

# Monthly Update

## Fund commentary

- Credit markets give back some of the last 12 months' gains.
- Substantial cash and effective zero interest rate duration helps protect capital.
- Fund in a strong position to acquire new anomalies.

In February credit markets were generally weaker – in some sectors notably. However, with its material cash position and effectively zero interest rate duration position, pleasingly the Fund essentially preserved capital over the month.

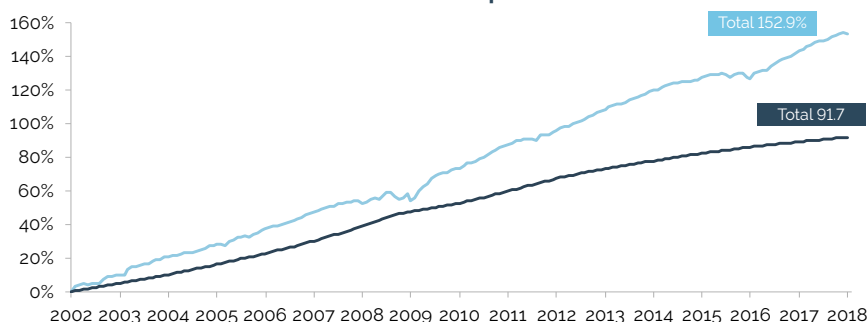
The main negative contributor was our exposure to Spanish residential property. In particular, our exposure to home builders softened as Spanish regulators have been slow in providing final approvals for new developments, thus pushing back project timelines. Longer term we are comfortable with their ability to generate an appropriate return on capital.

US residential and commercial property company Kennedy Wilson was also weaker over the month. Whilst their own earnings report was strong, general weakness in the sector saw them end the month lower.

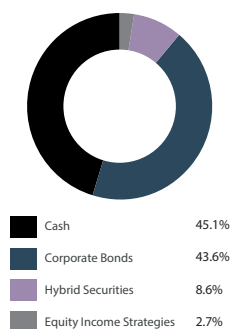
Over the past 12 months, as fewer investment anomalies crossed our path and valuations in some areas look particularly stretched, we have been holding more cash so as to be in a strong position to take advantage of pockets of short term volatility.

Fund performance (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	Total Return
<b>Enhanced Yield Fund*</b>	<b>02-2002</b>	<b>1.1274</b>	<b>-0.2%</b>	<b>0.5%</b>	<b>1.5%</b>	<b>4.0%</b>	<b>3.7%</b>	<b>4.0%</b>	<b>6.0%</b>	<b>152.9%</b>
RBA cash rate			0.1%	0.4%	0.7%	1.5%	1.7%	2.1%	4.2%	91.7%
Excess			-0.3%	0.1%	0.8%	2.5%	2.0%	1.9%	1.8%	61.2%
<b>Enhanced Yield Fund (Class B units)**</b>	<b>05-2017</b>	<b>1.1402</b>	<b>-0.2%</b>	<b>0.5%</b>	<b>1.7%</b>					<b>3.0%</b>
RBA cash rate			0.1%	0.4%	0.7%					1.1%
Excess			-0.3%	0.1%	1.0%					1.9%

## Enhanced Yield Fund: Total return since inception



## Effective exposure



Yield security maturity profile	Top 10 exposures**	Holding	Regional allocation
0-1 Year 48.4%	Wells Fargo	4.7%	Australia 27.2%
1-2 Years 16.0%	NAB	4.4%	Europe 10.8%
2-3 Years 8.9%	Taurus	3.4%	United Kingdom 7.7%
3-4 Years 8.5%	Tattersalls	3.2%	North America 7.2%
4 Years + 18.2%	CBA	3.2%	New Zealand 2.0%
	IAG Finance	3.1%	Cash 45.1%
	NAMA	3.1%	
	Seek Ltd	3.0%	
	Lar Espana Real Estate	2.6%	
	ANZ	2.5%	
Risk/return	Duration		
Standard deviation (1 year) 0.76%	Interest rate* 0.15		
Maximum drawdown 3.26%	Average term to maturity* 2.27		
Percentage of positive months 86.5%			

\*These numbers are estimates and should be used as a guide only. \*\*Excludes cash.

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 around the world. 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?

Jarod Dawson is the Portfolio Manager and has been managing the portfolio since 2004. Assisted by John Whelan, together they have over 30 years' combined industry experience. Jarod and John are also supported by the broader investment team, with Paul Moore as CIO who has over 30 years' experience in successfully managing investment funds.

#### Why the Enhanced Yield Fund?

**Dependable:** A minimum 20% cash position helps the Fund to preserve capital and achieve its return objectives with low volatility. The Fund's process is effective and repeatable, based on a proven philosophy. This Fund has been producing attractive returns for co-investors for more than 15 years, and is one of the longest running yield funds of its kind.

