

10 September 2014

## FUND NOTICE

We wish to advise of pending amendments and/or updates for

- PM CAPITAL Absolute Performance Fund (ARSN 092 434 618, APIR Code PMC0100AU);
- PM CAPITAL Emerging Asia Fund (ARSN 130 588 439, APIR Code PMC0002AU);
- PM CAPITAL Australian Opportunities Fund (ARSN 092 434 467, APIR Code PMC0101AU);
- PM CAPITAL Enhanced Yield Fund (ARSN 099 581 558, APIR Code: PMC0103AU)

(collectively the “Funds”) as follows:

### Change in Fund Names

We intend to change the name change of the funds, as follows:

<b>PM CAPITAL Absolute Performance Fund</b>	will become	<b>PM CAPITAL Global Companies Fund</b>
<b>PM CAPITAL Emerging Asia Fund</b>	will become	<b>PM CAPITAL Asian Companies Fund</b>
<b>PM CAPITAL Australian Opportunities Fund</b>	will become	<b>PM CAPITAL Australian Companies Fund</b>

The name of the PM CAPITAL Enhanced Yield Fund (ARSN 099 581 558) will remain unchanged.

At the inception of the Absolute Performance Fund in 1998, the reference to “absolute performance” simply recognised that the Fund was not aligned with a benchmark; rather, investments were selectively assembled to provide capital growth based on their individual merit. However, more than 15 years later, the general market perception of the term “absolute performance” has evolved into a description of “market neutral”, where a promise of low short-term volatility is offset by limited upside. As long term investors, this does not reflect PM CAPITAL’s investment philosophy.

### PM CAPITAL Absolute Performance Fund

#### Objective

To provide long term capital growth and outperform the greater of MSCI All Country World Net Index (AUD) or RBA cash rate over rolling 7 year periods.

#### Allowable assets

The allowable assets include (but are not limited to) listed and unlisted global securities and other instruments, interest bearing debt securities, managed investment schemes, derivatives (both exchange traded and over the counter (OTC) – for example swaps, options, futures, currency contracts, credit derivatives/credit default swaps, and similar instruments), deposit products and cash. Cash includes investment grade deposits, term deposits, and/or senior investment grade debt securities with maturities of less than 12 months. Debt securities may include government bonds, and other securities issued by governments; corporate bonds; asset backed securities; hybrid securities; inflation linked securities; structured securities; tradeable loans; repurchase agreements; or other instruments from time to time that provide in our opinion similar credit risk and return profiles.

Amendments to investment guidelines

- The industry sector exposure limit will be removed.

Asset type & allocations

<b>Asset type</b>	<b>Allocation range</b>
International listed equities and/or Australian listed equities	0 - 170% (gross) 0 - 110% (net)
International government bonds Australian government bonds	0 - 30%
International corporate bonds Australian corporate bonds {including tradable loan securities}	0 - 30%
Exchange-traded derivatives	0 - 100%
Over-the-counter (OTC) derivatives	0 - 100%
Other - Such as unlisted unit trusts (MIS) and securities	0 - 10%
Cash, term deposits, and cash equivalent investments	0 - 100%

**PM CAPITAL Emerging Asia Fund**

Objective

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 7 year periods.

Allowable assets

The allowable assets include (but are not limited to) listed and unlisted global securities and other instruments, interest bearing debt securities, managed investment schemes, derivatives (both exchange traded and over the counter (OTC) – for example swaps, options, futures, currency contracts, credit derivatives/credit default swaps, and similar instruments), deposit products and cash. Cash includes investment grade deposits, term deposits, and/or senior investment grade debt securities with maturities of less than 12 months. Debt securities may include government bonds, and other securities issued by governments; corporate bonds; asset backed securities; hybrid securities; inflation linked securities; structured securities; tradeable loans; repurchase agreements; or other instruments from time to time that provide in our opinion similar credit risk and return profiles.

Asset type & allocations

<b>Asset type</b>	<b>Allocation range</b>
International listed equities	0 - 100%
International government bonds Australian government bonds	0 - 30%
International corporate bonds Australian corporate bonds {including tradable loan securities}	0 - 30%
Exchange-traded derivatives	0 - 100%
Over-the-counter (OTC) derivatives	0 - 100%
Other - Such as unlisted unit trusts (MIS) and securities	0 - 10%
Cash, term deposits, and cash equivalent investments	0 - 100%

## **PM CAPITAL Australian Opportunities Fund**

### Objective

To outperform the greater of the S&P/ASX 200 Accumulation Index or the RBA cash rate over rolling 7 year periods.

### Allowable assets

The allowable assets include (but are not limited to) listed and unlisted Australian and global securities, interest bearing debt securities, managed investment schemes, derivatives (both exchange traded and over the counter (OTC) – for example swaps, options, futures, currency contracts, credit derivatives/credit default swaps, and similar instruments), deposit products and cash. Cash includes any debt instrument of any credit ranking with less than 12 months. Debt securities may include government bonds, and other securities issued by governments; corporate bonds; asset backed securities; hybrid securities; inflation linked securities; structured securities; tradeable loans; repurchase agreements; or other instruments from time to time that provide in our opinion similar credit risk and return profiles.

