

# Monthly Update

31 OCTOBER 2017

## Fund Commentary

Performance was strong amid investors holding a much more favourable view of the region's economic prospects, particularly China.

Performance was again strong in October, driven by wider market movements as opposed to any meaningful stock specific announcements. While overall performance was notable, the lower combined beta of the portfolio and its meaningful cash holdings did limit gains.

Our gaming investments were mixed with Macau holdings, Wynn Macau (-5%) and MGM China (-6%), taking a breather after a strong September. Conversely Nagacorp (+33%) and Donaco International (+12%) were among the biggest positive contributors. Nagacorp's solid performance comes in the lead up to the official opening of their Naga 2 casino in Phnom Penh on November 3rd.

As witnessed by the recent performance of Asian markets the pendulum has clearly shifted with investors now holding a much more favourable view of the region's economic prospects, particularly those in China. As a result, many of the anomalies that existed twelve months ago have been realised and we have therefore gradually reduced the invested position.

Despite the noticeable improvement in sentiment many of the risk factors at the forefront of investors' minds during 2016 still exist and continue to pose real risks to the economic growth and investor's confidence. Consequently, we remain judicious when redeploying capital and caution readers in becoming caught up in the euphoria of strong markets.

Fund performance <sup>a</sup> (net of fees)	Inception Date	Exit Price (\$, cum)	1 Month	3 Months	6 Months	1 Year	3 Years pa	5 Years pa	Since Inception pa	Since inception - total
<b>Asian Companies Fund</b>	<b>7/2008</b>	<b>1.9562</b>	<b>3.7%</b>	<b>8.6%</b>	<b>13.8%</b>	<b>31.7%</b>	<b>12.6%</b>	<b>16.5%</b>	<b>16.6%</b>	<b>320.0%</b>
MSCI AC Asia ex Japan Net Total Return Index			7.2%	10.4%	15.4%	29.5%	13.9%	15.3%	9.0%	123.8%
Outperformance by the Fund			-3.5%	-1.8%	-1.6%	2.2%	-1.3%	1.2%	7.6%	196.2%

Portfolio investments	Weighting
Consumer - Breweries	6.1%
Consumer - Other	10.4%
Online Classifieds & Ecommerce	16.0%
Gaming - Macau	8.2%
Gaming - Other	7.0%
Financials	18.0%
Capital Goods & Commodities	9.8%
Oil & Gas Infrastructure	9.6%
Other	2.9%
<b>Long Equity Position</b>	<b>88.0%</b>
Credit Securities	0.0%
<b>Net invested position</b>	<b>88.0%</b>

Current stock example
Heineken Malaysia
Dali Foods
Baidu
Wynn Macau
Nagacorp Limited
HSBC Holdings
Turquoise Hill Resources
Sinopec Kantons

Currency exposure <sup>*</sup>	
USD	40.9%
HKD	44.8%
AUD	7.6%
Other	6.7%
<b>Total exposure</b>	<b>100.0%</b>



<sup>^</sup> 'Domicile of Listing' represents the location of stock exchange listing of each entities' head office, whereas 'Domicile of Business' represents the location of the predominant business of those entities.



<sup>\*</sup> Stated at effective value.

PM Capital Limited, founded in 1998, is a globally-focussed fund manager that invests money on behalf of private clients, the clients of financial advisers and institutions. PM Capital's goal is to build long term wealth by investing in global markets with patience and conviction.

### Investment philosophy

We aim to build long term wealth together with our co-investors by finding and exploiting investment anomalies. Using a focused, patient and considered approach to finding simple investment ideas produces the best environment for creating that long term wealth.

Our experience has shown us that while the market is largely efficient, it can, and regularly does, misprice a small proportion of companies. This mispricing can arise as a result of any number of reasons, but is most often associated with disruptive or cyclical change, new information which is misunderstood by the market as having a permanent impact when it is in fact transitory, or just because they are operating in a sector out of favour with investors.

Our unique process is based on scanning the world for those companies (hence the radar in our logo), discovering the associated valuation anomalies and extracting value from them. We buy good businesses at a good price; businesses that we believe are being valued differently to their long term intrinsic value, but will return to their correct value over time.

### Who manages the investment?

Kevin Bertoli is the Portfolio Manager, who has over 11 years industry experience and has managed the Fund since its inception. Kevin is supported by a team of experienced investment analysts. The investment team is led by founder and CIO Paul Moore who has over 30 years' experience in successfully managing investment funds.

### Further Information

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We believe in being a patient investor, one that has conviction, one that sees opportunities where others only see risk. We only invest in what we know, deeply, via our fundamental research.

### Why the Asian Companies Fund?

**Asia-specific:** The Fund focuses on companies listed or operating in Asia (ex-Japan), giving 100% unrestricted exposure to the world's fastest growing region.

**Established:** The Fund's process has been shown to be effective, based on a philosophy developed by Paul Moore, over 30 years. This has produced attractive long term capital growth.

**Unrestricted:** We have an authentic investment process where our exposure to countries, industry sectors or market capitalisation is determined solely by our conviction in the risk/reward opportunities that we identify in individual stocks. No conviction at the stock level = no investment.

**Opportunistic and focused:** The Fund is not built around a general market benchmark or index - it is highly focused based on our fundamental, bottom-up investment process. As a guide, the Fund holds around 15 - 35 deeply researched stocks that we believe give the best opportunity to produce strong long term returns.

**Co-investment:** Our co-investors receive access to a unique subset of opportunities to which they may otherwise find difficult to access. The management team have significant investments in the Fund - they invest for and with you.

**Outperformance:** The Fund *has outperformed the relevant market index by 196% since inception*. The Fund is managed from an Australian investor's perspective with consideration for tax and currency outcomes.

### Key Company Details

#### Fund category

Asian equities

#### Investment style

Fundamental, bottom-up research intensive approach

#### Inception date

1 July 2008

#### Fund size

\$25.0 Million

#### Strategy size

\$92.9 Million

#### Number of stocks

As a guide, 15-35 stocks

#### Minimum direct investment

\$20,000

#### Recommended investment time

Seven years plus

#### Fees (pa)

Management fee: 1.40%

#### Buy / sell spread

0.5% (Round trip)

#### Investor profile

The Fund may be appropriate for investors seeking long-term capital appreciation over a seven plus year investment horizon through a concentrated portfolio of Asian Equities.

### Important Notice

This Report is issued by PM Capital Limited ABN 69 083 644 731 AFSL 230222 as responsible entity for the PM CAPITAL Asian Companies Fund (ARSN 130 588 439, the 'Fund'). It contains summary information only to provide an insight into how we make our investment decisions. This information does not constitute advice or recommendations, and is subject to change without notice. It 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 which available from us, and seek their own financial advice prior to investing. The PDS explains how the Fund's Net Asset Value is calculated. 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 market forces. The investment objective is not a forecast, and is only an indication of what the investment strategy aims to achieve over the medium to long term.

1. Returns are calculated from exit price to exit price assuming the reinvestment of distributions for the period as stated and represent the combined income and capital return. The Index is the MSCI All Country Asia ex Japan Net Total Return Index in Australian dollars, net dividends reinvested. See [www.msci.com](http://www.msci.com) for further information on the Index.