QUARTERLY REPORT

SEPTEMBER 2016

PM CAPITAL Global Companies Fund
ARSN 092 434 618, APIR Code PMC0100AU

PM CAPITAL Asian Companies Fund
ARSN 130 588 439, APIR Code PMC0002AU

PM CAPITAL Australian Companies Fund
ARSN 092 434 467, APIR Code PMC0101AU

PM CAPITAL Enhanced Yield Fund
ARSN 099 581 558, APIR Code: PMC0103AU

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Fund Overview

Fund	Asset Class	Inception Date	Suggested Time frame	Fund FUM	Total Return Since Inception*	
Global Companies	Global Equities	28 October 1998	7 Years +	$266.7 million	**Fund** **277.9%**	MSCI World Net (AUD) 87.3%
Asian Companies	Asian Equities (ex Japan)	1 July 2008	7 Years +	$17.5 million	**Fund** **222.9%**	MSCI AC Asia ex Japan Net (AUD) 74.5%
Australian Companies	Australian Equities	20 January 2000	7 Years +	$32.3 million	**Fund** **430.5%**	S&P/ASX 200 Accum. 232.6%
Enhanced Yield	Yield Securities	1 March 2002	2 Years +	$354.9 million	**Fund** **136.9%**	RBA Cash Rate 87.6%

* Past performance is not a reliable indicator of future performance. See page 11 for Important Information.

Quarterly Video

We are pleased to share with you a quarterly update video from our investment team. Topics covered include a post Brexit update, concerns relating to Chinese growth and specific portfolio investment themes.

Click on the photo or visit our website for the relevant update.

Interviewer:

Lachlan Cameron
Head of Distribution

Speakers:

Paul Moore
Global Portfolio Manager
Chief Investment Officer

Kevin Bertoli
Asian Portfolio Manager

Global Companies Fund

Investment Performance*	Inception Date	Exit Price	3 Months	6 Months	1 Year	3 Years pa	5 Years pa	Since Inception pa	Total Return
Global Companies Fund	**10/1998**	**2.0766**	**5.8%**	**-0.1%**	**-11.5%**	**8.8%**	**20.2%**	**7.7%**	**277.9%**
MSCI World Net Total Return Index (AUD)			2.0%	6.5%	2.2%	13.2%	17.1%	3.6%	87.3%

Portfolio's Invested Position	
Long Exposure	118.9%
Short Exposure	-21.7%
Net Equity Exposure	**97.2%**
Debt Securities	14.0%
Cash	-11.2%
Total Exposure	**100.00%**

Long Equity Composition (GICS sector and stock examples)	
Diversified Financials - ING Groep NV, Bank of America	38.4%
Banks - JP Morgan, Bank of America	21.7%
Real Estate - Howard Hughes	15.4%
Software & Services - Visa Inc	13.6%
Food, Beverage & Tobacco - Anhesuer-Busch Inbev	8.0%
Pharmaceuticals, Biotech & Life Sciences - Pfizer Inc	6.8%
Consumer Services - MGM China Holdings Ltd	6.1%
Consumer Durables & Apparel - Tri Point Homes Inc	5.9%
Other	3.0%
Total Long Equity Exposure	**118.9%**

Performance

Over the quarter we witnessed an unwind of the market moves caused by the Brexit vote. The market has begun to refocus on fundamentals post the initial shock of the unexpected result.

The Fund had a positive quarter driven by our positions in European domestic banking franchises, Macau gaming companies, the alternative asset managers and Alphabet. The rising AUD versus the US Dollar detracted from some of the positive performance.

Fund performance benefited from the continued strength of its Macau gaming investments. After reaching a trough during the first quarter, sentiment towards Macau has gradually improved as the year has progressed. Economic indicators continue to show signs of a recovery in the operating environment leading to suggestions activity has reached an inflection point. This is most evident in the monthly gaming revenue data which have turned positive on a year-over-year basis. August and September gaming revenues were +1.1% and +7.4% year-over-year respectively, representing the first periods of annual expansion since the middle of 2014.

Improving revenue coupled with strong overnight visitor trends have further been reinforced by positive commentary from operators suggesting the worse may be behind Macau, particularly now that mass market gaming has become the predominant contributor to earnings. Our investment thesis remains predicated on a multi-year recovery from a severe cyclical correction and the eventual expansion of the market. We do not view these factors as currently being priced in to the stocks.

With regards to European banks, they are going through a perfect storm of negative rates, increasing regulatory burdens and low demand for loans. This has been amplified by investors projecting no real change in the current environment, which has resulted in stock prices trading at depressed levels. We believe we are close to an inflection point on these issues, and that our underlying thesis of increasing shareholders' returns will start to become evident over the medium term as markets normalise.

