PM Capital

QUARTERLY REPORT

JUNE 2020

An historic opportunity

Extraordinary potential in quality cyclical and industrial stocks

p.1 Video insight

PM Capital Global Companies Fund
ARSN 092 434 618
APIR Code PMC0100AU

PM Capital Asian Companies Fund
ARSN 130 588 439
APIR Code PMC0002AU

PM Capital Australian Companies Fund
ARSN 092 434 467
APIR Code PMC0101AU

PM Capital Enhanced Yield Fund
ARSN 099 581 558
APIR Code: PMC0103AU
APIR Code: PMC4700AU (Class B)

CONTENTS

Quarterly video 1
Global Companies Fund 2
Asian Companies Fund 5
Australian Companies Fund 8
Enhanced yield Fund 11
Important Information 17

Quarterly video update

In his video update, Paul Moore, Chief Investment Officer and Portfolio Manager, Global strategies explains:

- How the market is following a typical "post-market correction" path
- Our long term framework – it's about stock valuations, not the macro
- Why now is one of the great buying opportunities in quality cyclical and industrial stocks

Access the video **here.**

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

"Every 10 years there's a dramatic change in sector performance. We think that is very much going to be the case going forward. Now it's really just a situation of letting that play out."

Total returns since inception[1]

Fund		Benchmark	
PM Capital Global Companies Fund	415.8%	MSCI World Net Total Return Index (AUD)	185.0%
PM Capital Asian Companies Fund	244.0%	MSCI AC Asia ex Japan Net (AUD)	148.3%
PM Capital Australian Companies Fund	563.1%	S&P / ASX 200 Accum. Index	345.3%
PM Capital Enhanced Yield Fund*	164.3%	RBA Cash Rate	96.8%

[1]Past performance is not a reliable indicator of future performance. See page 17 for Important Information. As at 30 June 2020.
*Enhanced Yield Fund (Performance Fee Option).

Global Companies Fund

- **The Global Companies Fund** aims to create long term wealth through a hand-picked, concentrated portfolio of generally 25-45 global companies trading at prices that we consider, after extensive research, to be trading at prices different to their intrinsic values and may provide attractive future returns.
- **The Fund's investment objective** is to provide long term capital growth and outperform the greater of the MSCI World Net Total Return Index (AUD) or RBA cash rate over rolling seven year periods. The Fund is not intended to replicate the index.

Fund category	Global equities
Investment style	Fundamental, bottom-up research intensive approach
Number of stocks	As a guide, 25-45 stocks

Minimum investment	$20,000
Suggested investment time	7 years +
Inception date	28 October 1998
Unit trust FUM	$348.7m as at 30 June 2020
Global equities FUM	$950.3m as at 30 June 2020

Global Companies Fund

Paul Moore
Global Portfolio Manager

Global Companies Fund	Inception Date	Exit Price ($.cum)	3 Months	6 Months	1 Year	3 Years pa	5 Years pa	7 Years pa	10 Years pa	Since Inception pa
Fund performance (net of pro forma fees)[1]	**10-1998**	**2.8344**	**12.5%**	**-17.9%**	**-6.4%**	**3.4%**	**4.7%**	**11.4%**	**12.9%**	**9.9%**
Fund performance (net of actual fees)			**12.5%**	**-17.9%**	**-6.4%**	**2.4%**	**3.5%**	**9.2%**	**10.7%**	**7.9%**
MSCI World Net Total Return Index (AUD)			6.1%	-3.8%	4.8%	10.6%	9.3%	12.9%	12.2%	5.0%
Outperformance (net of pro forma fees)[1]			**6.4%**	**-14.1%**	**-11.2%**	**-7.2%**	**-4.6%**	**-1.5%**	**0.7%**	**4.9%**

1. Fund performance and Outperformance (net of pro forma fees) 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.

KEY POINTS

- Markets rebound strongly from March lows
- Increased portfolio exposure to materials and natural resource stocks, the Australian Dollar

PERFORMANCE

The portfolio rebounded strongly in the June quarter, finishing up 12.5%.

