

Monthly Update

31 OCTOBER 2019

The Enhanced Yield Fund - now available on ASX mFund

For investors who prefer the simplicity of investing via the ASX, both EYF fund options are now also available through the ASX mFund Settlement platform.

mFund ASX codes:

- **PMLo1** - PM Capital Enhanced Yield Fund (Performance Fee option)
- **PMLo2** - PM Capital Enhanced Yield Fund (Class B - Fixed Management Fee option)



For more information, including participating brokers, go to the PM Capital or ASX websites, or contact your PM Capital Sales Director.

Fund commentary

Global central banks maintained their easing bias in October, with the RBA cutting official rates to 0.75% and the US Federal Reserve reducing its official range to 1.50% - 1.75%. Both appear to be merely taking out insurance against further downside risk at this point.

Our ANZ and Westpac US Dollar floating rate debt holdings performed well as the Federal Reserve now appears to be on hold and the US economy on a stable footing.

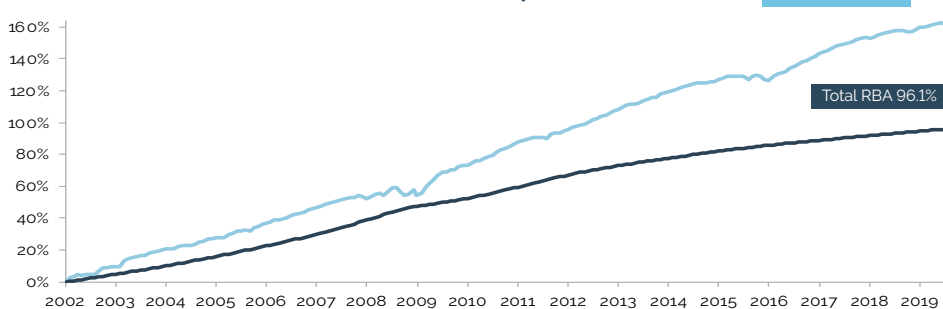
Our holdings in Tesco, Allied Irish Bank, and real estate companies Cairn Homes and Glenveagh Properties also performed well after the UK and EU made significant progress towards a Brexit solution. A deal was agreed in principal and

now needs to be ratified by the UK Parliament. Ratification was complicated slightly by the announcement of a December election to effectively determine who will shepherd the deal to the finish line. Regardless of the outcome, markets were happy to focus on the deal and not the politics.

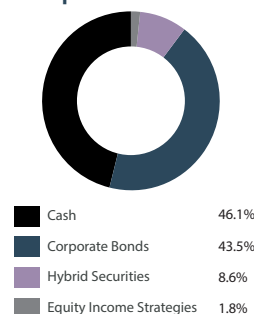
While a Brexit deal is a breakthrough for the UK and the EU, we would remind investors that certain market segments have had a very good run, and going forward we believe investors need to be discerning when investing new capital. In light of this, we are happy to be patient, with a view to just picking off genuine market anomalies as they come along.

| 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 | Total Return |
|--|----------------|------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------------|---------------|
| Enhanced Yield Fund¹ | 02-2002 | 1.1128 | 0.3% | 0.6% | 1.2% | 2.3% | 3.5% | 3.3% | 3.7% | 4.5% | 5.6% | 163.8% |
| RBA cash rate | | | 0.1% | 0.2% | 0.5% | 1.3% | 1.4% | 1.7% | 2.0% | 2.7% | 3.9% | 96.1% |
| Excess | | | 0.2% | 0.4% | 0.7% | 1.0% | 2.1% | 1.6% | 1.7% | 1.8% | 1.7% | 67.7% |
| Enhanced Yield Fund (Class B units)² | 05-2017 | 1.1314 | 0.3% | 0.6% | 1.2% | 2.3% | | | | | 3.1% | 7.5% |
| RBA cash rate | | | 0.1% | 0.2% | 0.5% | 1.3% | | | | | 1.4% | 3.5% |
| Excess | | | 0.2% | 0.4% | 0.7% | 1.0% | | | | | 1.7% | 4.0% |

Enhanced Yield Fund: Total return since inception



Effective exposure



| Yield security maturity profile | |
|---------------------------------|-------|
| 0-1 Year | 57.4% |
| 1-2 Years | 11.9% |
| 2-3 Years | 12.4% |
| 3-4 Years | 3.4% |
| 4 Years + | 14.9% |

| Risk/return | |
|-------------------------------|-------|
| Standard deviation (1 year) | 0.98% |
| Maximum drawdown | 3.26% |
| Percentage of positive months | 86.3% |

| Portfolio investments | Current stock example |
|-------------------------|-----------------------|
| Domestic Banking | ANZ |
| Domestic Property | Dexus |
| Global Asset Backed | Enterprise Inns |
| Global Property | Lar Espana |
| Domestic Infrastructure | Sydney Airport |
| Domestic Services | Seek |
| Global Banking | Wells Fargo |

¹These numbers are estimates and should be used as a guide only.

| Regional allocation | 100% |
|---------------------|-------|
| Australia | 27.8% |
| Europe | 12.5% |
| United Kingdom | 7.2% |
| North America | 3.9% |
| Aisa | 2.5% |
| Cash | 46.1% |

| Duration [^] | |
|--------------------------|------|
| Interest rate | 0.18 |
| Average term to maturity | 2.39 |

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 36 years' combined industry experience. Jarod and John are also supported by the broader investment team, with Paul Moore as CIO who has over 32 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 an effective 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 has a meaningful investment in the Fund - we 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

\$543.7 million

Strategy size

\$818.1 million

Minimum direct investment

\$20,000

Recommended investment time

Two years plus

Fees (p.a.)

*Performance Fee Option:

Management fee: 0.55%.

Performance fee: 25% of net excess above RBA Cash Rate (subject to a high watermark).

**Management Fee Option - Class B units:

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 for further information.

Enhanced Yield Fund*: Monthly Return Series Since Inception

| | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC | CYTD |
|------|-------|-------|-------|-------|------|-------|-------|-------|-------|-------|-------|-------|-------|
| 2019 | 0.7% | 0.4% | 0.2% | 0.3% | 0.1% | 0.4% | 0.2% | -0.1% | 0.4% | 0.3% | | | 2.9% |
| 2018 | 0.3% | -0.2% | 0.3% | 0.4% | 0.2% | 0.3% | 0.2% | 0.3% | 0.1% | 0.1% | -0.2% | -0.2% | 1.6% |
| 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 | 1.2% | 0.0% | -0.4% | 3.1% | 1.2% | 0.7% | 0.6% | 0.7% | 0.0% | 1.1% | 0.6% | 0.6% | 9.4% |
| 2002 | | | 2.6% | 0.9% | 1.0% | -0.5% | 0.4% | 0.0% | 0.2% | 2.2% | 1.7% | -0.2% | 8.3% |

Further Information

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