As for our investment in the alternative managers, they rose strongly over the quarter as they posted results ahead of consensus. They are achieving robust double digit organic FUM growth and resilient company performance. We believe that the best of breed asset managers are in the midst of a secular upturn in FUM growth due to the changing regulatory landscape.

Alphabet contributed to the positive performance and continues to benefit from secular tailwinds driven by the increased use of mobile search and growth of digital advertising. Its investments generate high incremental rates of return and these dynamics support favourable underlying risk/return in the current market environment.

Cairn Homes, one of our home building investments, rebounded over the quarter from the somewhat unwarranted fallout from Brexit. Importantly it has now built a ten year land bank at rock-bottom prices and they have commenced the build-out of its developments into a market with robust demand, an acute shortage of supply and improving affordability. This should allow it to deliver strong earnings growth over the medium term.

The recent introduction of a 'help to buy' scheme in the Irish budget is very good news for Cairn Homes. First time buyers will now receive a rebate of up to 5% of the value of new homes up to €400,000. This coupled with tax cuts will push up the demand for new homes, with Cairn Homes and the Irish banks being significant beneficiaries.

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See page 11 for Important Information.

Portfolio Activity

The Fund's long exposure was increased by adding to our positions in Cairn Homes and Bank of Ireland. The short exposure was also increased by initiating shorts on a number of US Real Estate Investment Trusts and through the utilisation of S&P500 index derivatives. The net result was a modest reduction in the net equity exposure of the Fund.

We continued to have the majority of our currency exposure in US Dollars as we believe a combination of low commodity prices, changing interest rate relativities and a strengthening US economy will lead to a fall in the Australian Dollar versus the US Dollar over the medium term.

Outlook

We believe market returns will be subdued going forward. The performance of defensive stocks may wane as the tailwind from continuously falling interest rates turns into a headwind as the interest rate cycle turns. However, potentially increasing interest rates will allow the more cyclical stocks to outperform the market. This has already begun as the performance of defensive stocks has lagged those of cyclical stocks since February 2016 as the valuation gap begins to close from extreme levels. Our current investments in cyclical stocks like the banks, alternative managers and Macau gaming companies offer a very different risk/reward to the market and one which offers investors the opportunity to take advantage of this trend.

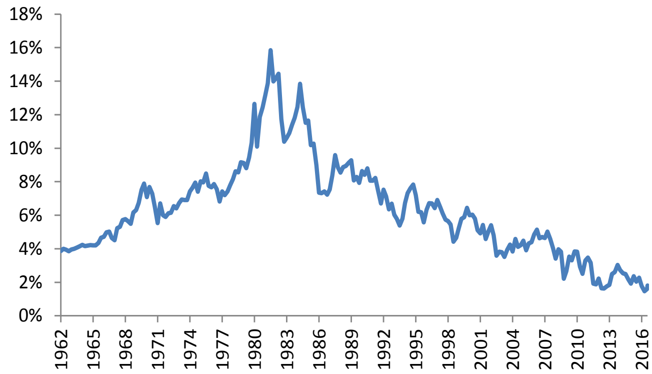
Paul Moore,

Global Portfolio Manager

The state of play

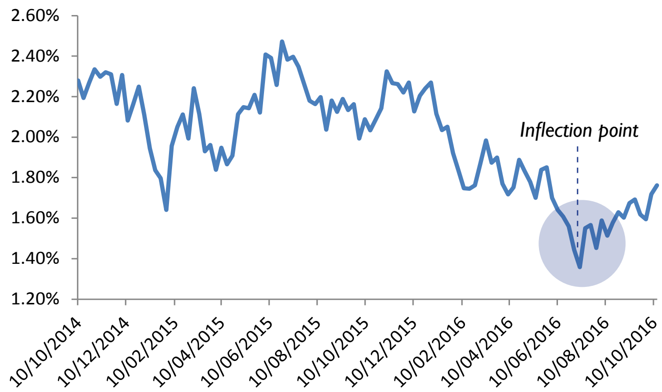
It is important for investors to keep in mind how abnormal rates are - do not let the gyrations of the market hide the fact that the tide may be well and truly changing...

Figure E: US 10 Year Government Bond Yield (%) 1962 to present
Source: Bloomberg



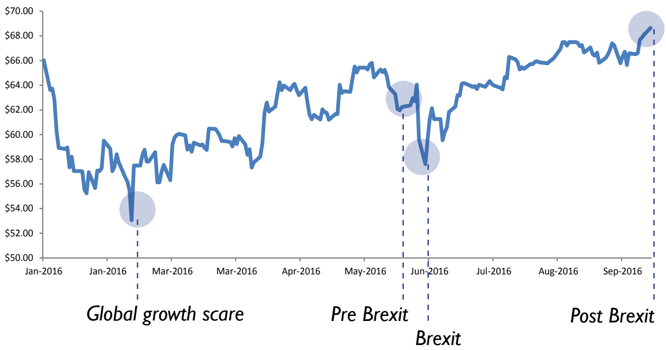
Market noise is potentially hiding what may be a significant inflection point in interest rates and markets - this is the real issue...

