

Monthly Update

31 DECEMBER 2018

Fund commentary

Macro, rather than stock-specific factors, assisted produce a difficult month for the Fund.

The Fund had a difficult December, with volatility across the domestic and global markets having a significant impact on performance.

Financial stocks were the biggest drag on the domestic market overall, declining in line with global trends. These falls were offset by positive performances from resource and healthcare stocks such that the market finished close to flat for the month.

For the Fund, banking positions were the biggest detractors of performance. ANZ declined 8.7%, falling more than Westpac (-3.6%) and NAB (-2.3%) partly due to the possibility that its sale of wealth

management business to IOOF could fall through because of IOOF's litigation with APRA and ASIC. International bank holdings declined between 12 – 15% on the back of the global sell off. The Fund's relative performance was also affected by gains in little-held resources stocks.

We initiated a position in Alphabet (Google), taking advantage of the sell-off in the US tech sector. Google has built a very strong position in the digital advertising space, providing a unique exposure that is not available through any stocks in the domestic market.

Fund performance ¹ (net of fees)	Inception Date	Exit Price (\$, cum)	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
Australian Companies Fund	01-2000	1.6998	-4.0%	-12.2%	-10.9%	-15.2%	1.6%	4.8%	10.0%	11.1%	9.3%	437.9%
S&P/ASX 200 Accumulation Index			-0.1%	-8.2%	-6.8%	-2.8%	6.7%	5.6%	9.6%	9.0%	7.6%	302.8%
Outperformance by the Fund			-3.9%	-4.0%	-4.1%	-12.4%	-5.1%	-0.8%	0.4%	2.1%	1.7%	135.1%

Portfolio investments	Weighting
Domestic Banks	16.2%
International Banks	14.1%
Non Bank Financials	11.3%
Industrials	13.5%
Internet	10.3%
Technology	7.1%
Property	6.8%
Resources	0.6%
Other	1.0%
Long Equities Position	80.9%
Short Equities Position	-1.0%
Net Invested Equities	79.9%
Total holdings	28

Current stock example
ANZ
Bank of America
EML
Brambles
iCar
NextDC
Centuria Industrial

Currency exposure*	
AUD	85.6%
EUR	8.0%
USD	6.4%
Total exposure	100.0%

*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 14 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 31 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?

Focused: The Fund's process has been shown to be effective, based on a philosophy developed by Paul

Moore, over 31 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 135% since inception*. The Fund is managed from an Australian investor's perspective with consideration for tax and currency outcomes.

***Note:** Effective 1 December 2018 the payment of a performance fee was changed, becoming subject to the outperformance of both the RBA cash rate and the S&P/ASX 200 Accumulation Index.

Key Fund Details

Fund category

Australian equities

Investment style

Fundamental, bottom-up research intensive approach

Inception date

20 January 2000

Fund size

\$30.5 Million

Strategy size

\$30.5 Million

Number of stocks

As a guide, 15-25 stocks

Minimum direct investment

\$20,000

Recommended investment time

Seven years plus

Fees (pa)

Mgmt fee: 1.09% Perf. fee: 20% (subject to a high water mark) of the excess above the greater of the RBA cash rate and the S&P/ASX 200 Accumulation Index

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 for further information on the Index.

Further Information

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