Paths diverging

Valuation disparities creating opportunities

p.1 Video insight

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

PM Capital Asian Opportunities Fund Limited
ACN 168 666 171 (ASX Code: PAF)

CONTENTS

Quarterly video update

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

- The V- shaped recovery in the March quarter
- The range of opportunities presented by record relative valuation disparities
- The biggest issues facing markets now

Access the video **here.**

"It may be "late cycle" but that does not necessarily mean end of cycle."

Listed Company Overview

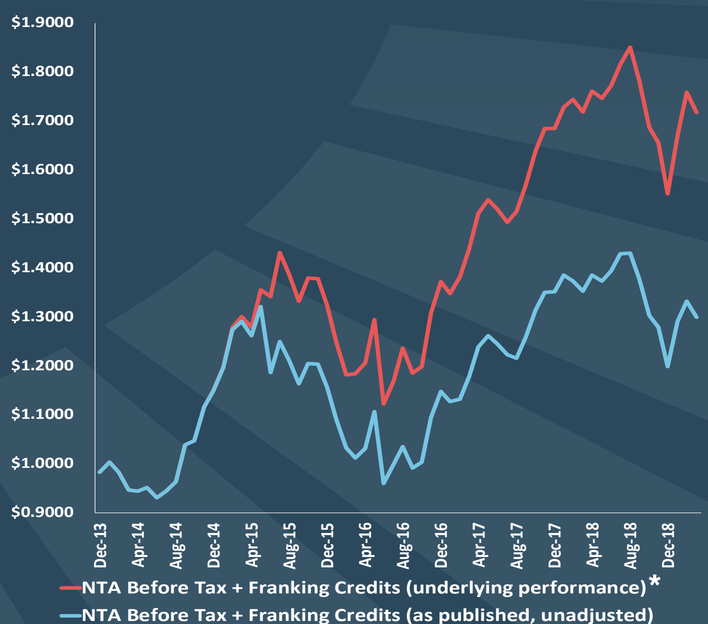
	PM Capital Global Opportunities Fund Limited	PM Capital Asian Opportunities Fund Limited
Asset Class	Global equities	Asian (ex-Japan) equities
Listing Date	11 December 2013	21 May 2014
Suggested Time Frame	Seven years plus	Seven years plus
Shares on Issue	352,020,714	56,541,541
Share Price[1]	$1.14	$0.99
Market Capitalisation	$ 401.3 million	$ 55.8 million
NTA before tax accruals + franking credits (per share, ex-dividend)	$1.2995	$1.1281
Company Net Assets before tax accruals + franking credits	$ 457.5 million	$63.8 million

See page 8 for Important Information. As at 31 March 2019.

PM Capital Global Opportunities Fund Limited

- **The Company** aims to create long term wealth through a concentrated portfolio of 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.

NTA performance since inception[2]



ASX Code	PGF
Category	Global equities (long/short)
Investment style	Fundamental, bottom-up research intensive approach
Number of stocks	As a guide, 25-45 stocks
Shares on issue	352,020,714
Suggested investment time	7 years +
Listing date	11 December 2013

* Excludes the impact of: Changes in ordinary share capital (i.e., option exercise, DRP); Dividends; and Tax paid. After all costs and expenses, including (but, not limited to): management fees; listing fees; registry costs; audit costs; and directors' fees.

PM Capital Global Opportunities Fund

Paul Moore
Global Portfolio Manager

Net Tangible Asset (NTA) backing per ordinary share (all figures are unaudited)[1]	December 2018	December 2018 (ex)	March 2019 (ex)	Change[4]	Perf. since inception p.a.[5]	Perf. since inception total[5]
NTA before tax accruals plus franking credits[2]	**$1.1985**	**$1.1728**	**$1.2995**	**+10.8%**	**+ 10.7%**	**+ 71.7%**
NTA after tax[3]	**$1.1459**	**$1.1279**	**$1.2173**	**+7.9%**		

1. Past performance is not a reliable indicator of future performance. 2. 31 March 2019 includes $0.031 of franking credits. 3. Net Tangible Assets (NTA) refers to the net assets of the Company after the accruals for net current and deferred tax liabilities/assets. 4. Change calculated on an ex-dividend basis. 5. Performance adjusted for capital flows associated with the payment of dividends, share issuance as a result of the dividend reinvestment plan, and including the value of franking credits.

KEY POINTS

- Markets rebound strongly in the first quarter of 2019
- Sharp rally in government bonds, with 10-year German bond yields turning negative
- Ares Management's c-conversion expands its shareholder base

PERFORMANCE

Equity markets rose sharply in the quarter, with the portfolio up strongly as fears of an economic recession subsided, credit spreads contracted, and the US Federal Reserve indicated it would be more patient with future federal funds rate increases.

