that LIC's benchmark over the three-year period and is designed to give readers a guide as to the performance of the fund manager relative to its chosen benchmark (measurements adjusted accordingly where a LIC has been listed for less than 3 years).
- Please note: (1) Excess return measured on pre-tax basis; (2) although the excess return/risk ratio appears on the same 'line' as the share price beta they are not directly related, nor comparable; (3) Where a LIC has set an absolute return (i.e. a fixed percentage return) as its benchmark we have set the Sharpe ratio to 'one'. This is the level at which risk taken (volatility of returns) in improving portfolio performance is equal to the gains achieved.

### **7) Annualised Compound Total Returns**

- The Annualised Compound Total Return calculates the constant yearly return that would result in the initial value of an investment reaching its ending value as represented by the TSR line (note 4). The annualised compound total returns are calculated over a three year period. Where a LIC has been listed for less than three years each return has been adjusted to reflect the annualised return since its listing. The annualised compound total returns are calculated pre-tax and represent the following:
  - 1) Shareholder: The annualised compound total return of a shareholder holding shares and reinvesting dividends
  - 2) Portfolio: The annualised compound total return of the LIC's investment portfolio, net dividends reinvested
  - 3) Benchmark: The three year annualised compound return of the chosen benchmark.

## **Use of Benchmark Returns & Volatility**

- In this edition and moving forward we have moved to comparing the performance of each LIC portfolio to that of its chosen benchmark. In some instances the exact Index as selected by a LIC will not be readily available. In such cases we have determined the most appropriate surrogate index to provide readers with a reasonable guide as to the performance and volatility of that LIC's benchmark.

- DISCLOSURE.
- Katana Capital (ASX: KAT): Bell Potter Securities Limited was sponsoring broker for the Dec 2005 IPO and received fees of up to a maximum of 2.5% of the \$21.4m raised. Bell Potter Securities receives brokerage from Katana at the institutional rate of 0.25%. Brad Shallard and Romano Sala Tenna are the investment managers and also client advisers at BP; they receive a management fee of 1.25% FUM pa as well as 18.5% of any out-performance above the All Ordinaries Accumulation Index. Brad Shallard and Romano Sala Tenna collectively own approximately 9% of the issued capital of KAT.

### **This is an extract only**

**This is an extract only** of Bell Potter Securities' Spring 07 LIC Quarterly report released Monday 22 October, 2007. For a copy of the full report please contact your adviser. The report is also available to clients of Bell Potter Securities at [www.bellpotter.com.au](http://www.bellpotter.com.au)

## BELL POTTER OFFICES

[www.bellpotter.com.au](http://www.bellpotter.com.au)

[info@bellpotter.com.au](mailto:info@bellpotter.com.au)

TOLL FREE 133 788

ABN 25 006 390 772

AFS Licence No. 243480

### ADELAIDE

LEVEL 6, DA COSTA BUILDING  
68 GRENFELL STREET  
ADELAIDE SA 5000  
TEL: 08 8224 2722  
FAX: 08 8224 2799

### BRISBANE

LEVEL 17, 10 EAGLE STREET  
BRISBANE QLD 4000  
TEL: 07 3295 2600  
FAX: 07 3295 2688

### CAIRNS

CNR SPENCE & GRAFTON STREETS  
CAIRNS QLD 4870  
TEL: 07 4047 4188  
FAX: 07 4047 4199

### GEELONG

LEVEL 1, 122 YARRA STREET  
GEELONG VIC 3220  
TEL: 03 5227 7000  
FAX: 03 5227 7099

### GOLD COAST

LEVEL 8, 50 CAVILL AVENUE  
SURFERS PARADISE QLD 4217  
TEL: 07 5554 4333  
FAX: 07 5554 4399

### HOBART

LEVEL 9, AMP BUILDING  
86 COLLINS STREET  
HOBART TAS 7000  
TEL: 03 6231 1677  
FAX: 03 6231 3744

### MACKAY

CITY COURT, 78 VICTORIA STREET  
MACKAY QLD 4740  
TEL: 07 4957 6996  
FAX: 07 4951 4114

### MELBOURNE

LEVEL 29, 101 COLLINS STREET  
MELBOURNE VIC 3000  
TEL: 03 9256 8700  
FAX: 03 9256 8787

### MORNINGTON

SUITE 1, 330 MAIN STREET  
MORNINGTON VIC 3931  
TEL: 03 5970 0101  
FAX: 03 5970 0199

### PERTH

LEVEL 37, EXCHANGE PLAZA  
2 THE ESPLANADE  
PERTH WA 6000  
TEL: 08 9326 7666  
FAX: 08 9326 7676

### SYDNEY

LEVEL 33, 225 GEORGE STREET  
SYDNEY NSW 2000  
TEL: 02 9255 7200  
FAX: 02 9255 7227

### TOOWOOMBA

3 DUGGAN STREET  
TOOWOOMBA QLD 4350  
TEL: 07 4638 5988  
FAX: 07 4639 2608

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