QUARTERLY REPORT

*JUNE 2023*

# *Don't fall prey to market distractions*

## Focus on attractive valuations

p.1 Video insight

GLOBAL OPPORTUNITIES FUND LIMITED

PM Capital Global Opportunities Fund Limited

ACN 166 064 875 (ASX Code: PGF)

CONTENTS

# Quarterly video update

In this video Paul Moore, Chief Investment Officer discusses:

- PM Capital's view on markets and where investors should focus;
- Key stock positions and themes in the portfolio;
- News on PM Capital's 25th anniversary and looking to the next 25 years.

Access the video **here.**

Access all market updates and insights **here.**

**"We repeat our view that in an inflationary environment, the so-called value stocks – where valuations are most attractive – is where investors should focus."**

# Listed Company Overview

| | PM Capital Global Opportunities Fund Limited |
|---|---|
| ASX Code | PGF |
| Asset Class | Global equities |
| Listing Date | 11 December 2013 |
| Suggested Time Frame | Seven years plus |
| Shares on Issue | 408,513,246 |
| Share Price | $1.78 |
| Market Capitalisation | $727.2 million |
| NTA before tax accruals (per share, ex-dividend) | $1.8049 |
| Company Net Assets before tax accruals | $737.3 million |

See page 4 for Important Information. As at 30 June 2023.

# PM Capital Global Opportunities Fund

## Simple ideas, simple businesses

Building long term wealth by finding and exploiting investment anomalies around the world

| Net Tangible Asset (NTA) backing per ordinary share (After fees and expenses, all figures are unaudited)[1] | June 2023 |
|---|---|
| NTA before tax accruals | $ 1.8049 |
| NTA after tax (excluding deferred tax assets) | $ 1.6443 |

| Company performance (net of fees)[2] | 3 Months | 1 Year | 3 Years pa | 5 Years pa | 7 Years pa | Since inception pa | Total Return | Gross Dividend Yield (pa)[3] |
|---|---|---|---|---|---|---|---|---|
| PM Capital Global Opportunities Fund | 5.3% | 31.5% | 26.0% | 13.4% | 16.9% | 13.4% | 233.4% | 8.0% |

1. Past performance is not a reliable indicator of future performance. 2. Performance adjusted for capital flows including those associated with the payment of dividends and tax, share issuance as a result of option exercise and the dividend reinvestment plan. 3.Based on share price as at 30 June 2023 and the dividend guidance issued to the ASX on 9 February 2023. The intended fully franked dividend is subject to there being no material adverse changes in market conditions and the investment performance of the Company's portfolio. The Company's ability to continue paying fully franked dividends is dependent on the payment of tax on investment profits and there can be no guarantee that such profits will be generated in the future.

### PERFORMANCE

The portfolio advanced 5.3% over the quarter compared to the MSCI Global in AUD which rose 7.5%. While a majority of the portfolio's underlying equity positions contributed positively to performance, a limited exposure to large capitalisation technology stocks which outperformed, and the portfolio's Australian Dollar exposure hurt relative performance.

The portfolio's banking and diversified financial holdings rebounded from a soft prior quarter as liquidity concerns in the US banking sector subsided. A standout performer was Apollo Global Management, finishing the quarter near its all-time highs. We have owned Apollo for over 7 years, purchasing the position back in 2015. Over this period the business has changed considerably, most notably through a merger with Athene in 2022 which saw Apollo enter the retirement services business. While the retirement market is seen as less dynamic compared to the legacy private equity business, the scale of the opportunity dwarfs the size of traditional private equity and it also changes the risk profile considerably as it is a spread business. The merged entity has a unique platform which positions it well against competitors in driving credit origination volumes at very attractive margins. Apollo currently trades at less than 12 times consensus 2024 earnings which we believe is compelling for a business with one of the best investment records in the industry, growing in excess of 15% pa.

Commodity holdings Teck Resources and Freeport McMoRan also contributed meaningfully to performance despite commodity prices trending sideways over the last three months. This was again partially attributed to the broad-based rebound in economically sensitive stocks as concerns around the US banking system subsided, but also due to the ongoing M&A speculation that the copper sector has attracted in recent times.

M&A speculation also acted as a positive tailwind for two other portfolio companies, Applus Services and AEDAS. Applus received a cash tender offer from Apollo valuing the company at €9.50/share. Applus provides testing, inspection and certification services across a large number of sectors globally, including automotive, aerospace, oil and gas, renewables and power generation as well as cyber security. We have long viewed Applus as the ideal private equity target, given secular growth tailwinds in its core markets, a history of strong cash-flow generation, a robust balance sheet and an attractive valuation versus peers.

Spanish homebuilder AEDAS rose after renewed speculation that its largest shareholder Castlelake was readying a privatization offer for the company. There has been no formal announcement from AEDAS regarding these reports and we continue to believe AEDAS is being undervalued by the market given it is now producing homes at scale and returning all its free cash flow back to shareholders via dividends leading to a 15% dividend yield for shareholders.