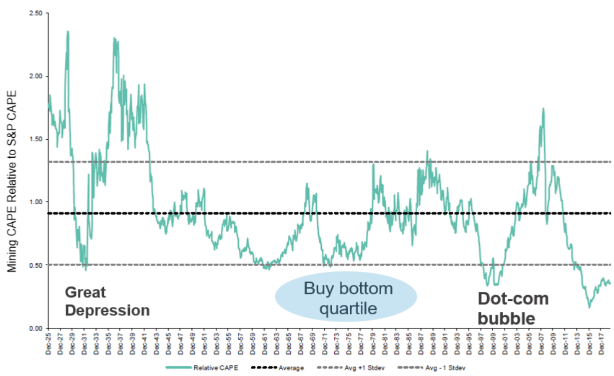
PORTFOLIO ACTIVITY

We substantially added to our material and natural resource exposure over the quarter. We have now built a high quality, broad portfolio of resource companies across a range of commodities with a focus on copper and precious metals. In addition, we used the weakness in the market over the quarter to increase our position in Siemens and to re-establish our position in Alphabet (parent company of Google).

OUTLOOK

Our most recent thematic is our investment in material and natural resource stocks.

Mining valuations near historic lows



Source: Bernstein

The chart illustrates the relative valuation of the S&P 500 versus the S&P 500 Mining component over the past 100 years. It highlights how depressed valuations have become for commodity stocks, which have moved into the bottom quartile of their valuation range. We have seldom been in this position – notably during the "dot com" bubble in the late 1990s and the Great Depression.

Freeport-McMoRan

Freeport-McMoRan share price

Source: Bloomberg, Freeport-McMoRan earnings call, Reuters

Freeport-McMoRan, the second-largest copper producer globally, is our largest holding in the materials/ natural resource space. The position was initiated in 2019, then increased during the 2020 market volatility.

Back in 2019, there was record dispersion between the bearish market view of copper versus what the copper companies were saying was the medium to long term outlook. The companies were reporting robust demand due to the structural growth in renewable energy and electrification – heavy copper users.

Regarding supply, the copper companies identified issues in replacing some of the older mines, meaning that the market may not be able to adjust easily to cater for the increase in demand, thereby affecting prices. Richard Adkerson, Freeport's CEO, has explained the supply side issue in simple terms: "The easy copper deposits have been found over the years. Modern deposits at the surface are much lower grade and require tremendous investment in infrastructure, mining

Global Companies Fund

and processing. Increasingly, mines are underground where costs are greater"[2].

Freeport's long term share price chart illustrates its changing fortunes over the past two decades. In particular, Freeport has underperformed the copper market more recently due to its huge and ill-timed investment into the oil and gas space in 2012 when oil was trading at over $100 a barrel. Fast forward to 2015, with oil at closer to $45 a barrel, Freeport was forced to suspend its dividend and sell billions of dollars of equity in a highly dilutive offering in order to stay afloat. Accordingly, the focus over the past few years has been to restore its balance sheet and it has successfully cut its debt in half since its 2013 peak.

With its balance sheet in better order and the ramp up in production in Grasberg (located in Indonesia, the largest gold mine and second largest copper mine in the world), Freeport should be in a position to substantially increase its free cash flow generation. Assuming a $3 copper price and $1600 gold, Freeport is trading on a single digit price to earnings ratio.

Royal Dutch Shell

We initiated a position in Royal Dutch Shell over the quarter. There is no secret that demand for oil has collapsed in light of the current pandemic. Nevertheless, Shell is well placed to perform in the coming years. It has adapted its cost structure to operate in the current low-price environment and in the past few years Shell has transformed its upstream portfolio, having divested its high cost projects and invested in offshore projects which will yield significant return in years to come.

Relative to other oil majors, Shell is better placed as the overall energy complex transitions away from oil. Shell is the industry leader in liquified natural gas (LNG) and will benefit as governments worldwide reduce their reliance on energy generation from coal. As the oil price recovers, Shell is on a single digit PE and offers a double-digit free cash flow yield.

