PM Capital

Quarterly report

December 2024

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

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

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

CONTENTS

Quarterly video updates

Global Companies Fund update

Kevin Bertoli - Co-Portfolio Manager
John Whelan - Co-Portfolio Manager

This update includes:

- 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.

Watch the quarterly update **here**.

Enhanced Yield Fund update

Jarod Dawson - Portfolio Manager

This update includes:

- Latest quarter highlights from around the world in the fixed income market
- The impact on the portfolio from Trump returning to office in early November
- How we see the increase in market volatility of late, playing out in 2025.

Watch the quarterly update **here**.

Total returns since inception[1]

Fund		Benchmark	
PM Capital Global Companies Fund	1219.7%	MSCI World Net Total Return Index (AUD)	471.1%
PM Capital Australian Companies Fund	1029.3%	S&P / ASX 200 Accum. Index	632.2%
PM Capital Enhanced Yield Fund*	210.9%	RBA Cash Rate	116.7%

[1]Past performance is not a reliable indicator of future performance. See page 7 for Important Information. As at 31 December 2024. Net of actual fees. Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax.
*Enhanced Yield Fund (Performance Fee Option).

Global Companies Fund

Simple ideas, simple businesses

Global Companies Fund	Inception Date	Exit Price ($.cum)	3 Months	1 Year	3 Years pa	5 Years pa	7 Years pa	10 Years pa	Since Inception pa
Fund performance (net of fees)^	**10-1998**	**7.2519**	**0.7%**	**21.0%**	**16.9%**	**16.0%**	**14.1%**	**13.4%**	**10.4%**
MSCI World Net Total Return Index (AUD)			11.9%	30.8%	12.2%	14.0%	14.0%	13.1%	6.9%

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, which boosted its share price 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 aircraft 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	24%
Commodities - Industrial metals	17%
Industrials	14%
Domestic Banking - USA	10%
Leisure & Entertainment	10%
Commodities - Energy	7%
Housing Ireland & Spain	5%
Alternative Investment Managers	3%
Other	11%
Long Equity Position	**101%**
Direct Short Position	-4%
Index Short Position	-8%
Net invested equities	89%
Total holdings	46

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

Currency exposure*	100%
AUD	77%
USD	6%
GBP	6%
HKD	5%
EUR	4%
Other	2%

* Stated at effective value.

The Fund aims to create long-term wealth through a hand-picked, concentrated portfolio of generally 25-45 global companies trading at prices we consider, after extensive research, different to their intrinsic values and have the potential to 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 **Minimum investment:** $20,000 **Suggested investment time:** 7 years+

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

Australian Companies Fund

Applying global insights to profit from anomalies in the Australian market

Australian Companies Fund	Inception Date	Exit Price ($, cum)	3 Months	1 Year	3 Years pa	5 Years pa	7 Years pa	10 Years pa	Since Inception pa
Fund performance (net of fees)^	**01-2000**	**3.2347**	**-8.1%**	**-5.0%**	**4.5%**	**10.3%**	**8.6%**	**9.4%**	**10.2%**
S&P/ASX 200 Accumulation Index			-0.8%	11.4%	7.4%	8.1%	8.5%	8.5%	8.3%

Fund performance was primarily impacted by the negative contributions from holdings in the commodities sector, with three primary detractors: Coronado Resources, Newmont, and Mineral Resources. While commodities have been a material contributor to performance over longer time periods, in the short term, we have been on the wrong side of these trades in a significant way.

KEY CONTRIBUTORS AND DETRACTORS

Steelmaking coal miner Coronado Resources fell 36% over the period, negatively impacted by subdued coal prices and operational issues at its Currah mine in Queensland. Coronado has proven a challenging stock for the fund; performance has often disappointed, and operational management has been found wanting. The Queensland mine's cash flow was below breakeven last quarter, partly due to the depressed coal price. On the other hand, few bulk commodity miners have such large productive capacity—over 17 million tonnes annually—but a small sub-US $1 billion enterprise value. Selling Coronado's US business at valuations comparable to US peers would imply the Queensland mine is effectively free, with material spare value remaining. We believe the low valuation reflects a lack of confidence in Coronado's operational management and persistently high costs at the Queensland mine.

In mid-December, the company announced its Currah expansion project had received all regulatory approvals and was set to commence production. This is a key catalyst for the business moving forward, as the expansion should bring operational stability, reduce production costs, and highlight the long-term value we believe exists. The Fund continues to hold the position.

Despite the physical gold price remaining relatively flat over the quarter and Newmont reporting a solid third-quarter result, Newmont's stock declined 24%. The decline largely reflected 2025 production guidance, which management indicated would fall below the previously expected 6 million-ounce annual run rate. Despite this, we see headwinds at several operations turning into tailwinds in the coming years, supporting sustainable production with lower unit costs. Additionally, significant recent asset sales at better-than-expected valuations allow Newmont to focus on its core, high-quality portfolio. With net debt now at manageable levels, excess free cash flow can be returned to shareholders, offering a highly favourable distribution yield. Newmont trades at a significant discount to historical valuations, and the weakness presented an opportunity for the fund to increase its position during the quarter.