**Careful:** We have an authentic investment process where our exposure to industry sectors, geographic regions or market capitalisation is determined solely by our conviction in individual risk/reward opportunities that we identify. All holdings within the Fund have been intensively researched by our investment team. No conviction = no investment.

**Co-investment:** Our co-investors receive access to a unique subset of opportunities which they would otherwise find difficult to replicate. PM Capital and some of its staff have meaningful investments in the Fund - they invest for and with you.

### Key Fund Details

#### Fund category

Fixed income

#### Investment style

Fundamental, bottom-up-research intensive approach

#### Inception date

1 March 2002

#### Fund size

\$477.1 million

#### Strategy size

\$701.7 million

#### Minimum direct investment

\$20,000

#### Recommended investment time

Two years plus

#### Fees (p.a.)

\*Enhanced Yield Fund (Performance Fee Option): Management fee: 0.55%. Performance fee: 25% of net excess above RBA Cash Rate (subject to a high watermark).

\*\*Enhanced Yield Fund - Class B units (Management Fee Option): Management Fee: 0.79%.

#### Buy / sell spread

0.2% (Round trip)

#### Investor profile

The Fund may be appropriate for investors seeking capital preservation and potential return in excess of the Reserve Bank of Australia's (RBA) cash rate with a low degree of volatility.

### Important Notice

This Report is issued by PM Capital Limited ABN 69 083 644 731 AFSL 230222 as responsible entity for the PM Capital Enhanced Yield Fund (ARSN 099 581 558, 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 a recommendation, 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 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. 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 RBA Cash Rate. See [www.rba.gov.au](http://www.rba.gov.au) for further information.

#### Enhanced Yield Fund: Monthly Return Series Since Inception

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	CYTD
2018	0.3%	-0.2%											0.1%
2017	0.7%	0.7%	0.4%	0.4%	0.6%	0.5%	0.4%	0.2%	0.2%	0.5%	0.3%	0.3%	5.3%
2016	-1.1%	-0.3%	1.5%	0.6%	0.3%	0.2%	0.8%	0.7%	0.7%	0.5%	0.2%	0.6%	4.7%
2015	0.0%	0.7%	0.3%	0.5%	0.1%	-0.2%	0.3%	-0.1%	-0.8%	0.8%	0.2%	0.0%	1.7%
2014	0.5%	0.3%	0.3%	0.5%	0.4%	0.5%	0.3%	0.2%	0.2%	0.1%	0.0%	0.3%	3.7%
2013	0.7%	0.4%	0.7%	0.5%	0.5%	-0.1%	0.6%	0.4%	0.5%	0.6%	0.1%	0.7%	5.6%
2012	0.7%	0.6%	0.7%	0.4%	0.1%	0.5%	0.7%	0.5%	0.5%	0.7%	0.4%	0.6%	6.6%
2011	0.4%	0.8%	0.4%	0.6%	0.3%	0.2%	0.1%	0.0%	-0.5%	1.6%	0.2%	0.0%	4.3%
2010	0.5%	0.0%	0.9%	0.8%	0.0%	0.6%	0.9%	0.5%	1.1%	0.7%	0.5%	0.8%	7.5%
2009	1.5%	-2.3%	1.0%	2.5%	1.5%	1.4%	1.6%	1.1%	0.3%	0.6%	0.2%	1.0%	11.0%
2008	-0.4%	-0.6%	0.6%	1.0%	0.5%	-0.7%	1.3%	1.4%	0.2%	-1.9%	-1.0%	0.5%	0.8%
2007	0.6%	0.5%	0.5%	0.6%	0.6%	0.4%	0.5%	0.6%	0.4%	0.4%	0.1%	0.6%	6.0%
2006	1.0%	0.4%	0.6%	0.8%	0.2%	0.5%	0.5%	0.9%	0.5%	0.6%	0.6%	0.8%	7.8%
2005	0.3%	0.6%	-0.1%	-0.4%	1.7%	0.5%	1.3%	0.2%	0.4%	-0.3%	1.3%	0.6%	6.2%
2004	0.8%	0.4%	0.3%	0.1%	1.1%	0.7%	-0.4%	0.2%	0.7%	0.8%	0.9%	0.8%	6.5%
2003	1.0%	0.0%	0.6%	2.1%	1.2%	0.8%	0.5%	0.7%	0.0%	1.1%	0.6%	0.6%	9.5%
2002			2.6%	0.9%	1.0%	-0.5%	0.4%	0.0%	0.2%	2.2%	1.7%	0.0%	8.7%

#### Further Information

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