[2] Freeport-McMoRan Third Quarter 2019 Earnings Conference Call

Portfolio investments	Weighting
Housing - Ireland and Spain	8.7%
Global Domestic Banking	25.3%
Service Monopolies	13.8%
Gaming - Macau	8.6%
Alternative Investment Managers	13.9%
Industrial - Europe	6.2%
Materials	20.7%
Other	12.8%
Long Equity Position	**110.0%**
Short Equity Position	-15.0%
Net invested equities	95.0%
Total holdings	53

Current stock example
Cairn Homes
Bank of America
Visa
MGM China holdings
KKR & Co.
Siemens
Freeport-McMoRan

Currency exposure*	
USD	41.9%
AUD	32.1%
EUR	14.6%
GBP	4.5%
HKD	2.1%
CAD	3.2%
SEK	1.6%
Total exposure	100.0%

* Stated at effective value.

Paul Moore - Chief Investment Officer and Global Portfolio Manager
John Whelan - Contributing author

Asian Companies Fund

- **The Asian Companies Fund** aims to create long term wealth through a concentrated portfolio of 15-35 hand-picked companies within Asia ex-Japan that we believe are trading at prices different to their intrinsic values.

- **The objective of the Fund** is to provide long term capital growth and outperform the greater of the MSCI All Country Asia (ex-Japan) Net Index (AUD) or RBA cash rate over rolling seven year periods. The Fund is not intended to replicate the index.

Fund category	Asian (ex-Japan)[2] equities
Investment style	Fundamental, bottom-up research intensive approach
Number of stocks	As a guide, 15-35 stocks

Minimum investment	$20,000
Suggested investment time	7 years +
Inception date	1 July 2008
Unit trust FUM	$19.5m as at 30 June 2020
Asian equities FUM	$75.4m as at 30 June 2020

Asian Companies Fund

Kevin Bertoli
Asian Portfolio Manager

Fund performance[1] (net of fees)	Inception Date	Exit Price	3 Months	6 Months	1 Year	3 Years pa	5 Years pa	7 Years pa	10 Years pa	Since Inception pa
Asian Companies Fund	**7/2008**	**1.3856**	**10.6%**	**-15.8%**	**-11.9%**	**-3.6%**	**0.5%**	**5.1%**	**5.9%**	**10.8%**
MSCI AC Asia ex Japan Net Total Return Index[2]			3.8%	-2.7%	3.6%	7.4%	6.7%	10.4%	8.1%	7.9%
Outperformance by the Fund			6.8%	-13.1%	-15.5%	-11.0%	-6.2%	-5.3%	-2.2%	2.9%

KEY POINTS

- Previously harder-hit cyclical sectors recover
- We return to the beer sector
- Despite market appreciation, value remains in new and older portfolio holdings

PERFORMANCE

Over the past three months the vast majority of the underlying portfolio holdings participated in the broad-based recovery experienced by regional equity markets. Unsurprisingly, the strongest performances were recorded by positions in previously harder-hit cyclical sectors, with the prominent performance detractors in the March quarter such as copper and Macau-related holdings becoming the biggest positive contributors. Positions within our online classified thematic (iCar Asia, Frontier Digital Ventures) as well as our consumer franchises thematic (Vietnam Dairy Products, SABECO) also performed strongly. Currency effects offset some of the gains as the Australian Dollar appreciated off its lows.

The portfolio's copper holdings advanced in tandem with the metal's price. We also saw company-specific catalysts, most notably at Freeport-McMoRan and Turquoise Hill, which helped both names outperform the broader copper universe. While the economic disruption caused by COVID-19 is negative for copper demand in the very short term, it has been supply-side constraints that have been the dominant catalyst for the sharp appreciation in the copper price. Supply outages, primarily across South America, have helped balance the market. Production output in Peru, the second-largest producer globally, declined approximately 30% in the first four months of 2020, with a state of emergency seeing many mines halting production.

The risk of further supply disruptions remains high and this has led to commodity traders and end buyers positioning themselves accordingly. The situation in Chile, the world's largest copper producer at over 25% of global supply, is of particular focus. While Chilean miners have so far managed to maintain production levels, authorities have yet to bring COVID-19 infections under control and cases among mine workers continues to increase. Consequently, mine worker unions have threatened to remove members from mine sites.

Beyond the immediate impact of mine closures, there also remains growing risks to longer term copper supply from the current COVID-19 environment, with major expansion projects also being put on hold as miners focus solely on maintaining current production. This will have a more permanent impact on supply.

