

# Monthly Update

30 JUNE 2017

## Fund commentary

The Fund benefited from avoiding the Consumer Discretionary and Materials sectors that were the worst performing sectors in the month. Our large positions in Donaco and Asia Pacific Data Centres assisted performance.

The Fund's performance was positive in June, aided by contributions from Donaco International, Asia Pacific Data Centre (AJD), while QBE negatively affected returns.

Asia Pacific Data Centre Group rose 7% for the month after the trust received a proposal from its largest shareholder, 360 Capital Group (360), to take over its management. The proposal includes the trust taking on debt to provide a capital return of \$0.45 and looking for opportunities to invest in more data centres. We are reviewing this proposal closely.

Donaco continued its good run from May, rising 12.6% in light of trends that are likely to benefit the stock and the broader Asian gaming sector. Gaming companies in Macau reported

stronger than expected visitor numbers and beat revenue expectations. Donaco's announcement that it has signed an international marketing deal also improved sentiment.

QBE fell 8% in the month after its announcement of higher than expected claims in its emerging markets division that meant that guidance for 1H costs increased by 1%. The market reaction was severe because of QBE's poor track record of missing guidance.

We sold our position in Clydesdale Bank in the month as we see no catalyst that will improve its future risk/ reward profile.

| Fund performance <sup>†</sup><br>(net of fees) | Inception Date | Exit Price<br>(\$, cum) | 1 Month     | 3 Months    | 6 Months    | 1 Year       | 3 Years pa   | 5 Years pa   | Since Inception pa | Since inception - total |
|--|----------------|-------------------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------------|-------------------------|
| <b>Australian Companies Fund</b>               | <b>1/2000</b>  | <b>2.0580</b>           | <b>0.3%</b> | <b>3.6%</b> | <b>7.7%</b> | <b>27.4%</b> | <b>11.2%</b> | <b>15.3%</b> | <b>11.0%</b>       | <b>513.6%</b>           |
| S&P / ASX 200 Accumulation Index               |                |                         | 0.2%        | -1.6%       | 3.2%        | 14.1%        | 6.6%         | 11.8%        | 8.0%               | 282.6%                  |
| Outperformance by the Fund                     |                |                         | 0.1%        | 5.2%        | 4.5%        | 13.3%        | 4.6%         | 3.5%         | 3.0%               | 231.0%                  |

| Portfolio investments | Weighting |
|-----------------------|-----------|
| Domestic Banks        | 13.1%     |
| International Banks   | 18.3%     |
| Non Bank Financials   | 12.3%     |
| Property              | 9.1%      |
| Industrials           | 8.6%      |
| Resources             | 0.0%      |
| Internet              | 14.1%     |
| Other                 | 9.5%      |
| Long Position         | 85.0%     |
| Short Position        | -1.0%     |
| Net Invested Equities | 84.0%     |
| Credit Securities     | 11.7%     |
| Net invested position | 95.7%     |
| Total holdings        | 20        |

| Current stock example    |
|--------------------------|
| ANZ                      |
| Bank of America          |
| QBE Insurance            |
| Asia Pacific Data Centre |
| PMP Limited              |
| No current holdings      |
| iCar                     |

| Currency exposure <sup>*</sup> |        |
|--------------------------------|--------|
| AUD                            | 78.3%  |
| EUR                            | 10.0%  |
| USD                            | 6.6%   |
| GBP                            | 5.1%   |
| Total exposure                 | 100.0% |

<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. 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?

Uday Cheruvu is the Portfolio Manager, who has over 13 years' industry experience and is supported by a team of investment analysts. The investment team is led by founder and CIO Paul Moore who has over 30 years' experience in successfully managing investment funds.

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

### Why the Australian Companies Fund?

**Proven:** 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:** The concentration of the Australian equities market means many managers cannot add significant value. We have an authentic investment process where our exposure to industry sectors or market capitalisation is determined solely by our conviction in the risk/ reward opportunities that we identify within portfolio guidelines. No conviction = 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 - 25 deeply researched stocks that we believe give the best opportunity to produce strong long term returns.

### Global Expertise and value add:

Through this portfolio construction method used by the Fund directly benefits from PM Capital's global investment research that underlies the award winning PM Capital Global Companies Fund. This works in two ways - the Fund can invest up to 20% of the portfolio in international opportunities identified by the investment team. The Portfolio Manager can also take the market anomalies found globally and use the insights to identify similar opportunities in the Australian market.

**Co-investment:** Our co-investors receive access to a unique subset of opportunities 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 231% since inception*. The Fund is managed from an Australian investor's perspective with consideration for tax and currency outcomes.

## Key Company Details

### Fund category

Australian equities

### Investment style

Fundamental, bottom-up research intensive approach

### Inception date

20 January 2000

### Fund size

\$34.1 Million

### Strategy size

\$34.1 Million

### Number of stocks

As a guide, 15-25 stocks

### Minimum direct investment

\$20,000

### Recommended investment time

Seven years plus

### Fees (pa)

Management fee: 1.09%

Performance fee: 20% of net excess above RBA Cash Rate (subject to a high water mark).

### Buy / sell spread

0.5% (Round trip)

### Investor profile

The Fund may be appropriate for investors seeking capital appreciation over a seven plus year investment horizon

## Important Notice

This Report is issued by PM Capital Limited ABN 69 083 644 731 AFSL 230222 as responsible entity for the PM Capital Australian Companies Fund (ARSN 092 434 467, 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 S&P / ASX 200 Accumulation Index. See [www.asx.com.au](http://www.asx.com.au) for further information on the Index.

## Further Information

[www.pmcapital.com.au](http://www.pmcapital.com.au) T: +61 8243 0888 E: [pmcapital@pmcapital.com.au](mailto:pmcapital@pmcapital.com.au)