

# Monthly Update

28 FEBRUARY 2019

## Fund commentary

- The broader market rebounds to have its best month in nearly three years
- Most companies in the portfolio reported earnings in line or better than our expectations

The S&P/ASX 200 Index and the Fund rose strongly in the month, reflecting a reduction in concerns about the US Federal Reserve's tightening cycle and a good results season for companies held in the portfolio.

Biggest contributors to performance were our positions in Brambles (+10%) and EML (+12%). Brambles reported revenue growth in line with consensus expectations and showed a positive trend in both volumes and pricing across all its geographies. In addition, cost pressures in the problematic US market appear to be moderating.

Janus Henderson rose strongly (+18%) after announcing

its full year results. Although fund flow for the year was negative, management indicated that this trend had reversed in the first quarter of 2019 as global equity markets turned around and both US and emerging markets saw inflows.

Pact Group was the biggest detractor to performance (-25%). Pact Group rose in the early part of the month, before its result announcement, as the market expected a positive upgrade. This was not to be the case, with management indicating that the cost and competitive pressures that led to the stock being downgraded last year remained in place.

Fund performance <sup>1</sup> (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
<b>Australian Companies Fund</b>	<b>01-2000</b>	<b>1.8149</b>	<b>4.6%</b>	<b>2.5%</b>	<b>-9.3%</b>	<b>-5.8%</b>	<b>8.4%</b>	<b>5.8%</b>	<b>10.1%</b>	<b>13.5%</b>	<b>9.6%</b>	<b>474.3%</b>
S&P/ASX 200 Accumulation Index			6.0%	9.9%	-0.3%	7.1%	12.9%	7.3%	10.0%	11.1%	8.1%	343.4%
Outperformance by the Fund			-1.4%	-7.4%	-9.0%	-12.9%	-4.5%	-1.5%	0.1%	2.4%	1.5%	130.9%

Portfolio investments	Weighting
International Banks	14.6%
Domestic Banks	14.4%
Industrials	13.3%
Non Bank Financials	12.4%
Internet	10.7%
Property	7.0%
Technology	4.8%
Other	0.7%
<b>Long Equities Position</b>	<b>77.9%</b>
Short Equities Position	-0.9%
<b>Net Invested Equities</b>	<b>77.0%</b>
<b>Total holdings</b>	<b>29</b>

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

Currency exposure*	
AUD	83.6%
EUR	9.3%
USD	7.1%
<b>Total exposure</b>	<b>100.0%</b>

\*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 15 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 32 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 32 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 131% 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

\$31.5 Million

### Strategy size

\$31.5 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](http://www.asx.com.au) for further information on the Index.

## Further Information

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