Gaming positions also performed well as COVID-19 infections in Macau, Hong Kong and the Guangdong province bordering Macau were effectively brought under control by authorities and investors looked towards a potential reopening of borders. Wynn Resorts was the most volatile holding due to its US exposure - growing concerns around an uptick in COVID-19 cases in the US saw Wynn give back some of the gains achieved through May.

Improved communication from casino operators with respect to liquidity positions also provided comfort around each of our holdings' ability to weather an extended period of property closures. Despite casinos being open from mid-February, the operating environment remains deeply depressed as entry restrictions on tourists have remained. Despite Macau having seen very limited numbers of new cases authorities have maintained an extremely cautious stance. We expect our Macau holdings to react positively when borders re-open and the Individual Visitor Scheme is re-introduced.

PORTFOLIO CHANGES

The invested position was largely unchanged over the quarter. However, the headline number masks an increased level of activity within the portfolio. We were active in rotating capital as we took advantage of the severe dislocation seen this year. We have exited several smaller holdings with the capital redeployed predominantly into existing ideas where we have a higher level of conviction. Noteworthy were increases in our TravelSky Technology, China Mobile, Kunlun Energy and Melco Resorts & Entertainment positions.

A new position in Budweiser APAC was also initiated in May. This position complements the SABECO position

Asian Companies Fund

entered into in the first quarter. Combined, these two investments mark a return to the beer sector; something we know well having held several positions across the region over the past decade.

Both businesses have experienced significant disruption on account of COVID-19, with on-license trade demand particularly impacted by the mandated closure of bars and restaurants in both mainland China and Vietnam. Nonetheless, both businesses remain well placed in their respective markets; Budweiser the dominant player in the premium category in China and SABECO the market leader in the Vietnamese market where structural growth prospects remain very favourable longer term.

Subsequent to quarter's end it was announced that the Vietnamese Government would look to sell its remaining 36% stake in SABECO. We deem this to be positive, with Budweiser APAC a potential partner, something previously alluded to. This could materially improved SABECO's premium portfolio and drive a more focused cost culture.

The Fund's currency exposure also changed materially over the period with the Australian Dollar position being reduced. However, offsetting this reduction was the decision not to roll our hedges on several of our Asian currency exposures, most notably the Korean Won. Historically we have hedged these positions back into the US Dollar. Over the long term the performance of these currencies has been highly correlated to the Australian Dollar, which is not unsurprising. Given the recent outperformance of the Australian Dollar against most global currencies we have chosen to switch our non-US Dollar and Hong Kong Dollar positions into these currencies.

OUTLOOK

The pace and extent of the rebound in equity and debt markets over the quarter has been surprising. While Asia has been among the most effective in dealing with the spread of COVID-19, alleviating some of the worst case fears around the economic impacts, we are also cognisant of the impact a zero rate environment coupled with government stimulus and central banks intervention has played. We also recognise that markets will likely remain volatile given the stop/ start nature of managing COVID-19's medical and economic side effects.

We have identified clear catalysts to drive positive performance in our core portfolio holdings, such as those for copper and Macau highlighted above. Another area of the portfolio where we expect to see positive announcements is our China oil and gas infrastructure holdings (Kunlun Energy, Sinopec Kantons). While operationally both have performed well in the current environment, the rate of progress regarding the formation of a national pipeline company has been slow. We expect progress to accelerate over the next six months, highlighting the valuation discounts at which these businesses trade.

Despite the sharp V-shaped recovery experienced during the quarter we continue to see value in the names held within the portfolio. This is partly a function of how deeply depressed valuations became across several of our holdings during the peak of the March sell-down, but also the already attractive valuations prior to COVID-19. As we have alluded to in prior communications, COVID-19 has extended the valuation disconnect between 'cyclical' and 'growth' businesses. This environment provides potentially a once in a generation opportunity to buy cyclical and industrial stocks that will play out over several years, not a single quarter.