Detractors to performance included gaming operators Wynn Resorts and Star Entertainment as well as our short position in Apple. Our Macau gaming holdings which include Wynn Resorts have been amongst the portfolio's best performers since the Macau Government announced the renewal of gaming licenses last November and COVID-19 restrictions across Greater China were eased in January. While visitation to Macau and the recovery in gaming activity has surpassed expectations, the sector broadly tracked sideways over the past three months with Wynn Resorts down marginally. Star Entertainment continues to be plagued by negative headlines, the most recent being the company's updated Financial Year 2023 guidance to the market which indicated soft operating performance at its three properties during the June half. Tax arrangement in New South Wales remains the number one overhang for the company and we believe the current valuation suggests the market is putting little value on the Star Sydney.

Our short position in Apple suffered with the company being one of the stronger market performers year-to-date participating in the rally in large cap technology despite stagnant consumer spending which has resulted in weak product sales for the company. In fact, the latest data highlights monthly iPhone sales in the US and Europe, two of its biggest end markets, were down 12% and 13% year over year respectively. Apple trades at over 30 times consensus 2024 earnings, a lofty multiple given our expectation for the company's current growth outlook.

## PORTFOLIO ACTIVITY & OUTLOOK

Several changes were made to the portfolio over the quarter resulting in a net invested position of 96%.

A position in European industrial firm Aalberts was initiated. Aalberts' business can be separated into three main areas, building technologies, advanced mechatronics and surface coating technologies. The building technology business manufacturers products and systems (hydronic water-based heating systems and integrated piping solutions) aimed at improving energy efficiency in the building industry. The advanced mechatronics business manufactures equipment for the semiconductor sector where customers include ASML, Applied Materials and KLA Corporation while the surface coatings business develops specialised coating products for a wide variety of industries most notably the automotive sector where it sells directly to car makers. Aalberts has a strong track record of growth, and we view the business as well positioned to benefit from the megatrends of energy efficiency, semiconductor penetration and electric vehicles. We believe its current multiple of 12-13 times FY24 earnings is not reflective of its long-term growth outlook.

Two new banking positions were also added to the portfolio during the quarter, Charles Schwab and Intesa Sanpaolo. Schwab is a retail brokerage business and has very little to no credit risk unlike the traditional banks in the portfolio. The business makes money primarily through capturing a spread on the transactional cash that clients leave in their brokerage or retirement accounts. Success over the last decade has propelled Schwab to become one of the strongest retail franchises in US financial services with 34 million client accounts and $7.5 trillion in client assets. During the March quarter the share price fell sharply as investors feared that the way in which it captured the spread on client cash balances, by investing in government or government-backed fixed income securities, left its balance sheet at risk of distress. We believe that Schwab has the liquidity, capital and client base to withstand the problems and we entered the position in May.

Oracle and Northern Star Resources were sold after both reached our internal target prices after periods of strong share price performance. The decision was also made to exit our position in Howard Hughes after new opportunities arose to deploy capital in the market draw down earlier in the period, where we viewed the risk return dynamics to be superior. While we continue to hold Howard Hughes' flagship Summerlin asset in high regard, the recent move in capitalisation rates, a number of poor capital allocation decisions and its exposure to the commercial property market has led to changes in our investment thesis.

| Portfolio investments | Weighting^^ |
|---|---|
| Domestic Banking - Europe | 24% |
| Domestic Banking - USA | 15% |
| Commodities - Energy | 14% |
| Gaming | 13% |
| Industrials | 13% |
| Commodities - Industrial metals | 12% |
| Housing Ireland & Spain | 7% |
| Alternative Investment Managers | 7% |
| Other | 3% |
| **Long Equity Position** | **108%** |
| Direct Short Position | -4% |
| Index Short Position | -8% |
| Net Invested Equities | 96% |

| Current stock examples | |
|---|---|
| ING Groep | |
| Bank of America | |
| Shell | |
| Wynn Resorts | |
| Siemens | |
| Freeport-McMoRan | |
| Cairn Homes | |
| Apollo Global Management | |
| | |
| | |
| | |
| SPX | |
| Total holdings | 40 |

| Currency exposure* | 100% |
|---|---|
| AUD | 81% |
| GBP | 8% |
| HKD | 4% |
| EUR | 4% |
| USD | 3% |

* Stated as effective exposure.

**The Company** aims to create long term wealth through a concentrated portfolio of generally 25-45 global companies that we believe are trading at prices different to their intrinsic values.

**The Company's investment objective** is to provide long-term capital growth over seven-year plus investment horizon through investment in a concentrated portfolio of undervalued global (including Australian) equities and other investment securities.

**Paul Moore** - Chief Investment Officer **Kevin Bertoli** - Co-Portfolio Manager **John Whelan** - Co-Portfolio Manager

# Important information

**This Quarterly Report is issued by PM Capital Limited**
**(ABN 69 083 644 731, AFSL No. 230222) as investment manager for the:**

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The Index for the PM Capital Global Opportunities Fund Limited is the MSCI World Net Total Return Index in Australian dollars, net dividends reinvested. See www.msci.com for further information on the MSCI indices.

Inception date for PGF: 12 December 2013.

See the company announcements platform at www.asx.com.au, and www.pmcapital.com.au, for further information.

This announcement is authorised by Benjamin Skilbeck - Director.

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