Mineral Resources was perhaps the most discussed company on the ASX over the last 3 months, given the state of the lithium and iron ore markets, as well as emergence of serious governance allegations against the company and senior management. Consequently, shares in the company declined 34%. The Fund holds both Mineral Resources equity and the company's October 2028 Senior Unsecured bonds. Given the extensive media coverage, we won't reiterate the governance issues here, but they were outside our initial investment thesis. We have given detailed consideration to the potential impact on future leadership and strategic direction, as well as the implications for the current management team. While governance failings are unacceptable, Mineral Resources is a large, diversified mining company, and we believe the value of its assets underwrites the current price.

Challenger Financial Group also detracted from performance, falling 8% over the quarter. Challenger's annuity growth has underwhelmed the market, but we believe the absolute numbers are more nuanced than they first appear. Challenger is shifting from low-margin, short-dated term products to higher-margin lifetime annuities. Given the benefits of lifetime annuities—guaranteed income with tax advantages—we believe they are underrepresented in the market. With long-term retail lifetime annuity sales of approximately AUD $900 million in FY24 compared to the estimated AUD $50 billion of super fund assets reaching retirement annually, Challenger has significant growth potential. The company is attractively priced at 10x earnings, with the ability to grow while offering a 5% fully franked dividend on a 50% payout ratio.

PORTFOLIO ADJUSTMENTS

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

- **Apollo Global Management:** The Fund's international sleeve was broadly a positive contributor over the quarter, with Apollo being the standout performer. Apollo has evolved from a private equity and credit alternative asset manager into a comprehensive retirement income provider. The company has enhanced its franchise by developing leading credit origination platforms and capitalizing on its first-mover advantage in the annuity space. In December, Apollo achieved a milestone with its inclusion in the S&P 500, which boosted its share price due to mandatory buying by passive index trackers and ETFs. We exited our Apollo position in full, primarily on valuation grounds, later in the quarter.

- **Airbus:** Proceeds from the Apollo sale were rotated into a new position in Airbus, which also performed strongly after our purchase, appreciating 17% over the quarter. Earlier concerns about Airbus's ability to increase new aircraft production pressured the stock for much of 2024, but a strong year-end performance alleviated these worries. While current production numbers move the stock in the short-term, our long-term thesis remains. Airbus is a narrow-body aircraft market leader, competing in a duopoly against a weakened Boeing. The company is entering a free cash flow sweet spot, with supply chain disruptions easing, a robust EUR 10 billion net cash balance, and limited R&D requirements for several years.
- **Centuria Industrial and Rural Funds Group:** We also continued building our REIT position, increasing exposure to both Centuria Industrial and Rural Funds Group. At December 31, the two accounted for just under 11% of the Fund. Centuria owns and operates high-quality urban infill industrial assets near main transport arteries in Sydney, Melbourne, and Brisbane. Rural Funds Group owns agricultural assets, including cattle properties, almond and macadamia orchards, and associated water entitlements, leased on long-duration terms to large corporate lessees such as Olam, AACo, and JBS. While REITs can be sensitive to interest rate movements in the short term, we believe the long-term growth drivers supporting cash flow growth for these companies remain intact. The current discounts to net asset value (27% for Centuria and 37% for Rural Funds Group) appear unwarranted, and their distribution yields (6% and 7%, respectively) are attractive.

The portfolio's relative performance versus the index has been shaped by our positioning in the two dominant market sectors: commodities and banks. While our commodity positions have underperformed in the short term, valuations remain compelling, and we maintain conviction in these holdings. Conversely, our lack of exposure to Australian banks and short position in Commonwealth Bank have weighed on relative performance. While we have been surprised by the strength of the rally in financials, we remain disciplined on valuation.

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

Portfolio investments	Weighting
Commodities - Industrial Metals	27%
Commodities - Energy	15%
Real Estate	11%
Industrials	7%
Diversified Financials	7%
Banking	5%
Leisure & Entertainment	3%
Online Classifieds & Internet	1%
Other	3%
Long Equities Position	**80%**
Short Equities Position	-2%
Net Invested Equities	78%
Corporate Debt & Bonds	17%
Net Invested	95%
Total holdings	20

Current stock example
BHP
Woodside Energy
Centuria
Siemens AG
Challenger
ING Groep
Sands China
Frontier Digital Ventures

Currency exposure*	100%
AUD	99%
EUR	1%

*Stated at effective value.

The 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 investment 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 **Minimum investment:** $20,000 **Suggested investment time:** 7 years+

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

Enhanced Yield Fund

Regular income, low volatility

Fund performance (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
Enhanced Yield Fund*	**02-2002**	**1.1513**	**1.4%**	**3.0%**	**6.0%**	**4.2%**	**3.2%**	**3.0%**	**3.3%**	**5.1%**
RBA cash rate			1.1%	2.2%	4.4%	3.2%	2.0%	1.8%	1.8%	3.4%
Excess			**0.3%**	**0.8%**	**1.6%**	**1.0%**	**1.2%**	**1.2%**	**1.5%**	**1.7%**
Enhanced Yield Fund (Class B units)**	**05-2017**	**1.1887**	**1.4%**	**3.1%**	**6.2%**	**4.3%**	**3.4%**	**3.2%**		**3.3%**
RBA cash rate			1.1%	2.2%	4.4%	3.2%	2.0%	1.8%		1.8%
Excess			**0.3%**	**0.9%**	**1.8%**	**1.1%**	**1.4%**	**1.4%**		**1.5%**

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

PERFORMANCE

Despite considerable bond market volatility both domestically and internationally, the fund delivered a quarterly return of 1.4% after fees, bringing the annual return to 6.0% for the calendar year.