Portfolio investments	Weighting
Online Classifieds & Ecommerce	23.0%
Gaming	14.5%
Consumer	14.1%
Infrastructure - Oil & Gas	10.5%
Infrastructure - Other	3.6%
Materials (Copper)	10.1%
Financials	8.3%
Other	7.0%
Long Equities Position	**91.1%**
Net invested position	91.1%

Current stock example	
iCar Asia	
MGM China Holdings Ltd	
Dali Food Group	
Sinopec Kantons	
China Merchants Holdings International	
Freeport-McMoRan	
Shinhan Financial	
Total Holdings	24

Currency exposure*	
HKD	38.9%
USD	22.5%
AUD	20.0%
INR	6.3%
Other	12.3%
Total exposure	100.0%

* Stated as Effective Exposure.

Kevin Bertoli - Asian Portfolio Manager

Australian Companies Fund

- **The Australian Companies Fund** aims to create long term wealth through a hand-picked portfolio of 15-25 predominantly Australian companies that we believe are trading at prices different to their intrinsic values.

- **The Fund's objective** is to provide long term capital growth and outperform the greater of the S&P/ASX 200 Accumulation Index or the RBA cash rate over rolling seven year periods. The Fund is not intended to replicate the index.

Fund category	Australian equities
Investment style	Fundamental, bottom-up research intensive approach
Number of stocks	As a guide, 15-25 stocks

Minimum investment	$20,000
Suggested investment time	7 years +
Inception date	20 January 2000
Unit trust FUM	$24.1m as at 30 June 2020
Australian equities FUM	$24.1m as at 30 June 2020

Australian Companies Fund

Uday Cheruvu
Australian Portfolio Manager

Fund performance[1] (net of fees)	Inception Date	Exit Price ($, cum)	3 Months	6 Months	1 Year	3 Years pa	5 Years pa	7 Years pa	10 Years pa	Since Inception pa
Fund performance (net of pro forma fees)[1]	**01-2000**	**2.0392**	**14.2%**	**-4.1%**	**7.7%**	**2.9%**	**6.2%**	**9.0%**	**10.9%**	**11.6%**
Fund performance (net of actual fees)			**14.2%**	**-4.1%**	**7.7%**	**2.6%**	**5.5%**	**7.8%**	**9.6%**	**9.7%**
S&P/ASX 200 Accumulation Index			16.5%	-10.4%	-7.7%	5.2%	6.0%	7.5%	7.8%	7.6%
Outperformance (net of pro forma fees)[1]			**-2.3%**	**6.3%**	**15.4%**	**-2.3%**	**0.2%**	**1.5%**	**3.1%**	**4.0%**

1. Fund performance and Outperformance (net of pro forma fees) 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.

KEY POINTS

- The Fund's largest positions rebound strongly
- Market volatility used to establish new positions – net invested position increases markedly

PERFORMANCE

After seeing the fastest bear market in stock market history in March, the domestic and global markets rebounded strongly in the June quarter. The S&P/ ASX 200 index rose 16.5%, with the technology sector (+45%), materials sector (+21%) and consumer discretionary sector (+25%) leading the way higher.

The Fund's largest positions in iCar and EML Payments Group, as well as positions in BigTinCan and Pact Group contributed positively to performance. EML's share price was driven by positive developments in relation to its acquisition of PFS. EML successfully used the change in economic conditions arising from the COVID-19 pandemic to reduce the purchase price of PFS by $189 million, an approximate 40% reduction. This meant that EML will not have to take on any debt to fund the PFS acquisition. As a result, EML will have a positive net cash position and have no financial leverage at the end of this financial year. This flipped the market sentiment towards the stock, which had been concerned that the pandemic would create financial distress for EML, to being optimistic that the balance sheet of the business was strong enough to survive the current crisis.

Similarly, iCar and BigTinCan rebounded as investors drew comfort from the companies disclosing their significant net cash positions. Both companies showed investors they had sufficient cashflows to run their businesses for a period of 18 – 24 months even if their revenues collapse. As economic conditions showed signs of bottoming during the quarter and these companies showed their revenues had held up during April, sentiment turned positive and resulted in over 50% share price appreciations.

PORTFOLIO ACTIVITY

The decline in the Australian market during the March quarter provided extremely attractive opportunities to increase the Fund's invested position. Over the quarter, we increased the net invested equities position from 47.6% at the end of March to 70.7% at the end of June.

