

# *Around the twist*

Avoiding market distortions  
the key for investors in 2021

p.1 Video insight

PM Capital Long Term Investment Fund  
(Unregistered)

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## CONTENTS

Quarterly video	1	Important information	5
Long Term Investment Fund	2		

# Quarterly video update



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

- How the valuation shift towards value has only just begun
- Our approach to commodity stock holdings now, given some significant upward moves
- The outlook for the Australian Dollar

Access the video [here](#).

Access all market updates and insights [here](#).

“There is always plenty to be uncertain about...What is not uncertain, in my mind, is the unwinding of the valuation dispersion between the value and the growth/ momentum sectors of the market will be the dominant feature of markets for some time.”

## Total returns since inception<sup>1</sup>

Fund		Benchmark	
PM Capital Global Companies Fund	553.6%	MSCI World Net Total Return Index (AUD)	212.8%
PM Capital Long Term Investment Fund <sup>2,3</sup>	527.7%	MSCI World Net Total Return Index (AUD) <sup>3</sup>	240.3%
PM Capital Asian Companies Fund	323.4%	MSCI AC Asia ex Japan Net (AUD)	190.7%
PM Capital Australian Companies Fund	705.9%	S&P / ASX 200 Accum. Index	404.1%
PM Capital Enhanced Yield Fund	170.6%	RBA Cash Rate	97.0%

See page 5 for Important Information. As at 31 December 2020.



# Long Term Investment Fund

- **The Long Term Investment Fund** aims to create long term wealth through a hand-picked, concentrated portfolio of 25-35 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 deliver returns through selective and concentrated long-term investments in undervalued businesses over a 5-7 year investment horizon.

<b>Fund category</b>	Global equities	<b>Minimum investment</b>	Closed Fund
<b>Investment style</b>	Fundamental, bottom-up research intensive approach	<b>Suggested investment time</b>	7 years +
<b>Number of stocks</b>	As a guide, 25-35 stocks	<b>Strategy date<sup>3</sup></b>	1 July 2012
		<b>Unit trust FUM</b>	\$160.2m as at 31 December 2020
		<b>Global equities FUM</b>	\$1106.7m as at 31 December 2020

# Long Term Investment Fund



Paul Moore  
Global Portfolio Manager

Investment Performance <sup>1,2,3</sup>	Strategy Date	Exit Price (per unit) <sup>4</sup>	3 Months	6 Months	1 Year	3 Years pa	5 Years pa	Since strategy Inception pa	Total Return
<b>Long Term Investment Fund</b>	<b>07/2012</b>	<b>\$1.8518</b>	<b>23.3%</b>	<b>27.8%</b>	<b>2.5%</b>	<b>9.3%</b>	<b>11.5%</b>	<b>19.6%</b>	<b>357.9%</b>
MSCI World Net Total Return index (AUD)			5.9%	9.7%	5.6%	11.0%	10.9%	15.5%	240.3%

## KEY POINTS

- Market rotation continues; provides significant portfolio gains
- Alternative asset management positions mature and play out as expected
- Copper miners continue to rally on strong quarterly reports

## PERFORMANCE

The portfolio appreciated strongly over the quarter, with our copper exposure and European bank positions the best performers.

## PORTFOLIO ACTIVITY

We continued to reduce our position in the alternative asset managers and sold part of our holdings in both KKR and ARES Management over the course of the quarter. While they remain fantastic businesses, their valuations are starting to reflect this.

To refresh investors' memories, we initiated our positions in the alternative asset managers back in 2015 and substantially increased our position over 2016-17. When we made our original purchases, we believed the strength of their franchises was greatly undervalued with most investors taking the view the stocks were opaque with volatile earnings. Fast forward to today and the main alternative managers have converted from partnerships to c-corps and pivoted their earnings away from volatile performance fees towards predominately management fees. They are now in the 'sweet spot' for robust fundraising. The market is now clearly recognising the value of these businesses.

With regard to our commodity exposure, we continue to believe copper has the strongest fundamentals for the future. Freeport-McMoRan, our largest copper

position, released its third quarter results which were ~20% above consensus. More importantly, the result also demonstrated another quarter of solid execution at the Grasberg mine in Indonesia. Cash flows are now at an inflection point with Grasberg production ramping up meaningfully over the next two years.

## OUTLOOK

For the past six months or so we have said that some of the best quality industrial and cyclical businesses traded on all time relative low valuations as the COVID-19 crisis hit. Since then there has been a rotation from growth and momentum sectors to value, a situation that accelerated in early November when news of Pfizer's successful vaccine trial was announced. This has greatly benefited the portfolio.

A good example of this rotation can be seen in European banking stocks. Their valuations were still severely depressed leading into the quarter and despite their appreciation are trading on single digit forward earnings multiples. They have expedited their cost saving programs and have material excess capital beyond regulatory requirements. Reinstating dividends in early 2021 (dependent on permission from the European Central Bank) should be a catalyst for further appreciation.

Another example is Wynn Resorts which had a very strong quarter. We continue to believe the Macau market is a virtual monopoly that will exhibit strong growth prospects as China returns to a more normalised environment. While the recovery trajectory remains an unknown, we believe the market should recover much quicker than some other gaming markets around the world given the favourable demographics that surround Macau.

Finally, in relation to our currency positioning, the stronger Australian Dollar partly offset some of the equity gains, although we have actively increased our Australian Dollar exposure over 2020.

## Long Term Investment Fund

Portfolio investments	Weighting
Housing - Ireland and Spain	7.4%
Global Domestic Banking	30.8%
Service Monopolies	7.5%
Gaming - Macau	7.4%
Alternative Investment Managers	8.0%
Materials	24.6%
Other	8.3%
<b>Long Equity Position</b>	<b>94.0%</b>
Short Equity Position	-4.6%
<b>Net Invested Equities</b>	<b>89.4%</b>
<b>Total holdings</b>	<b>32</b>

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

Currency exposure*	
AUD	48.9%
USD	27.9%
EUR	15.4%
HKD	3.1%
GBP	2.5%
Other	2.2%
<b>Total exposure</b>	<b>100.0%</b>

\* Stated at effective value.

# Important information

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

PM Capital Long Term Investment Fund  
(Unregistered)

This Report is issued by PM Capital Limited (ABN 69 083 644 731, AFSL No. 230222) as trustee for the PM Capital Long Term Investment Fund (the 'Fund'). The Fund is currently closed for new investors. Once it is reopened, it will be available for wholesale investors only via an Information Memorandum. The Fund remains open for redemptions. The 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 Report does not take into account the objectives, financial situation or needs of any investor which should be considered before investing. 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 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 MSCI indices, and [www.rba.gov.au](http://www.rba.gov.au) for further information on the RBA Cash Rate.

1. Past performance is not a reliable indicator of future performance.
  2. These returns are before the impact of any accrued management fees which are not charged to the Fund, but are charged against any distributions or redemption payments from the Fund.
  3. The Fund changed its investment guidelines as at 30 June 2012. The returns on this report reflect the performance of the Fund assuming an inception date from the date of the change in the investment guidelines. 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. Please contact PM Capital for an outline of how the net asset value is calculated, and see [www.pmcapital.com.au](http://www.pmcapital.com.au) for further information. The performance of the Fund since its original date of inception (being 8 December 1999) to 31 December 2020 is 9.1% p.a. and a 527.7% total return.
  4. This is before the impact of any accrued management fees.
- The Fund was formally de-registered effective January 2019.

## TRUSTEE

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