Figure F: US 10 Year Government Bond Yield (%) Past 2 years
Source: Bloomberg



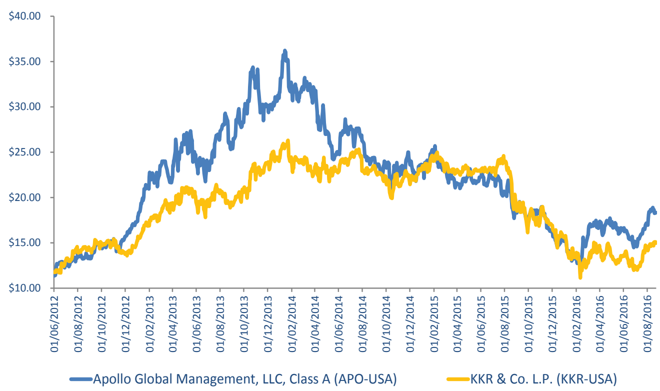
There will be a very different set of opportunities going forward. The assets you want to own will not be the ones that performed well in the past, including infrastructure, REITs and long bonds, but banks like JP Morgan that are leveraged to higher interest rates....

Figure G: Share Price History - JP Morgan & Co. (USD)
Source: Factset



Our portfolio of investments, including alterative asset managers are a different proposition to the market. This has always been our proposition: long term performance accretion built on the integrity and consistency of our philosophy and process.

Figure H: Share Price History - Alternative Asset Managers (USD)
Source: Bloomberg



Asian Companies Fund

Investment Performance*	Inception Date	Exit Price	3 Months	6 Months	1 Year	3 Years pa	5 Years pa	Since Inception pa	Total Return
Asian Companies Fund	**07/2008**	**1.6037**	**4.0%**	**1.7%**	**2.6%**	**6.9%**	**12.4%**	**15.3%**	**222.9%**
MSCI AC Asia ex Japan Net Total Return Index (AUD)			7.2%	11.2%	7.2%	10.6%	12.1%	7.0%	74.5%

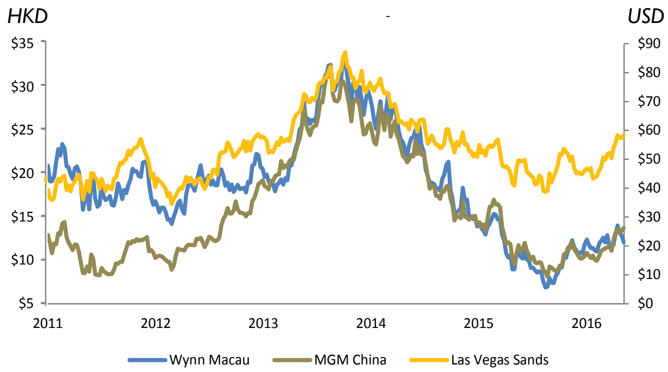
Long Equity Composition (GICS sector and stock examples)	
Consumer Services - MGM China Holdings Ltd	26.8%
Food, Beverage & Tobacco - Carlsberg Brewery Malaysia	16.0%
Commercial & Professional Services - 51 Job Inc	13.0%
Banks - HSBC Holdings	9.4%
Software & Services - Baidu.com, Autohome Inc	7.6%
Media - Astro Malaysia Holdings	5.9%
Energy - Sinopec Kantons Holdings	5.9%
Materials - Turquoise Hill Resources Ltd	3.3%
Technology Hardware & Equipment - PAX Global	3.1%
Household & Personal Products - Hengan Intl Group	2.7%
Other	1.4%
Cash	4.9%
Total Exposure	**100.0%**

Performance

Fund performance benefited meaningfully from the continued strength of its Macau gaming investments with MGM Macau (+34%), Las Vegas Sands (+32%) and Wynn Macau (+15%) all advancing.

After reaching a trough during the first quarter, sentiment towards Macau has gradually improved as the year has progressed as can be viewed in Figure A. Economic indicators continue to show signs of a recovery in the operating environment leading to suggestions activity has reached an inflection point. This is most evident in the monthly gaming revenue data which has turned positive on a year-over-year basis.