A large portion of this increase came from our initiation of positions in commodity stocks. Our investments were focussed on leading global copper producers in Freeport-McMoRan and First Quantum Minerals, as well as a leading domestic producer in Oz Minerals. Copper is an essential industrial metal which faces an attractive long term demand outlook driven by factors such as continued urbanisation in China and India and electrification.

Oz Minerals Limited - 1 year share price

Source: Bloomberg

Despite the attractive long term demand outlook, the short term economic turmoil caused by COVID-19 caused a precipitous fall in the price of copper and resulted in these stocks derating. Although we have no view on near term price dynamics, we hold the view that in order to meet the long term demand growth in copper, supply has to increase. However, supply growth will only eventuate if global copper prices rise significantly from current levels, thereby supporting business cases for new underground copper mines. As a result, we believe that companies such as Freeport, First Quantum and Oz Minerals, which have large reserves and rank lower in the production cost curve, will have substantially higher earnings profiles than implied by their current market valuations, thus supporting our investment thesis.

OUTLOOK

The increase in the invested position of the fund is not a reflection of our near term view on the domestic or global economies. We believe investing based on macro views is fraught with danger. We increased the invested position of the Fund in selective stocks because of our view about the long term fundamental advantages these businesses have in any macro environment.

The strong rebound in the market over the last three months has once again reduced the opportunity set we see in the domestic market. We expect to remain patient while looking for more opportunities to increase the Fund's investment position.

Portfolio investments	Weighting
Resources	25.5%
International Banks	8.9%
Domestic Banks	8.5%
Non Bank Financials	7.3%
Internet	11.5%
Industrials	10.2%
Other	0.8%
Long Equities Position	**72.7%**
Short Equities Position	-2.0%
Net Invested Equities	70.7%

Total holdings	25

Current stock example
BHP
Bank of America
ANZ
EML
iCar Asia
Brambles

Currency exposure*	
AUD	96.1%
USD	2.0%
CAD	1.6%
EUR	0.3%
Total exposure	100.0%

*Stated at effective value.

Uday Cheruvu - Australian Equities Portfolio Manager

Enhanced Yield Fund

- **The Enhanced Yield Fund** aims to create long term wealth through identifying and profiting from market anomalies predominately in debt, corporate bond and hybrid security markets around the world. Originally developed to invest the portion of PM Capital's own money which would otherwise sit in cash, the Fund was opened to co-investors as we realised our problem – how to produce regular income and attractive returns with low volatility – was shared by many other investors.

- **The objective of the Fund** is to provide investors a return in excess of the Reserve Bank of Australia's (RBA) cash rate. The Fund aims to outperform the RBA cash rate with a low degree of volatility and minimal risk of capital loss.

Fund category	Fixed Income
Investment style	Fundamental, bottom-up research intensive approach
Investor profile	The Fund may be suitable for investors who seek a steady source of income, with a low degree of volatility, and an emphasis on capital preservation

Minimum investment	$20,000
Suggested investment time	2 years +
Inception date	1 March 2002
Unit trust FUM	$505.3m as at 30 June 2020
Fixed Income FUM	$748.5m as at 30 June 2020

Enhanced Yield Fund

Jarod Dawson
Global Yield Portfolio Manager

Awarded the *Money* Magazine Best of the Best Award 2020 for Best Income Fund – High Yield and Credit.

"The award recognises the consistent achievement of two of our key strategic objectives - generating attractive returns, and doing so with a low degree of volatility."

Jarod Dawson - Portfolio Manager

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
Enhanced Yield Fund*	**02-2002**	**1.1097**	**0.6%**	**3.0%**	**-0.3%**	**1.0%**	**2.2%**	**2.9%**	**3.3%**	**4.1%**	**5.4%**
RBA cash rate			0.0%	0.1%	0.2%	0.6%	1.2%	1.4%	1.7%	2.4%	3.8%
Excess			0.6%	2.9%	-0.5%	0.4%	1.0%	1.5%	1.6%	1.7%	1.6%
Enhanced Yield Fund (Class B units)**	**05-2017**	**1.1287**	**0.6%**	**2.9%**	**-0.4%**	**1.1%**	**2.3%**				**2.5%**
RBA cash rate			0.0%	0.1%	0.2%	0.6%	1.2%				1.2%
Excess			0.6%	2.8%	-0.6%	0.5%	1.1%				1.3%

*Enhanced Yield Fund (Performance Fee Option). **Enhanced Yield Fund - Class B units (Management Fee Option).