PORTFOLIO ACTIVITY

We initiated a handful of new short positions. Several real estate investment trusts have reached valuation multiples where we perceive the risk-to-reward balance to be skewed to the downside, along with a number of consumer companies that have stretched valuations in a structurally challenged industry.

In late 2018 we initiated a long position in Freeport McMoRan, one of the largest and lowest cost copper producers in the world, after its stock fell over 50% from January 1, 2018. It is very economically sensitive, particularly to China, and while we may not be at the end of the down cycle in commodities, copper's importance in alternative energy infrastructure should increase the value of this company over the long term.

OUTLOOK

The largest contributors to fund performance over the quarter were the alternative asset managers, in particular Ares Management. This can be attributed to material growth in fee-related earnings, margin expansion from robust funds under management growth and also the change from a partnership structure to a regular corporation, which is leading to index inclusion and a significant broadening of its shareholder base.

Our US bank holdings, including Wells Fargo and Bank of America, performed well over the quarter as full year results illustrated their underlying business strength. They are now making double digit returns on equity, while also returning close to 100% of net income to shareholders via buybacks and dividends. We remain confident in these businesses, with their stock valuations very reasonable at a 10x earnings multiple.

While our European banking positions were up strongly over the quarter, the volatility in their stock prices has dampened sentiment towards the stocks. European banks have also struggled over the last year as ultra-low interest rates in Europe pressured profitability. We note that ING Group reiterated forward guidance at its March investor day and maintains its 10 to 12% return on equity target. 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.

Macau gaming companies, which were among the hardest hit in second half of 2018, recovered meaningfully from their December lows. A combination of factors worked to support the sector including

PM Capital Global Opportunities Fund

an improved risk appetite among investors and a strong results season, with most operators beating expectations and reiterating their positive long term expectations for the market.

Importantly, a significant overhang was removed from the Macau gaming operators during March, with Macau authorities extending MGM China and SJM Holdings' licenses until 2022 for a relatively small outlay. This now puts all six operators on the same license terms and reduces the complexity of the renewal process.

License renewals remain a core issue for Macau gaming operators to navigate in the future, but we believe the risks have been overblown on account of the US/ China trade tensions. Further to this, two of our Macau holdings have local partners which we think puts them in a stronger position in negotiating their respective licences.

Oracle bounced 22% during the quarter, assisted from a technical perspective by a share buyback. It spent $10 billion buying back its stock last quarter - approximately 5% of shares outstanding. Investors are fearful that Oracle will be disrupted by the more agile software companies during the general transition to the cloud. As a result, Oracle remains one of the cheapest software stocks in the sector.

In contrast, we believe Oracle is executing its long term roadmap well. Oracle has already re-written its enterprise suite to be totally cloud native. It is in a good position to take market share as enterprises consider migrating their enterprise applications to the cloud and furthermore, Oracle is again leading the database industry. It introduced its new autonomous database technology in 2018, which promises significant cost savings and efficiency gains for its clients. We are seeing early signs that its strategy is working. Its Fusion application suite grew over 30% yoy last quarter. Oracle has become the leading Enterprise Applications vendor in North America, ahead of SAP and Salesforce.com (per IDC research). Its autonomous database is also currently seeing very strong customer trial activities. We are optimistic that Oracle has turned the corner and will grow steadily in the coming years.

Visa and Mastercard also had a strong quarter (+17% and +26% respectively). The current valuation multiple is reasonably high at mid-20s x earnings. However, we believe this multiple is sustainable given the quality of the business models, competitive position and growth profiles.

The only significant detractor of performance over the quarter was Spanish property company Neinor. While its 2018 earnings beat expectations, investors waited for the release of its medium to long term strategy. Its 2019-21 business plan was announced in early April. We believe this will improve long term sentiment and are happy to hold the investment, particularly given the positive trajectory of the Spanish property market.

With regard to the currency, while the negative spread between Australian and US interest rates widened, which would normally lead to a weakening of the Australian Dollar, commodity prices had a strong rally that resulted in the Australian Dollar finishing relatively flat over the quarter.

Portfolio investments	Weighting^^
Post GFC Housing Recovery - US	12.5%
Post GFC Property Recovery - Europe	7.2%
Global Domestic Banking	33.8%
Service Monopolies	17.8%
Gaming - Macau	7.5%
Alternative Investment Managers	18.3%
Other	9.8%
Long Equities Position	106.9%
Short Equities Position	-19.1%
Net Invested Equities	87.8%
Total holdings	47

Current stock examples
Howard Hughes Corporation
Cairn Homes
Bank of America
Alphabet
MGM China Holdings
KKR & Co L.P.