Figure A: Share Price History - Macau
Source: Bloomberg

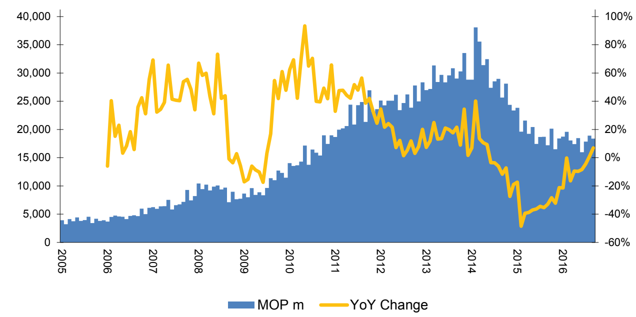


August and September gaming revenues were +1.1% and +7.4% year-over-year respectively representing the first periods of annual expansion since the middle of 2014.

Improving revenue trends coupled with strong overnight visitation has further been reinforced by positive commentary from operators suggesting the worst may be behind Macau, particularly now that mass market gaming has become the predominant contributor to earnings. An improvement in the underlying operating environment has also coincided with the opening of two new properties in recent months: Wynn Macau's premium mass focused Wynn Palace and Las Vegas Sand's French themed Parisian. Initial indications suggest both properties have been well received and incrementally add to the existing offering currently in the market place.

While short-term data points have been the primary drivers supporting share prices in recent months, we continue to caution readers on paying too much attention to these releases as they tend to be quite volatile month to month. Conversely our investment thesis remains predicated on a multi-year recovery from a severe cyclical correction and the eventual expansion of the market which we do not view as currently priced in.

Figure B: Macau Monthly Gaming Revenues (Mil Pataca)
Source: http://www.dsec.gov.mo/Statistic/aspx



Other positive contributors included Chinese internet companies Baidu Inc. and 51Jobs as well as HSBC Holdings. Baidu and 51Jobs both benefited from improved attitudes towards China in the US where they are listed rather than any company specific news. HSBC on the other hand recovered from the abrupt sell off in late June post the UK Referendum result. HSBC positively surprised the market during its second quarter results by announcing a US$2.5bn share buyback. The implementation of the buyback has acted as a positive tailwind for the stock.

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See page 11 for Important Information.

Conversely PAX Global (-16%) and Turquoise Hill Resources (-12%) detracted from performance. PAX Global was negatively impacted by the resignation of its Chief Financial Officer, while Turquoise Hill Resources declined with the copper price over the period. We remain comfortable with the long term investment thesis for both of these holdings. The strengthening Australian Dollar (+3%) also negatively impacted performance as the Fund's currency exposure remains predominately US Dollar and Hong Kong Dollar based. Month to month volatility in the Australian Dollar continues to be dominated by sentiment surrounding US interest rate policy which is likely to persist short term. Higher commodity prices were also a positive tailwind for the Australian Dollar over the period.

Portfolio Activity

The portfolio remained broadly unchanged over the quarter. Positions in Beijing Capital International Airport and Mediatek were exited while we initiated a position in South East Asian online automotive classified company, iCar Asia, subsequent to a significant share price correction in anticipation of a capital raise. While iCar Asia's underlying operations have been adversely impacted by short-term macroeconomic conditions across the region, the business remains well placed in its core markets of Malaysia, Thailand and Indonesia. We have had several discussions with new CEO Hamish Stone and are confident in the company's strategic direction under his leadership. With the successful completion of the institutional portion of the capital raise in early September the business is now adequately funded through to profitability. We view the macroeconomic issues as transitory and with funding issues now behind them the recent correction provides an attractive re-entry point as can be viewed in Figure C.

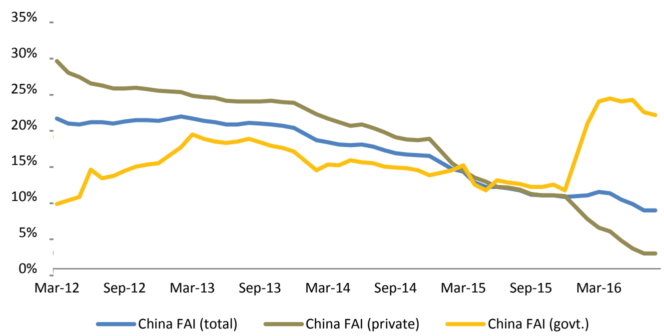
Figure C: Share Price History - iCar Asia (AUD)
Source: Bloomberg

Outlook

Over the course of the last six months regional equity markets have staged a healthy recovery from their February lows. The Chinese economy has exhibited signs of stabilisation and in some areas even improvement, leading to worst case scenario fears dissipating. This is no more evident than in two of the crucial pillars of the economy, broad fixed asset investment, where the deceleration of growth has eased, and the residential property market, which has strengthened. While we view an improvement in these areas as positive developments we remain cautious when it comes to their sustainability. More specifically fixed asset investment has been buoyed by a significant increase in government spending while private activity continues to slow which is a cause for concern. We would become incrementally more positive when private investment returned to the market. Also with respect to the residential property market, provincial governments across China have started to reintroduce measures to slow the rates of price growth which may have a flow-on effect.