KEY POINTS

- Fund bounces back strongly as invested position increases
- BHP and Visa – years' worth of returns generated in months
- Skies starting to clear up for local airports

PERFORMANCE

In our last Quarterly Report, I noted that March was the most volatile month that I had witnessed in over 20 years in financial markets. Additionally, we said that going forward, investing needed to be measured and methodical. Fast forward to today, and that approach has served us well. We invested a significant portion of the Fund's spare cash over the past few months or so. Some of those investments subsequently generated years' worth of returns in just months, and have since been divested. Consequently, the Fund was up a little over 3% for the June quarter, effectively erasing the negative performance generated as a result of the impact of the coronavirus in the March quarter.

PORTFOLIO ACTIVITY

With the risk/ reward equation far more in favour of the investor at various points during the quarter, we made what we believe to be some very attractive investments with the Fund's capital.

Previously we informed investors of our investment in the senior debt of global payments powerhouse Visa at cash +~200bp. Visa rallied considerably during the quarter as the US Federal Reserve's bond buying program benefitted highly rated companies like Visa, and markets again started paying attention to Visa's strong balance sheet and sound cashflow dynamics – supported by a boost in online spending while people were stuck at home (partly offsetting the drop in more mainstream spending patterns). This saw Visa's credit spread return to its pre-COVID-19 level of cash +~60bp – representing an ~8% return in just over two months, and thus we sold our holding.

We also divested our holding in BHP's senior debt, as it too benefitted from central bank buying of high quality names, and again, the market turned its attention

Enhanced Yield Fund

back to its strong balance sheet and very supportive commodity market dynamics – particularly in iron ore. We realised a ~6% return from this investment in just a few months.

In terms of new additions to the portfolio, we have been building a position in infrastructure and infrastructure services businesses that we think are best placed to benefit from a bounce in economic activity. Perhaps the hardest-hit areas during the worst of the COVID-19 panic were travel and transport; as borders were closed, planes grounded and people were forced to stay at home.

We have always believed that one of the best assets that you can own is a capital city airport. Effective monopolies in their city, they see the great majority of domestic and international traffic, are only lightly regulated, have considerable access to liquidity, and have large hard asset holdings if ever anything went really wrong (having said this governments have shown over time that given the strategic importance of major airports, they are willing to stand behind them in difficult times anyway).

With Australia and New Zealand's broad relative success in managing the virus pandemic, travel restrictions beginning to ease, and the potential creation of a trans-Tasman travel bubble over the next couple of months, we think the better capitalised Australasian airports are well placed to benefit over the near to medium term.

We have initiated positions in the senior secured debt of the following major airports, at spreads which are two to three times their pre-COVID-19 levels – which we think represent clear anomalies longer term.

	Pre-COVID-19 spread to cash (bp)	Purchase spread to cash (bp)
Auckland Airport	~+100	~+200
Brisbane Airport	~+130	~+360
Melbourne Airport	~+75	~+205

As an extension of this theme, we also purchased the senior debt of AAA-rated and government- owned Air Services Corp (ASC). ASC is responsible for the great majority of Australia's air traffic control operations and is effectively a legislated monopoly.

ASC traded at cash ~+50bp prior to the spread of COVID-19. We purchased their bonds at cash + ~125bp – almost three times their pre-virus valuation. We think this investment could generate over a 10% return as valuations continue to normalise.

Apart from our new airport and air services theme, we also made an investment in the US Dollar (USD) subordinated debt securities of ANZ Bank during the quarter. While at the time we felt that Australian Dollar major bank subordinated debt was cheap, the true stand out (and thus the anomaly) were the USD bonds – as a result of "home bias" (ie where a company's securities tend to trade more cheaply outside of their home country where they are not as well known). We purchased ANZ's USD bonds at a yield of cash + ~280bp (compared to its pre-pandemic spread of cash +~150bp).