Currency exposure*	
USD/ HKD	64.4%
EUR	16.6%
GBP	6.8%
AUD	12.2%
Total exposure	100.0%

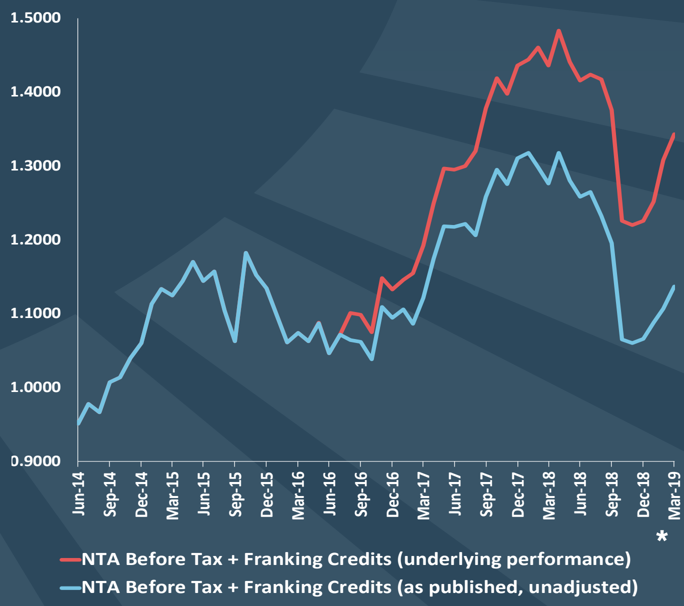
* Stated as effective exposure.

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

PM Capital Asian Opportunities Fund Limited

- **The Company** aims to create long term wealth through a concentrated portfolio of typically 15-35 Asian centric companies that we believe are trading at prices different to their intrinsic values.
- **The objective of the Company** is to provide longterm capital growth over a seven-year plus investment horizon through investment in a concentrated portfolio of predominantly undervalued listed Asian equities and other investment securities in the Asian Region (ex-Japan).

NTA performance since inception[2]



ASX code	PAF
Category	Asian (ex-Japan)[6] equities
Investment style	Fundamental, bottom-up research intensive approach
Number of stocks	As a guide, 15-35 stocks
Shares on issue	56,541,541
Suggested investment time	7 years +
Listing date	21 May 2014

*Excludes the impact of: Changes in ordinary share capital (i.e., option exercise, DRP); Dividends; and Tax paid. After all costs and expenses, including (but, not limited to): management fees; listing fees; registry costs; audit costs; and directors' fees.

PM Capital Asian Opportunities Fund

Kevin Bertoli
Asian Portfolio Manager

Net Tangible Asset (NTA) backing per ordinary share (all figures are unaudited)[1]	December 2018	December 2018 (ex)	March 2019 (ex)	Change[4]	Perf. since inception p.a.[5]	Perf. since inception total[5]
NTA before tax accruals plus franking credits[2]	1.0657	1.0371	1.1281	8.8%	6.2%	34.3%
NTA after tax[3]	1.0398	1.0198	1.0874	6.6%		

1. Past performance is not a reliable indicator of future performance. 2. 31 March 2019 includes $0.064 of franking credits. 3. Net Tangible Assets (NTA) refers to the net assets of the Company after the accruals for net current and deferred tax liabilities/assets. 4. Change calculated on an ex-dividend basis. 5. Performance adjusted for capital flows associated with the payment of dividends, share issuance as a result of the dividend reinvestment plan, and including the value of franking credits.

PERFORMANCE

Asian equity markets performed strongly over the quarter, erasing a large portion of the declines recorded in the second half of 2018. Key contributors to performance included iCar Asia, the regional gaming thematic and Malaysian brewers.

iCar Asia (+52%) rose after management reinforced a positive view of the current operating environment as well as cash flow breakeven guidance during a post-results roadshow. As communicated in recent commentary, we have been impressed with the progress made by management over the past year (EBITDA breakeven in both Malaysia and Thailand, monetisation in Indonesia and the launch of new businesses targeting the new car and auctions markets) despite this not being reflected in the share price. We believe technical factors, namely a significant shareholder selling down its shares, have now abated and the share price action is beginning to reflect the improving fundamentals.

Regional gaming companies, which were among the hardest hit in second half of 2018, recovered meaningfully from their December lows (Nagacorp +30%, Melco Resorts +28%, MGM China 25% and Wynn Resorts +21%). A combination of factors worked to support the sector, including better than expected monthly data releases and a strong results season, with most operators beating expectations and reiterating their positive long term expectations.

Importantly, a significant overhang was removed from the Macau gaming operators during March with MGM China and SJM Holdings having their licenses extended until 2022 for a relatively small outlay. This puts all six operators on the same license terms and reduces the complexity of the renewal process. License renewal remains a core issue for Macau gaming operators to navigate, but we believe the risk has been overblown on account of the US-China trade tensions. Further, two of our Macau holdings, Melco Resorts and MGM China, have large local shareholders, which we think puts them in a strong position when negotiating their respective licences.