These concerns are somewhat being reflected in current market valuations. While we have seen valuations rebound off historic lows they still remain below long term averages. As market participants predict the direction of the Chinese economy and the impact that will have regionally, volatility is likely to remain heightened. Asia remains central to global growth over the next decade, however this is likely to be an uneven ride as growth transitions to the consumer. In this environment we continue to believe a targeted approach focusing on specific businesses and industries benefiting from structural growth or recovering from extreme cyclical corrections will yield the best results over the long term.

Figure D: Chinese FAI (y/y growth)
Source: Bloomberg



We remain comfortable with the investment proposition for our main portfolio thematics and believe they are well positioned to deliver strong returns over the long term.

Kevin Bertoli,
Asian Portfolio Manager

Australian Companies Fund

Investment Performance*	Inception Date	Exit Price	3 Months	6 Months	1 Year	3 Years pa	5 Years pa	Since Inception pa	Total Return
Australian Companies Fund	**01/2000**	**1.7795**	**10.2%**	**10.3%**	**8.9%**	**6.4%**	**14.0%**	**10.5%**	**430.5%**
S&P / ASX 200 Accum. Index			5.1%	9.3%	13.2%	6.0%	11.2%	7.8%	252.6%

Portfolio's Invested Position	
Long Exposure	92.2%
Short Exposure	-1.9%
Net Equity Exposure	**90.3%**
Debt Securities	26.5%
Cash	-16.8%
Total Exposure	**100.00%**

Long Equity Composition (GICS sector and stock examples)	
Banks - ANZ, Westpac Banking Corporation, NAB	31.8%
Diversified Financials - Macquarie Group Limited	13.7%
Real Estate - Asia Pacific Data Centre	13.2%
Software & Services - NextDC Limited	10.9%
Commercial & Professional Services - PMP Limited	9.8%
Consumer Services - Donaco International Limited	5.6%
Insurance - QBE Insurance Group Limited	3.7%
Consumer Durables & Apparel	1.6%
Other	1.9%
Total Long Equity Exposure	**92.2%**

Performance

Historically the September quarter has been a sluggish quarter for equity markets globally. A decline in trading activity in the northern hemisphere during its summer months can result in low returns for global indices. However, global markets that had fallen sharply post-Brexit in June, rose to finish higher than their pre-Brexit levels. The domestic market followed a similar trend: after declining in the last two weeks of June, the ASX 200 index finished +5.1% for the quarter.

The Fund also had a very strong quarter, outperforming the index as the domestic and international bank stocks, which represent the largest industry exposure, performed very strongly. ING and Bank of America, which fell by 15% and 2% respectively on the back of negative investor sentiment towards the Brexit, rebounded rising 19% and 17% in the quarter.

We have commented that Brexit has long-term implications for the UK economy increasing the risk of recession. However, we saw little risk of contagion to the European and US banks (particularly those with little to no exposure to the UK). Although market sentiment drove down the share prices for not only the European and US banks, but also, the Australian banks post-Brexit, most of these bank share prices have recovered strongly and were significant contributors to performance in the Fund.

Our positions in PMP and NextDC rose 23% and 20% respectively also.

Portfolio Activity

NextDC, in addition to providing a positive outlook for their growth trajectory at its full year earnings results, came back to the market in September to complete a capital raising. The data centre market in Australia continues to grow quickly as more companies move their infrastructure to 3rd party data centres in order to both manage their costs and improve the quality of their infrastructure. This trend has meant that Australian growth has become an area of focus for cloud services providers such as Microsoft and Amazon. As a result of this pick-up in activity, NextDC is running out of space in its data centre in Sydney and require a second data centre in Sydney (in addition to their previous commitments of building second data centres in Melbourne and Brisbane). In order to fund this, NextDC undertook a $150m equity raising via an institutional placement and rights issue. Our investment thesis for NextDC continues to play out. Over the medium term we expect profitability for NextDC to increase and believe NextDC remains a logical takeover target for Equinix (the largest data centre operator in the world).

Our experience with carsales.com has taught us the value of investing in portals that are number one in their respective sectors, have a good technology and significant market knowledge.

During the quarter we initiated new positions in iCar (ICQ) and Latam Auto (LAA). Our investment thesis for both these stocks is similar. Both ICQ and LAA are the leading online car portals in their respective geographies. ICQ in Malaysia, Indonesia and Thailand and LAA in a number of South American countries (excluding Brazil). My colleague Kevin Bertoli has written about ICQ (please refer to the quarterly report for the Asian Companies Fund).

