

# Monthly Update

## Fund commentary

Portfolio holdings Blackstone and Apollo Global Management boosted as they announce they will convert to corporations from publicly traded partnerships.

The portfolio produced a strong performance over the month on the back of strong results from the alternative asset managers, US banks and Facebook.

Blackstone and Apollo's conversion to C corps will likely increase demand for the stocks as they enter various indexes and be bought by passive mutual fund and ETF investors. All four of our alternative asset manager positions have now made, or will make, the conversion to corporations.

Facebook, after an extended period dominated by privacy concerns and accelerating expense growth, continues to grow revenues ahead of investors' expectations. The monetisation of Instagram continues to be a key driver with increasing adoption

of the Stories format by advertisers. In the medium term, management is focused on developing a Checkout feature on Instagram, which is currently in beta phase with 23 brands including Adidas and Mac Cosmetics. This feature will allow consumers to buy the product without exiting the Instagram app.

Facebook continues to focus on creating new functions and products across its range of products - Facebook, Instagram, Messenger and WhatsApp - to help advertisers and brands reach users in order to improve the return on their marketing budgets and conversion rate.

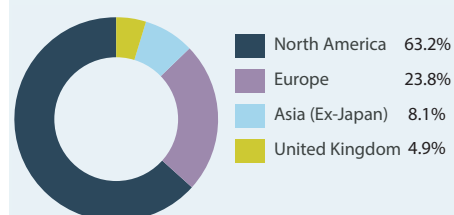
Fund performance (net of fees)	Inception Date	Exit Price (\$)	1 Month	3 Months	6 Months	1 Year	3 Years pa	5 Years pa	7 Years pa	10 Years pa	Since Inception pa	Since inception - total
<b>Global Companies Fund</b>	<b>10-1998</b>	<b>3.0962</b>	<b>6.4%</b>	<b>9.9%</b>	<b>8.8%</b>	<b>3.3%</b>	<b>13.6%</b>	<b>12.2%</b>	<b>18.1%</b>	<b>13.8%</b>	<b>8.8%</b>	<b>463.5%</b>
MSCI World Net Total Return Index (AUD)			4.5%	11.9%	9.6%	14.2%	14.4%	13.4%	16.2%	12.1%	5.0%	169.9%
Outperformance by the Fund			1.9%	-2.0%	-0.8%	-10.9%	-0.8%	-1.2%	1.9%	1.7%	3.8%	293.6%

Portfolio investments	Weighting	Current stock example
Post GFC Housing Recovery - US	10.7%	Howard Hughes Corporation
Post GFC Property Recovery - Europe	5.9%	Cairn Homes
Global Domestic Banking	33.7%	Bank of America
Service Monopolies	16.9%	Alphabet
Gaming - Macau	7.6%	MGM China
Alternative Investment Managers	18.6%	KKR & Co. LP.
Other	12.1%	
<b>Long Equity Position</b>	<b>105.5%</b>	
Short Equity Position	-17.3%	
<b>Net invested equities</b>	<b>88.2%</b>	

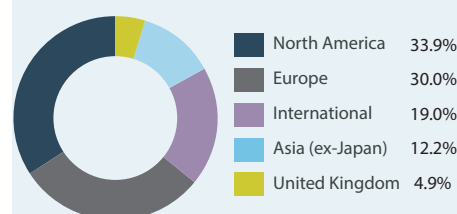
### Currency exposure\*

USD	60.5%
EUR	17.3%
AUD	13.7%
GBP	5.5%
HKD	3.0%
<b>Total exposure</b>	<b>100.0%</b>

### Domicile of listing<sup>^</sup>



### Domicile of business<sup>^</sup>



\* Stated at effective value.

<b>Total holdings</b>	<b>47</b>
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<sup>^</sup> '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 - RECOGNISED AND AWARDED AS A MARKET LEADER

PM Capital's philosophy is centred on:

- Long term wealth creation, taking into account after-tax outcomes
- Finding genuine long term anomalies
- Aligning ourselves with our investors
- Patience in dealing with short term price action

**So how has our approach worked over PM Capital's 20- year history?\***






Sometimes our decisions are debated in the short-term...  
...our long-term results – not so much.

PM Capital Global Companies strategies:

<b>1<sup>st</sup></b> 7 year performance* (min. suggested timeframe)	<b>1<sup>st</sup></b> 10 year performance*	<b>Top decile</b> 20 years*
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Learn more:  
pmcapital.com.au/invest-differently or search for  
CFS FirstChoice PM Capital Global Companies Fund

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**Our Global Companies strategies, which power the Global Companies Fund (unlisted) and the PM Capital Global Opportunities Fund (ASX: PGF), have produced peer-leading returns over the long term.**

Products using our Global Companies strategies have been:

- Ranked **number one** for performance out of 148 offerings in their Morningstar universe over 7 years\*\*
- Ranked **number one** for performance out of 130 offerings in their Morningstar universe over 10 years\*\*
- **Top decile** over 20 years\*\*
- Awarded the **2018 Fund Manager of the Year** – Long/ Short category (Money Management, Lonsec)

**More information:** type into your favourite search engine "PM Capital" and "Global Companies Fund/ PGF", or "PM Capital" and "Insights".



