PM Capital

Quarterly report

December 2024

PM Capital Global Opportunities Fund Limited

ACN 166 064 875 (ASX Code: PGF)

CONTENTS

Quarterly video insight

In this video, Co-Portfolio Managers Kevin Bertoli and John Whelan discuss:

- The likely implications of the America First policies and how they relate to inflation and interest rates
- The impact on currency, thoughts on the drivers of the US and Australian Dollar and how we are positioned
- An overview of the newly initiated position in Sanofi and an update on SPIE.

Access the video **here.**

Access all market updates and insights **here.**

Listed Company Overview

	PM Capital Global Opportunities Fund Limited
ASX Code	PGF
Asset Class	Global equities
Listing Date	11 December 2013
Suggested Time Frame	Seven years plus
Shares on Issue	478,947,506
Share Price	$2.2300
Market Capitalisation	$1,068.1 million
NTA before tax accruals (per share)	$2.1374
Company Net Assets before tax accruals	$1,023.7 million

See page 5 for Important Information. As at 31 December 2024.

Simple ideas, simple businesses

Building long-term wealth by finding and exploiting investment anomalies around the world

Net Tangible Asset (NTA) backing per ordinary share (After fees and expenses, all figures are unaudited)[1]	December 2024
NTA before tax accruals	$ 2.1374
NTA after tax (excluding deferred tax assets)	$ 1.9290

Company performance (net of fees)[2]	3 Months	1 Year	3 Years pa	5 Years pa	7 Years pa	Since inception pa	Total Return	Gross Dividend Yield (pa)[3]
PM Capital Global Opportunities Fund	0.6%	23.6%	17.5%	16.7%	14.7%	14.3%	340.0%	**7.0%**

1. Past performance is not a reliable indicator of future performance. 2. Performance adjusted for capital flows including those associated with the payment of dividends and tax, share issuance as a result of option exercise and the dividend reinvestment plan. 3. Based on share price as at 31 December 2024 and the dividend guidance issued to the ASX on 8 August 2024. The intended fully franked dividend is subject to there being no material adverse changes in market conditions and the investment performance of the Company's portfolio. The Company's ability to continue paying fully franked dividends is dependent on the payment of tax on investment profits and there can be no guarantee that such profits will be generated in the future.

Fund performance was largely flat over the December quarter. Positive contributions from Apollo Global Management, Airbus, and US banks were offset by weaker performance in commodity positions, including Newmont, Teck, and Freeport.

The US Dollar's strength, now nearing its 1985 and 2001 highs, was driven by the US economy gaining momentum relative to the rest of the world and rising long term rates making the US dollar more attractive compared to peers.

In addition, the Australian Dollar faced headwinds due to the domestic economy's sensitivity to a fragile Chinese economy. With the Australian Dollar trading in its bottom decile valuation range against the US Dollar, we continue to hedge the majority of our portfolio, as we believe the US Dollar is now likely fully priced for the continuation of current trends The market may be underestimating downside risks, including potential missteps in the implementation of tariffs, immigration policies, and fiscal measures, as well as uncertainties surrounding a recovery in the Chinese economy.

KEY CONTRIBUTORS AND DETRACTORS

Apollo Global Management maintained its strong run over the quarter. We have had exposure to Apollo shares for over nine years, observing its transformation from a pure play opportunistic private equity and credit alternative asset manager into a comprehensive, diverse retirement income provider.

Apollo has leveraged its first-mover advantage in the annuity space and developed leading credit origination platforms. In December, Apollo achieved a milestone with its inclusion in the S&P 500, boosting its stock in the run up due to mandatory buying by passive index trackers and ETFs. With the stock approaching our valuation target, we continued to reduce our position.

Airbus also delivered robust performance over the quarter. While concerns about their ability to increase new aircraft production earlier in the year pressured the stock, a strong year-end performance alleviated some of those concerns. While current production numbers move the stock in the short-term, our long-term thesis remains. Airbus, is a narrow-body market leader in a duopoly, enjoying record demand and is poised for a period of strong free cash flow generation. Supply chain disruptions are easing, and the company's robust €10 billion net cash position and limited R&D requirements for several years enhance its outlook. We increased our position early in the quarter during the price weakness.

US banks in the portfolio also performed strongly in the quarter. The presidential election outcome boosted stock prices across the sector with investors anticipating the proposed legislation, requiring banks to hold higher capital levels will be scaled back. The present economic outlook, coupled with advantageous employment and interest rate trends, further bolstered the banking sector.