The markets in which LAA operates (Ecuador, Argentina, Peru and Argentina) have very low penetration in usage of online portals by car buyers and in all these countries LAA is the #1 or #2 portal. We believe there is a long-term structural opportunity for online portal business models

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See page 11 for Important Information.

in these countries. In order to develop their market position LAA is spending substantially on technology innovation and sales and marketing. This has resulted in negative cashflows for the business. However, we expect that over the next 12 months, revenues will increase and costs will reduce to allow the business to become cashflow neutral which will be an important milestone that is likely drive investor interest for this company. We believe LAA provides an attractive long term investment for the Fund.

Outlook

The net invested position for the Fund finished below 100% as we remain vigilant about the potential for volatility in the market to increase over the December quarter during which the US elections will take place and the US Federal Reserve is likely to raise interest rates. We believe the fundamentals for the US economy continue to improve, however we expect volatility to increase as global markets assimilate the probability of higher rates and an uncertain US election cycle. We believe this increased volatility globally is likely to feed into the domestic market. We believe that increased volatility is likely to provide investment opportunities in Australia during the December quarter and hence are comfortable with our net invested position of 90% which gives the Fund the ability to be opportunistic over the coming quarter.

Figure I: Online car portals
Source: Latam Auto Presentation - 30 June Results, Factset as at 14th October 2016

	Carsales.com ltd	Latam Autos	iCarAsia
Countries of operation	Australia	Mexico, Argentina, Ecuador, Peru, Panama, Bolivia	Malaysia, Thailand, Indonesia
Combined population 2015 (m)	24	226	354
Internet penetration[3]	85%	48%	39%
Market size (audo-ad.) (US$m)[4]	~1,100	~1,200	~1,900
Monthly unique visits (m)	1.4	5.6	5.3
Number of listings ('000s)[3]	225.6	186	400
Market capitalisation (A$m)	2963	54	94
EV / revenue	8.2x	6.2x	9.4x

[3]Represents a weighted average. [4] Based on global average of 10% of total media spend

Uday Cheruvu,
Australian Portfolio Manager

Enhanced Yield Fund

Investment Performance*	Inception Date	Exit Price	3 Months	6 Months	1 Year	3 Years pa	5 Years pa	Since Inception pa	Total Return
Enhanced Yield Fund	**03/2002**	**1.1070**	**2.3%**	**3.3%**	**4.3%**	**3.4%**	**4.5%**	**6.1%**	**136.9%**
RBA Cash Rate			0.4%	0.9%	1.9%	2.2%	2.7%	4.4%	87.6%

Performance

Credit markets were notably stronger over the quarter as the US Federal Reserve kept official rates on hold and other major central banks continued with their substantial easing policies. The Reserve Bank of Australia also eased, cutting interest rates to another all-time low of 1.50%.

The Fund's assets significantly outperformed the broader market over the quarter, generating a return of 2.3%, and resulting in a very healthy 4.3% return for the year to the end of September.

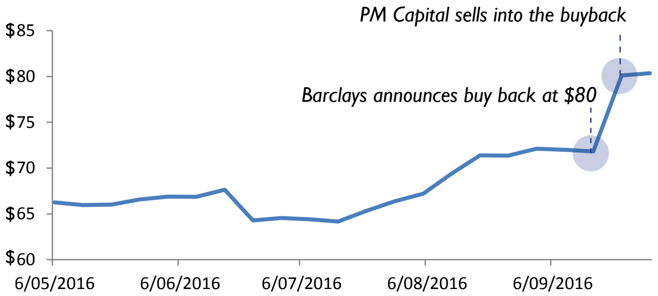
The key contributor to performance over the quarter was our position in long term, deeply discounted floating rate bank subordinated debt in USD (ANZ and Westpac) and GBP (Barclays).

While regarded by most as a credit investment, we view these holdings as being part of our positioning for higher global interest rates. These securities are floating rate securities with very small credit spreads, and so the base interest rate (Libor in this case) makes up most of the yield. Thus, as market interest rates rise, the coupon on these bonds keeps growing relative to the deeply discounted capital value – implying a marked increase in their yield.

In addition to this, the structure of these securities is such that over the next few years under Basel III capital rules, they will likely become obsolete within each bank's capital structure. Our original thesis is based on the idea that it will be in the banks interests to redeem them in some form and issue something more Basel III friendly.

This thesis was recently upheld as Barclays announced an on-market buyback of our GBP securities. Pleasingly, the buyback was done at a ~20% premium to our original purchase price (refer to Figure J).

