

Monthly Update

Fund commentary

European bank stocks were affected by the recent bond rally in Europe, with ten-year German bond yields turning negative.

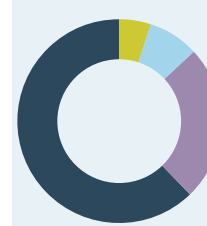
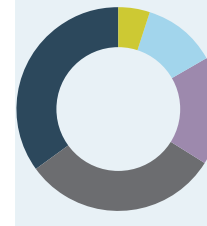
European bank stocks struggled amid lower economic forecasts, with ultra-low interest rates in Europe expected to pressure profitability. The market perception has been negative on two fronts, with bank stocks trading on low absolute valuations and low relative valuations.

Our view on European banks does not fall within the consensus and we view their businesses as stronger than appreciated by the market. We note that ING Group reiterated its forward guidance at the March investor day and maintains its 10-12% return on equity target. We think this is achievable. It is currently earning a 10%+ return on equity while being valued at less than 0.8x book value, implying a 12%+ cost

of equity in an environment of zero interest rates in Europe. We also note a key management focus area is fee-related earnings growth, which is less dependent on interest rates and less capital intensive than lending-based earnings.

We initiated a handful of new short positions in the month. Several real estate investment trusts (REITs) have reached valuation multiples where we perceive the risk/ reward balance to be skewed to the downside, while an industrial company is carrying a high valuation despite an uncertain business model and oncoming competition. We will discuss these shorts more as their situations unfold.

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
Global Companies Fund	10-1998	2.9100	-1.5%	11.1%	-3.3%	-0.7%	11.9%	10.5%	16.4%	15.3%	8.5%	429.6%
MSCI World Net Total Return Index (AUD)			1.5%	11.5%	-0.8%	12.3%	13.7%	12.6%	15.2%	12.1%	4.8%	158.3%
Outperformance by the Fund			-3.0%	-0.4%	-2.5%	-13.0%	-1.8%	-2.1%	1.2%	3.2%	3.7%	271.3%

Portfolio investments	Weighting	Current stock example	Domicile of listing [^]
Post GFC Housing Recovery - US	11.7%	Howard Hughes Corporation	 <ul style="list-style-type: none"> North America 62.0% Europe 24.8% Asia (Ex-Japan) 8.2% United Kingdom 5.0%
Post GFC Property Recovery - Europe	6.6%	Cairn Homes	
Global Domestic Banking	33.0%	Bank of America	
Service Monopolies	16.7%	Alphabet	
Gaming - Macau	7.2%	MGM China	
Alternative Investment Managers	17.7%	KKR & Co. LP.	
Other	10.8%		
Long Equity Position	103.7%		 <ul style="list-style-type: none"> North America 34.9% Europe 31.0% International 17.3% Asia (ex-Japan) 11.8% United Kingdom 5.0%
Short Equity Position	-16.2%		
Net invested equities	87.5%		
		Currency exposure*	
		USD 61.9%	
		EUR 16.6%	
		AUD 12.9%	
		GBP 5.5%	
		HKD 3.1%	
Total holdings	47	Total exposure	100.0%

* Stated at effective value.

[^] '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 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.

Further Information

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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 271% 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

\$433.6 Million

Strategy size

\$1,076.7 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 for further information on the Index.

A higher standard in performance fee hurdles

From 1 December 2018, PM Capital has implemented an additional performance fee hurdle for the Global Companies Fund¹.

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 430% compared to the MSCI's 158%.

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
Fund performance (actual)	10-1998	2.9100	-1.5%	11.1%	-3.3%	-0.7%	11.9%	10.5%	16.4%	15.3%	8.5%	429.6%
MSCI World Net Total Return Index (AUD)			1.5%	11.5%	-0.8%	12.3%	13.7%	12.6%	15.2%	12.1%	4.8%	158.3%
Outperformance (actual)			-3.0%	-0.4%	-2.5%	-13.0%	-1.8%	-2.1%	1.2%	3.2%	3.7%	271.3%

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*²:

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
Fund performance (pro forma) ³	10-1998	2.9100	-1.5%	11.1%	-3.4%	0.3%	13.6%	12.8%	19.6%	17.7%	10.7%	698.6%
MSCI World Net Total Return Index (AUD)			1.5%	11.5%	-0.8%	12.3%	13.7%	12.6%	15.2%	12.1%	4.8%	158.3%
Outperformance (pro forma)			-3.0%	-0.4%	-2.6%	-12.0%	-0.1%	0.2%	4.4%	5.6%	5.9%	540.3%

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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