OUTLOOK

As we noted previously, the Fund's cash holding had reached as high as ~50% earlier in the year. It now sits at ~36.5% - and if you take into account investments like BHP and Visa that have been bought and sold, as well as older investments that due to their short-dated nature now sit within the cash component of the portfolio, the cash position has effectively been down close to 30%.

We still think that there will be further pockets of volatility over the near to medium term, as the world continues to respond to the pandemic, and other global issues such as the US/ China trade conflict impact on markets shorter term. With our meaningful cash holdings however (noting that the Fund has a minimum holding of 20%), we still have considerable ability to take advantage of any investment anomalies that present themselves during these periods.

In the interim, with all the investing that we have done over the past few months, as well as our capacity to make further investments, we believe the Fund is in a very good position to meet its longer term performance objectives, and under the right circumstances to exceed those objectives.

Jarod Dawson - Global Yield Portfolio Manager

Enhanced Yield Fund

Portfolio Investments	Weighting**	Average yield	Average spread to RBA
Cash	**36.7%**	**0.55%***	**0.30%***
Corporate bonds	**56.4%**	**2.40%***	**2.15%***
Fixed	0.0%*		
Floating	100.0%*		
Hybrids	**5.3%**	**4.40%***	**4.15%***
Fixed	0.0%*		
Floating	100.0%*		
Equity income strategies	**1.6%**		
Total exposure	100.0%		

* These numbers are indicative and provided as a guide only

** Fixed / Floating proportions are determined after the effect of interest rate swaps.

Duration	
Interest rate*	0.11
Average term to maturity*	2.99

Regional allocation	
Australia	35.5%
Europe	11.5%
North America	8.0%
United Kingdom	5.6%
Asia	2.7%
Cash	36.7%

Yield security maturity profile	
0-1 Year	45.1%
1-2 Years	21.5%
2-3 Years	2.6%
3-4 Years	9.8%
4 Years +	21.0%

Jarod Dawson - Global Yield Portfolio Manager

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Important information

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

PM Capital Global Companies Fund
ARSN 092 434 618

PM Capital Asian Companies Fund
ARSN 130 588 439

PM Capital Australian Companies Fund
ARSN 092 434 467

PM Capital Enhanced Yield Fund
ARSN 099 581 558

the 'Fund', or collectively the 'Funds' as the context requires.

The Quarterly Report contains summary information only to provide an insight into how and why we make our investment decisions. This information is subject to change without notice, and does not constitute advice or a recommendation (including on any specific security or other investment position mentioned herein).

The Quarterly Report 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 ('PDS') which is available from us, and seek their own financial advice prior to making a decision to invest. The PDS explains how the Funds' Net Asset Value is calculated. Returns are calculated from exit price to exit price (inclusive of the reinvestment of distributions) for the period from inception to 30 June 2020 and represent the combined income and capital return. The investment objective is expressed after the deduction of fees and before taxation. The objective is not a forecast, and is only an indication of what the investment strategy aims to achieve over the medium to long term. While we aim to achieve the objective, the objective and returns may not be achieved and are not guaranteed. 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 factors, including market forces.

The Index for the Global Companies Fund is the MSCI World Net Total Return Index in Australian dollars, net dividends reinvested. The Index for the Asian Companies Fund is the MSCI AC Asia ex Japan Net Total Return Index in Australian dollars, net dividends reinvested. See www.msci.com for further information on the MSCI indices. The Index for the Australian Companies Fund is the S&P/ASX 200 Accumulation Index. See www.asx.com.au for further information. The Index for the Enhanced Yield Fund is RBA Cash Rate. See www.rba.gov.au for further information.

1. Past performance is not a reliable indicator of future performance.

2. The Asian region (ex-Japan) includes Hong Kong, China, Taiwan, Korea, Indonesia, India, Sri Lanka, Malaysia, Philippines, Thailand, Vietnam, Pakistan and Singapore, but excludes Japan. The Fund may also obtain exposure to companies listed on other global exchanges where the predominant business of those companies is conducted in the Asian region (ex-Japan).

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