Figure J: Barclays Subordinated Debt (GBP)
Source: Bloomberg



Now that we are starting to see upward movement in US market interest rates (on the expectation of Fed rate rises) we have also seen a significant upward movement in the capital value of our ANZ and Westpac USD bonds (refer to Figures K and L).

We would not be at all surprised if they too made on market bids to buy back their securities at some point. In the interim, we will be happy to take the increase in yield.

Figure K: Westpac Subordinated Debt (USD)
Source: Bloomberg

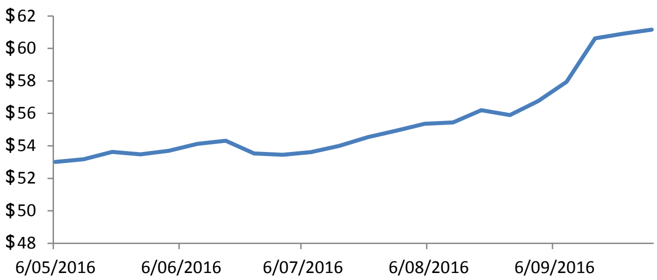
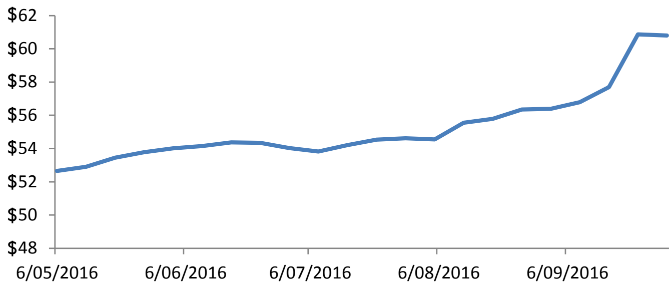


Figure L: ANZ Subordinated Debt (USD)
Source: Bloomberg

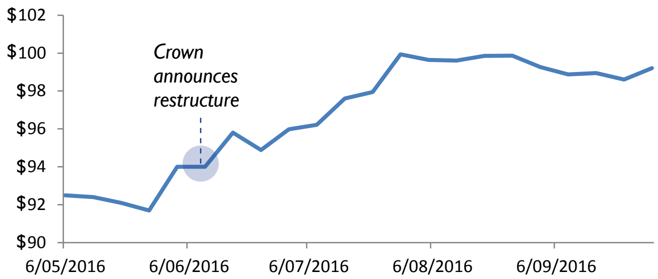


Another important contributor to performance over the quarter was our holding in the listed bonds of casino company Crown.

Towards the end of the June quarter, Crown announced a major business restructure and property asset spin-off, which is expected to be completed over the next 12 months. The new entity's main assets will be the highly cash generative Melbourne and Perth casino businesses, plus the Sydney casino once complete. It will also own the Melbourne property assets which are extremely valuable.

Additionally, it will also no longer carry the uncertainty of some of the higher risk developments such as Macau and Las Vegas, or the Nobu restaurant investment. All in all this restructure is very positive for the listed entity, and the bonds have rallied considerably as reflected in Figure M.

Figure M: Crown Subordinated Debt (AUD)
Source: Bloomberg



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Other notable contributors to performance over the quarter were some of our European property holdings, which have been a significant component of our portfolio over the past couple of years.

The enormous quantitative easing program going on in Europe at the moment has intensified the global search for yield, and thus some European property prices have risen considerably. Additionally, due to a lack of new construction, there has been a shortage in supply of new properties in certain parts of Europe. Consequently, we are seeing significant demand for existing properties, like those owned by companies such as Hispania (+14%) and Cairn (+14%). This has resulted in a notable increase in the value of their assets, and thus the value of our investments in these companies.

Portfolio Activity

We divested the balance of our holding in Wynn Macau during the quarter. This investment had rallied from around +700bp earlier in the year to around +400bp now. Whilst we think Macau has reached an inflection point in terms of gaming revenues, its credit spread is now more reflective of a pre-downturn valuation, and thus we think the bulk of the upside is priced in. We intend to look for a decent pull back in spreads to potentially re-enter this position.

We also rotated out of our holding in Irish commercial property firm Hibernia, on the view that its valuation broadly reflected our expectations for commercial property prices in Ireland. The Fund has generated a 30%+ return from this investment. We rotated this capital into Irish residential property firm Cairn mentioned above, whose price had declined significantly in sympathy with some UK property companies post BREXIT. We believe its underlying fundamentals are more sound however.

Finally, we recently took out what we have termed a "tail risk hedge" against 10% of the Fund. We bought protection against a deterioration in Australian Sovereign CDS, at a spread of ~+25bp. We view this as almost a zero risk premium on an instrument that has historically been relatively sensitive to major changes in the fortunes of China and thus (whilst not our core view) should provide some protection in the event that China's slowdown becomes more pronounced. At a cost to the portfolio of ~2bp (0.02%) per year, we believe it has the potential to provide meaningful protection and from a strategy perspective is consistent with our often discussed notion of "buying straw hats in winter".

