

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
Strike Resources	1.2
Suncorp-Metway	1.1
Zinifex	1.1
% of Total Portfolio	46.5

Summary Info as at: 19 Jul 07

Share Price	\$	1.07
Grossed Up Yield	%	3.9
DPS (Historical)	¢	3.5
Dividend Yield	%	3.3
Franking	%	37

Capital Structure

Market Cap	(\$m)	44.5
Issued Capital		
Ordinary Shares	(m)	41.6
First Listed		23 Dec 05

Katana Capital (KAT)

Manager: Classic Capital Pty Ltd

Management Fee: 1.25%

Benchmark: All Ordinaries Index

Performance Fee: Yes¹

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

Share Price	\$ 1.04	Premium/(Discount) to NTA
Pre-tax NTA	\$ 1.214	-14.3%
Post-tax NTA	\$ 1.133	-8.2%

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 Managers

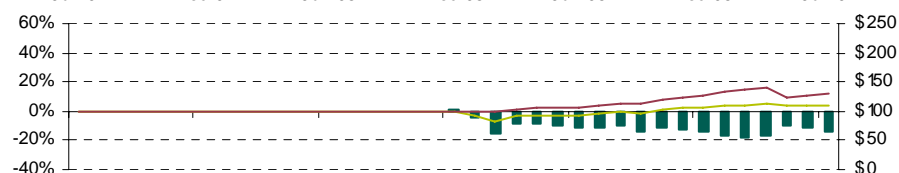
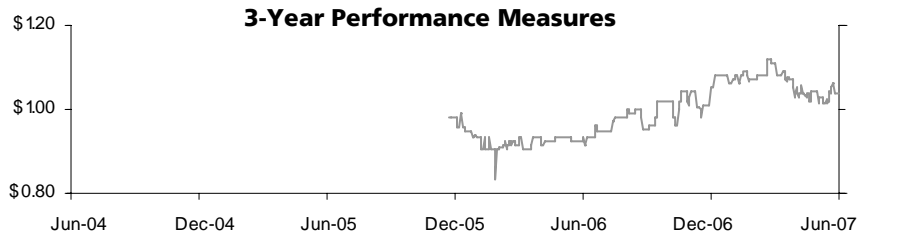
Classic Capital was established in 2003. Key Personnel include:

- 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.

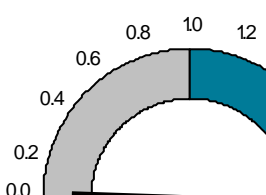
Dividends

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

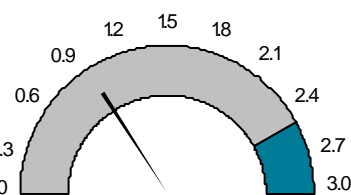
3-Year Performance Measures



Share Price
Historical Beta



Investment Portfolio
Excess Return/Risk Ratio



3-Year Annualised Compound Total Returns

Shareholder 7.3% Benchmark 25.5% Portfolio 31.7%

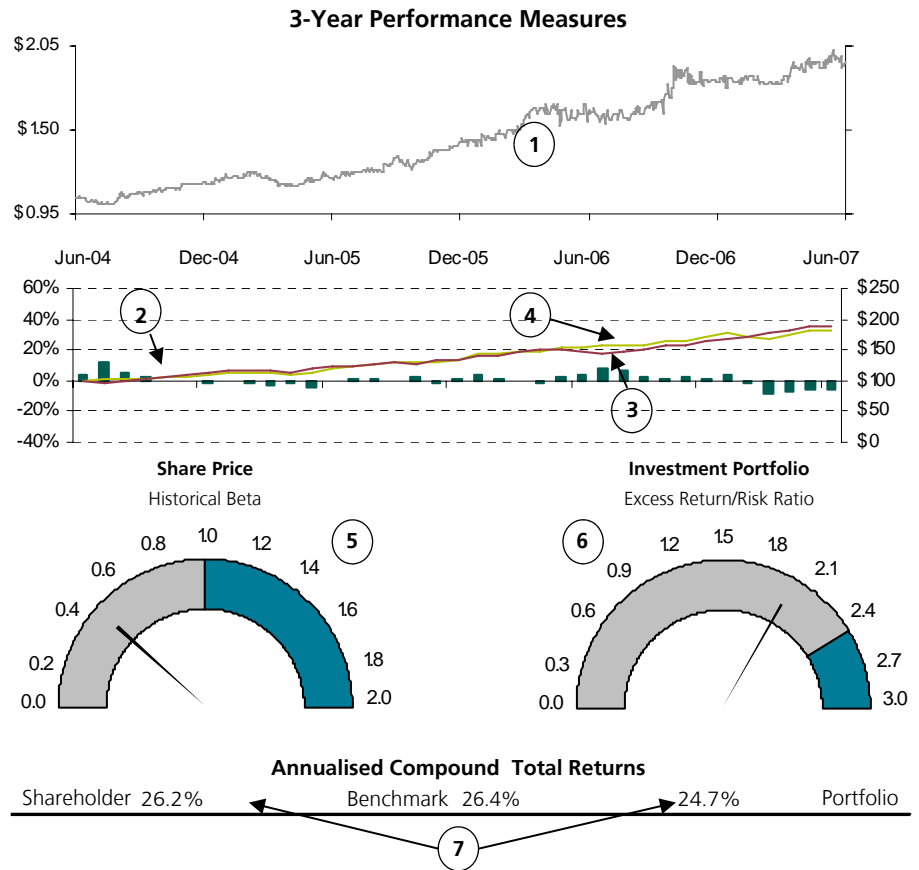
¹18.5% of excess return above the All Ordinaries Index.

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 for LICs

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 5.

Figure 5: 3-Year Performance Measures



1) Share Price

- The upper graph, as presented in Figure 5, provides the daily closing share price of the 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 5, 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 5, 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 5, 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.

Appendix: Disclosures

Katana Capital (ASX: KAT): Bell Potter Securities Limited was sponsoring Broker for the December 2005 Initial Public Offering 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 Bell Potter; they receive a management fee of 1.25% of FUM pa as well as 18.5% of any out-performance above the All Ordinaries Index. Brad Shallard and Romano Sala Tenna collectively own approximately 9% of the issued capital of KAT.

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