

Monthly Update

31 MAY 2018

Fund commentary

- Political noise in Italy and Spain causes weakness in European banking stocks.
- SJM Holdings a standout performer in Macau.

The portfolio ended the month down -1.0%, with political uncertainties in Italy and Spain provoking weakness in European banking positions. The uncertainties in the political sphere resulted in the market pushing out ECB rate hike expectations into late 2019, and if this was to occur this would put pressure on bank net interest margins and profitability. We believe this is now priced into stocks with banks trading at a 30% discount to the market.

The portfolio benefited from our exposure to Macau gaming stocks, with SJM Holdings being a standout

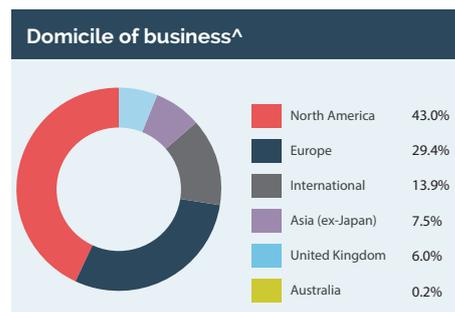
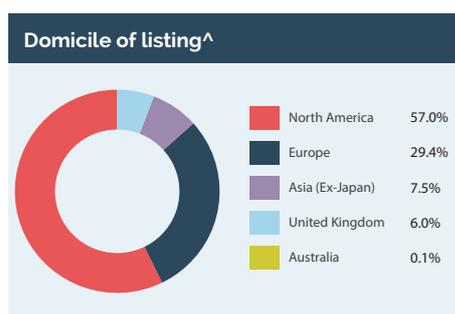
performer (up +45% for the month). Macau has continued to surprise to the upside this year with gross gaming revenue rising 20% year on year, powered by strength in both the VIP and mass market areas. The market is now pricing in strong growth for 2018-19 and valuations are starting to catch up with medium term prospects. In light of this we have gradually reduced our Macau gaming exposure over 2018 and sold out of SJM completely on the last day of the month.

Our net invested position remained relatively stable over the month.

Fund performance (net of fees)	Inception Date	Exit Price (\$)	1 Month	3 Months	6 Months	1 Year	3 Years pa	5 Years pa	7 Years pa	10 Years pa	Since Inception pa	Since inception - total
Global Companies Fund	10-1998	2.9657	-1.0%	0.3%	2.9%	10.9%	7.3%	14.8%	15.9%	9.5%	9.0%	439.7%
MSCI World Net Total Return Index (AUD)			0.4%	2.5%	2.2%	9.8%	8.1%	14.7%	14.0%	7.8%	4.5%	137.3%
Outperformance by the Fund			-1.4%	-2.2%	0.7%	1.1%	-0.8%	0.1%	1.9%	1.7%	4.5%	302.4%

Portfolio investments	Weighting	Current stock example
Post GFC Housing Recovery - US	12.5%	Howard Hughes Corporation
Post GFC Property Recovery - Europe	9.9%	Cairn Homes
Global Domestic Banking	32.5%	Bank of America
Service Monopolies	19.2%	Alphabet
Pharmaceuticals	3.6%	Pfizer
Gaming - Macau	3.2%	MGM China
Alternative Investment Managers	14.0%	KKR & Co L.P.
Other	3.7%	
Long Equity Position	99.5%	
Short Equity Position	-9.0%	
Net invested equities	90.5%	
* Stated at effective value.		
Total holdings	36	

Currency exposure*	
USD	73.5%
EUR	16.3%
GBP	5.9%
AUD	4.3%
Total exposure	100.0%



[^] '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.

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?

The investment team is led by founder and CIO Paul Moore who has over 30 years experience in successfully managing investment funds. Paul Moore, the Portfolio Manager for this Fund is supported by a team of experienced investment analysts.

Further Information

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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 Global Companies Fund?

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 industry sectors, geographic regions 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 25 - 45 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 would 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 302% since inception*. The Fund is managed from an Australian investor's perspective with consideration for tax and currency outcomes.

Key Fund Details

Fund category

Global equities

Investment style

Fundamental, bottom-up research intensive approach

Inception date

28 October 1998

Fund size

\$416.6 Million

Strategy size

\$1,093.2 Million

Number of stocks

As a guide, 25-45 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 Global Companies Fund (ARSN 092 434 618, 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 is 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 World Net Total Return Index in Australian dollars, net dividends reinvested. See www.msci.com for further information on the Index.