Carlsberg Malaysia (+36%) and Heineken Malaysia (+17%) continued the strong performances witnessed in 2018. A decision by both companies to increase prices by up to 6.2% across their brand portfolios will drive strong underlying earnings growth over the next year. The Malaysian government's recent successes in reducing contraband beer sales, which have been a consistent headwind for the industry, also supported share prices.

PORTFOLIO POSITIONING

The invested position declined as two long term holdings, Nagacorp and Carlsberg Malaysia, were exited after our investment theses largely played out and target prices where reached.

The initial investment thesis for Nagacorp was centred around the ramp-up of their new casino property, aptly named 'Naga2', which we believed the market was underestimating. Firstly, we believed that the company's strong mass market gaming business, which was capacity constrained at Naga1, would accelerate meaningfully once Naga2 opened and secondly, that the higher quality nature of the new property and Cambodia's low tax rate jurisdiction would lead to new VIP partnerships. Both have now occurred, with results beating even our expectations. Consensus earnings projections have risen considerably, driving significant share price appreciation (+75%) since the opening of Naga2 in October 2017. We believe much of the positive earnings rerating story has now been exhausted while valuation relative to other regional operators is now comparable.

Carlsberg Malaysia, like Nagacorp, was also sold near its all-time highs. Carlsberg Malaysia, along with Heineken Malaysia which is still held in the portfolio, were positions first entered in 2013. Our Malaysian brewers have always sparked lively debate when speaking with fellow investors, the most common response being: "Why would you own a beer business in Malaysia, it's a predominantly Muslim country?". This natural bias was one of the factors that attracted us to

PM Capital Asian Opportunities Fund

these companies initially. Perception did not match reality in our opinion. Both companies have benefited from a favourable market structure and rational competitive landscape in Malaysia that has driven consistent growth in earnings, returns and share price performance. At the time of our initial investment both brewers traded at approximately 16x earnings and consistently paid out 100% of earnings as dividends. They have now rerated to 25x which we consider to be fairly valued.

OUTLOOK

An improved risk appetite among investors as US-China trade negotiations were seen to be progressing favourably and the Federal Reserve's decision to pause on further interest rate increases were key factors in the inflection seen in markets over the quarter. Macroeconomic factors such as these tend to be the predominant drivers of market direction day to day, and price action over the past 12 months highlights why investors, particularly those in emerging markets, need to be cognisant of the wider environment in which a business operates in when allocating capital.

While broad macroeconomic issues rarely form the basis of our investment ideas, rather investments are identified at an individual equity or industry level, an evaluation of these issues remain an important component of the investment process and they often contribute to why an asset or asset class might be mispriced.

When we look specifically at the companies owned in the portfolio, the underlying investment rationale has not changed for the vast majority over the past 12 months despite significant volatility in share prices. Rather, heightened macro concerns and a propensity for investors to become increasingly cautious regarding the key issues affecting a business as these concerns rise, drove the selloff in some portfolio names in the latter part of last year. This has reversed relatively quickly as expectations have changed again and as several of our investments have proven themselves. If changing macroeconomic factors do not alter the investment rationale of a holding, you should expect us to act counter to the prevailing sentiments; like in December and January when we added to unloved sectors and companies (iCar, copper, Macau).

The recent decline in the invested position should not be taken as a reflection of our view on markets - the sale of one position does not necessarily mean the purchase of another just because capital has been released. Rather, each new position we are researching or have on our watchlist has a specific catalyst which we are waiting for that will allow us to enter the position.

Portfolio investments	Weighting
Consumer - Breweries	8.1%
Consumer - Other	11.5%
Financials	17.8%
Gaming	15.4%
Online Classifieds & Ecommerce	13.4%
Capital Goods & Commodities	11.1%
Oil & Gas Infrastructure	9.4%
Technology Hardware	5.3%
Long Equities Position	**92.0%**
Short Equities Position	-1.6%
Net Invested Equities	**90.4%**

Current stock examples	
Heineken Malaysia	
Dali Food Group	
DBS	
MGM China Holdings Ltd	
Baidu	
Turquoise Hill Resources	
Sinopec Kantons	
Total Holdings	28

Currency exposure*	
USD	33.9%
HKD	32.9%
AUD	24.8%
INR	4.9%
Other	3.5%
Total exposure	100.0%

* Stated as Effective Exposure.

Kevin Bertoli - Asian 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)

PM CAPITAL Asian Opportunities Fund Limited
ACN 168 666 171 (ASX Code: PAF)

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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. The Index for the PM Capital Asian Opportunities Fund Limited 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.

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

1. As at close of market trading Friday 29th March 2018.

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

6. 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 Company 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).

RESPONSIBLE ENTITY

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