Conversely, commodity positions—notably Teck Resources, Freeport-McMoRan, and Newmont—detracted from performance. These moves were largely due to softer commodity prices. Commodity prices, such as copper (-11% over the quarter), faced pressure from US Dollar strength post US election, a natural headwind for commodities demand. Questions around the effectiveness of China's stimulus measures and the impact of potential tariffs from the new US administration also had an impact on commodities demand.

These challenges provided an opportunity to increase our holding in Newmont, which declined 30% amidst decent quarterly results and a flat gold price. This decline reflects concerns that 2025 production levels will be below the expected 6.0M ounce annual run-rate. Despite this, we see recent headwinds becoming tailwinds, supported by sustainable production with lower unit costs, and trading at a significant discount to history. Recent asset sales have also strengthened Newmont's balance sheet, with net debt now at a manageable level, allowing excess free cash flow to be returned to shareholders, providing a highly favourable distribution yield.

One exception in the commodities space was Arch Resources, where stock prices rallied post-election on perceived policy benefits. Given Arch's reliance on global coal pricing and Asian demand, we exited our position into the rally. Since divestment, US coal stocks have retreated. We remain cautious but open to re-entry at the right valuation.

PORTFOLIO ADJUSTMENTS

During the quarter, we made several adjustments to the portfolio, a few updates include:

New Positions:

- **Sanofi:** The French pharmaceutical company has a fast-growing immunology and inflammation medicine franchise, with its flagship product that treats skin and respiratory diseases (largely eczema and asthma) positioned to become a one of the largest medicines in the world by dollar sales in the coming year. Sanofi's broad pipeline of new medicines, low valuation and strong earnings growth six-to-seven-year outlook make it an attractive investment. The stock's pullback amid US political noise provided a buying opportunity.
- **Pernod Ricard:** The world's second largest spirits company, owner of brands like Jameson and Chivas Regal, has faced a significant earnings reset due to inventory adjustments and demand challenges in key markets. At 15x forward earnings, the stock presents compelling value, and we initiated a position.

Increased Positions:

- **SPIE:** The engineering firm focuses on energy grid transformation and the modernisation of communication infrastructure. Operating in Northern Europe with a focus on France, Germany and the Benelux, French political noise resulted in the stock falling over 20% since mid-2024. SPIE offers double-digit earnings growth and trades at around 10x earnings. We increased our holding, seeing value in its fragmented market consolidation potential.

Exits:

- **Charles Schwab Corp:** We exited our position as favourable market conditions and cash balance growth were fully priced into its stock.

We thank our investors for their continued support and look forward to delivering sustained performance in the year ahead.

Portfolio investments	Weighting^^
Domestic Banking - Europe	26%
Commodities - Industrial metals	18%
Industrials	16%
Domestic Banking - USA	11%
Leisure & Entertainment	11%
Commodities - Energy	7%
Housing Ireland & Spain	6%
Alternative Investment Managers	3%
Other	11%
Long Equity Position	**109%**
Direct Short Position	-4%
Index Short Position	-11%
Net Invested Equities	94%
Total holdings	46

^^ Quoted before tax liability on unrealised gains.

* Stated as effective exposure.

Current stock examples
ING Groep
Freeport-McMoRan
Siemens AG
Bank of America
Wynn Resorts
Shell
Cairn Homes
Apollo Global Management

Currency exposure*	100%
AUD	73%
USD	7%
GBP	7%
HKD	6%
EUR	4%
Other	3%

The Company aims to create long-term wealth through a concentrated portfolio of generally 25-45 global companies that we believe are trading at prices different to their intrinsic values.

The Company's investment objective is to provide long-term capital growth over seven-year plus investment horizon through investment in a concentrated portfolio of undervalued global (including Australian) equities and other investment securities.

Paul Moore - Chief Investment Officer **Kevin Bertoli -** Co-Portfolio Manager **John Whelan** - Co-Portfolio Manager

Important information

This Quarterly Report is issued by PM Capital Limited
(ABN 69 083 644 731, AFSL No. 230222) as investment manager for the:

PM CAPITAL Global Opportunities Fund Limited
ACN 166 064 875 (ASX Code: PGF)

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The Index for the PM Capital Global Opportunities Fund Limited is the MSCI World Net Total Return Index in Australian dollars, net dividends reinvested. See www.msci.com for further information on the MSCI indices.

Inception date for PGF: 12 December 2013.

See the company announcements platform at www.asx.com.au, and www.pmcapital.com.au, for further information.

This announcement is authorised by Candice Driver, Company Secretary.

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