A driver of performance during the quarter was the fund's exposure to fixed interest rate duration. During this period, we realised profits by selling our fixed-rate government bond position, which had performed strongly. On the credit side, the fund's material holdings in bank subordinated bonds—including Australian major banks and global institutions such as HSBC and Lloyds—performed well. This was supported by investor demand outstripping supply, driven by interest rate expectations and limited new issuance of such bonds.

Additionally, our investment in the senior secured bonds of UK supermarket chain Tesco contributed positively. Strong earnings growth, supported by demand-side dynamics and enhanced pricing power, underpinned the performance of this holding.

PORTFOLIO ACTIVITY

The December quarter was particularly active, with several new investments added to the portfolio.

We increased our Australian infrastructure exposure by investing in:

- Rail freight operators Pacific National and Aurizon,
- Melbourne toll road operator ConnectEast, and
- Government air traffic control monopoly Airservices Australia.

Each of these investments offered yields above 5%.

We also expanded our positions in:

- Global renewable energy leader NextEra,
- Fuel distribution business Ampol, and
- Coles, a cornerstone of Australia's supermarket duopoly.

These investments provided yields in the 5%-6% range.

As mentioned in prior updates, the divergence across sectors- moving at different speeds and in some cases direction - has made individual security selection increasingly important.

OUTLOOK

A core element of the fund's strategy has been to add exposure to fixed interest rate duration when no significant rate cuts are priced in and to exit those positions when markets overprice the likelihood of future cuts.

Currently, we are entering a pivotal phase. In the US, post-election immigration and trade policies suggest a tilt toward higher inflation and potentially stronger growth. Meanwhile, closer to home, economies such as New Zealand are feeling the strain of elevated interest rates, subdued domestic demand, weak business investment, and uneven export activity amid a slowing Chinese economy. Australia is facing similar pressures, with signs of softening in housing, retail, and business investment.

While export activity is likely to benefit from the lower Australian dollar, domestic activity appears to have further room to weaken. We suspect that the RBA will need to begin cutting interest rates in 2025. In this context, we remain comfortable adding fixed interest rate risk when markets have largely dismissed the possibility of rate cuts, and closing out these positions when we believe the market has overcorrected

On the corporate bond front, our focus remains on shorter-dated investments. This segment currently offers attractive opportunities and aligns with our strategy of maintaining flexibility to capitalise on potential pockets of corporate market volatility in the coming year.

Finally, we believe the focus of domestic investors on US markets may divert attention from key local challenges faced by Australian consumers and businesses. This provides opportunities for us to identify and exploit value where others might overlook it.

In summary, we are pleased with the progress made in strengthening the portfolio throughout 2024. The groundwork laid during the year positions the fund well to achieve its medium- to long-term return objectives.

On behalf of the team, we thank you for your continued trust and support. We wish you a prosperous 2025.

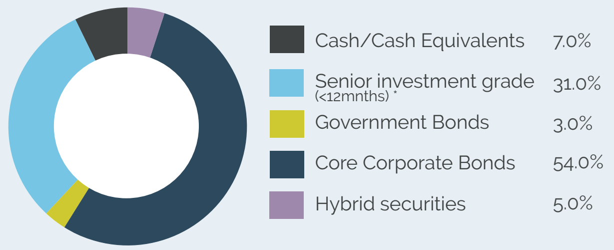
Regional allocation	
Australia	73.0%
United Kingdom	6.0%
North America	5.0%
Europe	4.0%
Other	5.0%
Cash/Cash equivalents	7.0%

Duration^^	
Interest rate	0.47
Average term to maturity	1.43

Yield security maturity profile	
0-1 Year	49.0%
1-2 Years	23.0%
2-3 Years	14.0%
3-4 Years	9.0%
4 Years +	5.0%

Portfolio Investments^^	Spreads
Cash**	0.70%
Core Corporate Bonds	1.25%
Hybrid securities	1.80%

Actual exposure



* Senior investment grade securities with maturities of 12 months or less.
^^ These numbers are indicative and provided as a guide only.
**Cash spread includes short dated bonds <12 months.

The 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 Fund's investment objective 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 **Minimum investment:** $20,000 **Suggested investment time:** 2 years+

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 Enhanced Yield Fund ARSN 099 581 558	PM Capital Australian Companies Fund ARSN 092 434 467

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') and Target Market Determination which are available from the PM Capital website, 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 31 December 2024 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. See www.msci.com for further information on the MSCI index. 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.

^Past performance is not a reliable indicator of future performance. Net of actual fees. Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax.

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