Outlook

Credit markets have had a very good run over the past couple of quarters, and thus I would not be surprised to see them take a bit of a breather over the next few months.

Uncertainty around the speed and magnitude with which the US Federal Reserve raises interest rates is causing markets some angst, and may create further volatility near term. Whilst we are certainly in the camp that believes that the US recovery is firmly based, and that rates need to go up sooner rather than later, there are clearly still plenty of investors who are long interest rate duration to whom this may come as a shock.

There is also the US election to absorb in November, although I think this will turn out to be more noise than substance in terms of any longer-term market impact.

I would like to reiterate our comments from the June quarterly report in that we think the current market environment is one for genuine stock pickers. Fundamental and valuation differences between sectors within credit markets are considerable at the moment, and thus I would question the notion of having a broad cross section of credit investments.

A carefully selected portfolio of what you believe to be good businesses whose valuations are not just reasonable, but represent anomalies in the context of global markets, will likely serve you well over the medium to longer term.

The gross running yield on the Fund is still more than 2% above the RBA cash rate, and given our level of comfort with the underlying investments in the Fund, we see considerable further upside from the Fund's current holdings. Additionally, we continue to identify new opportunities to invest capital at very attractive levels.

Finally, we would also remind investors that we think the biggest impediment to fixed income returns over the next couple of years is likely to be higher interest rates. Our sense is that we have already seen the inflection point in global rates, and thus the path towards normalisation has already begun. This may well result in some "equity-like" losses on some longer-term fixed rate investments. Hence, not only do we effectively have no interest rate duration in the portfolio, we are also well positioned to actually benefit from higher market interest rates.

		Av Yield	Av Spread to RBA
Cash	45.5%	2.06%^	0.56%^
Corporate Bonds	33.7%	5.04%^	3.54%^
Fixed	0.0%		
Floating	100.0%		
Hybrids	17.8%	4.37%^	2.87%^
Fixed	0.0%		
Floating	100.0%		
Equity Income Strategies	3.0%		
Total Exposure	**100.0%**		

Duration	
Interest Rate	0.15 Years^
Average Term to Maturity	2.37 Years^

Regional Allocation	
Australia	79.4%
UK	11.5%
Europe	5.4%
US	3.7%

Yield Security Maturity profile	
0-1 year	67.0%
1-2 years	2.9%
2-3 years	4.7%
3-4 years	4.7%
4 years +	20.7%

Jarod Dawson,
Yield Portfolio Manager

^ These numbers are estimated and provided as a guide only.

IMPORTANT INFORMATION

This Quarterly Report is issued by PM CAPITAL Limited (ABN 69 083 644 731, AFSL No. 230222) as responsible entity for the:
PM CAPITAL Global Companies Fund (ARSN 092 434 618),
PM CAPITAL Asian Companies Fund (ARSN 130 588 439),
PM CAPITAL Australian Companies Fund (ARSN 092 434 467), and
PM CAPITAL Enhanced Yield Fund (ARSN 099 581 558)
the 'Fund', or collectively the 'Funds' as the context requires.

The Quarterly Report contains summary information only to provide an insight into how and why we make our investment decisions. This information is subject to change without notice, and does not constitute advice or a recommendation (including on any specific security or other investment position mentioned herein).

The Quarterly Report does not take into account the objectives, financial situation or needs of any investor which should be considered before investing. Investors should consider a copy of the current Product Disclosure Statement ('PDS') which is available from us, and seek their own financial advice prior to making a decision to invest. The PDS explains how the Funds' Net Asset Value is calculated. Returns are calculated from exit price to exit price (inclusive of the reinvestment of distributions) for the period from inception to 30 June 2016 and represent the combined income and capital return. The investment objective is expressed after the deduction of fees and before taxation. The objective is not a forecast, and is only an indication of what the investment strategy aims to achieve over the medium to long term. While we aim to achieve the objective, the objective and returns may not be achieved and are not guaranteed. Past performance is not a reliable guide to future performance and the capital and income of any investment may go down as well as up due to various factors, including market forces.

The Index for the Global Companies Fund is the MSCI World Net Total Return Index in Australian dollars, net dividends reinvested. The Index for the Asian Companies Fund is the MSCI AC Asia ex Japan Net Total Return Index in Australian dollars, net dividends reinvested. See www.msci.com for further information on the MSCI indices. The Index for the Australian Companies Fund is the S&P/ASX 200 Accumulation Index. See www.asx.com.au for further information. The Index for the Enhanced Yield Fund is RBA Cash Rate. See www.rba.gov.au for further information.

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