This communication is issued by PM Capital Limited (AFSL No. 230222) as responsible entity for the PM Capital Global Companies Fund (ARSN 092 434 618, Inception: 28 October 1998) and investment manager of the CFS FC-PM Capital Global Companies Fund. \* Past performance does not necessarily indicate a financial product's future performance. The information herein may change without notice, does not constitute advice or a recommendation, and does not take into account the objectives, financial situation or needs of any investor which should be considered before investing. Consider the relevant PDS at [www.pmcapital.com.au](http://www.pmcapital.com.au) or [www.colonialfirststate.com.au](http://www.colonialfirststate.com.au) and seek financial advice prior to making a decision to invest. Any income or return of capital is not guaranteed. \*\*Source: Morningstar Direct. As at 28 February 2019, the CFS FC-PM Capital Global Companies Fund ranked #1 among its Morningstar Australian Open- Ended Equity World Large Blend peer group of 148 over a 7-year period. The CFS FC-PM Capital Wholesale Global Companies Fund ranked #1 among its peer group of 130 over a 10-year period. PM Capital's Global Companies Fund ranked in the top decile of its peer group of 40 over 20 years. Refer to [pmcapital.com.au](http://pmcapital.com.au) for standard performance reporting periods. Includes the 5-year period to 28 Feb. 2019 where the PM Capital Global Companies Fund is in the 3rd quartile of its Morningstar peer group. © 2019 Morningstar, Inc. All rights reserved. Neither Morningstar, its affiliates, nor the content providers guarantee the data or content contained herein to be accurate, complete or timely nor will they have any liability for its use or distribution. Any general advice or 'class service' have been prepared by Morningstar Australasia Pty Ltd (ABN: 95 090 665 544, AFSL: 240892) and/or Morningstar Research Ltd, subsidiaries of Morningstar, Inc, without reference to your objectives, financial situation or needs. Refer to our Financial Services Guide (FSG) for more information at [www.morningstar.com.au/s/fsg.pdf](http://www.morningstar.com.au/s/fsg.pdf). You should consider the advice in light of these matters and if applicable, the relevant Product Disclosure Statement before making any decision to invest. Its publications, ratings and products should be viewed as an additional investment resource, not as your sole source of information. To obtain advice tailored to your situation, contact a professional financial adviser. The Fund Manager of the Year award does not constitute investment advice offered by FE Money Management or Lonsec and should not be used as the sole basis for making any investment decision. All rights reserved.

**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 32 years experience in successfully managing investment funds. Paul Moore, the Portfolio Manager for this Fund is supported by a team of experienced investment analysts.

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 32 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 294% 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

\$455.3 Million

### Strategy size

\$1,131.2 Million

### Number of stocks

As a guide, 25-45 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 MSCI World Net Return Index (AUD).

### 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](http://www.msci.com) for further information on the Index.

## Further Information

[www.pmcapital.com.au](http://www.pmcapital.com.au) T: +612 8243 0888 E: [pmcapital@pmcapital.com.au](mailto:pmcapital@pmcapital.com.au)

## A higher standard in performance fee hurdles

From 1 December 2018, PM Capital has implemented an additional performance fee hurdle for the Global Companies Fund<sup>1</sup>.

In doing this, the net effect is that performance fees on the Fund will be reduced, given performance of the Fund must now exceed the greater of the two (dual) benchmark hurdles as opposed to the previous single hurdle.

*While the prior RBA cash rate performance fee benchmark must still be exceeded, a second benchmark, the MSCI World Net Total Return Index (AUD) ("MSCI"), must also be exceeded before a performance fee can be paid.*

Rather than choosing between an "absolute" (ie, the RBA cash rate) and "relative" (ie, the MSCI) hurdles, PM Capital is providing investors the best of both worlds.

[More information from our CIO](#)
[Pro-forma ICR](#)


### The benefit for our co-investors

We believe the Fund's dual performance fee hurdle will provide a meaningful future net performance benefit for our co-investors, as performance fees on the Fund will be reduced.

Even prior to the fee change, the Fund has registered attractive long term outperformance, having delivered a total return since inception of 464% compared to the MSCI's 170%.

The Fund's actual performance has been:

Global Companies 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
<b>Fund performance (actual)</b>	<b>10-1998</b>	<b>3.0962</b>	<b>6.4%</b>	<b>9.9%</b>	<b>8.8%</b>	<b>3.3%</b>	<b>13.6%</b>	<b>12.2%</b>	<b>18.1%</b>	<b>13.8%</b>	<b>8.8%</b>	<b>463.5%</b>
MSCI World Net Total Return Index (AUD)			4.5%	11.9%	9.6%	14.2%	14.4%	13.4%	16.2%	12.1%	5.0%	169.9%
Outperformance (actual)			1.9%	-2.0%	-0.8%	-10.9%	-0.8%	-1.2%	1.9%	1.7%	3.8%	293.6%

To give a tangible indication of the benefits of the fee structure change, the table below provides the historic adjusted performance of the Fund *assuming the new dual hurdle fee structure had been in place since inception*<sup>2</sup>:

Global Companies Fund pro forma illustrative 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
<b>Fund performance (pro forma)<sup>3</sup></b>	<b>10-1998</b>	<b>3.0962</b>	<b>6.4%</b>	<b>9.9%</b>	<b>8.8%</b>	<b>4.1%</b>	<b>15.3%</b>	<b>14.5%</b>	<b>21.3%</b>	<b>16.2%</b>	<b>11.0%</b>	<b>749.7%</b>
MSCI World Net Total Return Index (AUD)			4.5%	11.9%	9.6%	14.2%	14.4%	13.4%	16.2%	12.1%	5.0%	169.9%
Outperformance (pro forma)			1.9%	-2.0%	-0.8%	-10.1%	0.9%	1.1%	5.1%	4.1%	6.0%	579.8%

1. Applies to the unlisted unit trust only. 2. These returns do not represent the actual net Fund performance, but, are provided to indicate impact on past investment returns if they were adjusted to take into account the new fee structure. 3. Pro forma Fund performance has been calculated based on the new fee structure (implemented 1 December 2018), assuming it had applied from the Fund's inception. These returns do not represent the actual net Fund performance and are included for illustrative purposes only.

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