### Amendments to investment guidelines

- The industry sector exposure limit will be removed.
- The Fund will allow the investment in up to 20% of Net Asset Value in global listed securities. This limit does not include exposure gained via an investment in Australian company securities which are dual-listed on an overseas securities exchange. The Fund will actively manage currency exposure. Accordingly, the Fund may be exposed to foreign currency.
- Currency exposures due to equity investments may be hedged at the Manager’s discretion. Currency exposures due to investments in bonds will be hedged as far as practicable. Accordingly, the Fund (subject to its investments) may remain partially or fully exposed to any one or more of the currencies of the various global domiciles in which the Fund is invested. The Fund may purchase currency put options (or other hedges with an absolute outcome) to protect the purchasing power of the Fund from the depreciation in the Australian dollar.

### Asset type & allocations

<b>Asset type</b>	<b>Allocation range<sup>1</sup></b>
Australian listed equities <sup>2</sup>	0 - 170% (gross) 0 - 110% (net)
International listed equities <sup>3</sup>	0 - 20%
Australian government bonds International government bonds	0 - 30%
Australian corporate bonds International corporate bonds {including tradable loan securities}	0 - 30%
Exchange-traded derivatives	0 - 100%
Over-the-counter (OTC) derivatives	0 - 100%
Other - Such as unlisted unit trusts (MIS) and securities	0 - 10%
Cash, term deposits, and cash equivalent investments	0 - 100%

1. The total gross allocation to equities of 170% incorporates both Australian and international listed equities. Within this total, the exposure to international equities (excluding dual-listed investments) is limited to 20%. The total exposure also incorporates the ability to short securities as outlined in the Investment guidelines & restrictions. 190% is the maximum gross exposure (longs + shorts +bonds).

2. Including equities that are dual-listed on an overseas securities exchange.

3. Excluding Australian equities dual-listed on an overseas exchange.

## **PM CAPITAL Enhanced Yield Fund**

### Objective

To seek to provide a return to investors in excess of the Reserve Bank of Australia’s (RBA) cash rate over rolling 2 year periods.

Allowable assets

The allowable assets include (but are not limited to) cash and yield securities, listed and unlisted global securities, managed investment schemes, derivatives (both exchange traded and over the counter (OTC) – for example swaps, options, futures, currency contracts, credit derivatives/credit default swaps, and similar instruments). Cash includes investment grade deposits, term deposits, and/or senior investment grade debt securities with maturities of less than 12 months. Specific securities may include Bank Bills, Negotiable Certificate of Deposits, corporate promissory notes, investment grade senior corporate debt, other financial deposits (all with maturities of less than 12 months) and other instruments that provide broadly similar credit risk and return outcomes. Yield securities includes government or corporate bonds (and other instruments issued by government or corporates); asset backed securities (including residential, commercial, or other market traded asset types); hybrid securities; inflation linked securities; structured securities/notes; tradeable loans; repurchase agreements; and other instruments that provide in our opinion similar credit risk and return outcomes either issued in Australia or internationally.

Amendments to investment guidelines

- maximum exposure to BBB flat and below rated securities (including Unrated Securities) is 50%;
- within the limit for corporate bonds, the Fund may purchase loans issued by global entities. These loans may generally be tradable over the counter;
- derivatives (exchange traded and/or OTC) may be used for hedging or to create new positions. This includes to benefit from an appreciation or deterioration of credit spreads. Where an individual credit derivative is used to benefit from a deterioration in credit spreads, it may not necessarily be hedging an existing position;
- as far as practicable, offshore currency is hedged back to Australian dollars. Nevertheless, some residual currency exposure may remain.

Asset type & allocations

<b>Asset type and valuation</b>	<b>Allocation range</b>
Cash, and cash equivalent investments	20% - 100%
Exchange-traded derivatives	0 – 100%
Over-the-counter (OTC) derivatives	0 – 100%
International government bonds <sup>1</sup> Australian government bonds <sup>1</sup>  This category includes: <ul style="list-style-type: none"> <li>• inflation linked securities; and</li> <li>• other instruments that provide broadly similar credit risk and return outcomes.</li> </ul>	0 - 80%
International corporate bonds <sup>1</sup> Australian corporate bonds <sup>1</sup>  This category includes: <ul style="list-style-type: none"> <li>• inflation linked securities</li> <li>• asset backed securities (residential / commercial / other market traded asset types)</li> <li>• structured securities / notes - potentially with multiple underlying obligors.</li> <li>• tradable corporate loan securities; and</li> <li>• other instruments that provide broadly similar credit risk and return outcomes.</li> </ul>	0 - 80%
International hybrid securities Australian hybrid securities (listed)	0 - 80%
International hybrid securities Australian hybrid securities (unlisted)	0 - 80%
Other – International / Australia {including unlisted unit trusts (MIS) and other unlisted instruments}	0 - 10%
International listed equities Australian listed equities	0 - 5%

1. with a maturity of longer than 12 months.

**Summary**

The amendments for the Funds, as summarised above, will become effective on the lodgement of updated Constitutions and the issue of a new Product Disclosure Statement expected by early October 2014.

We remain vigilant in executing our investment process with the objective of delivering long-term absolute capital growth for our investors. Our investment philosophy and process remains the same as it was at inception in 1998, and we look forward to continuing this in the many years ahead.

The following table summarises the name of the PM CAPITAL investment options going forward, the APIR codes will remain the same:

<b><u>Asset Class</u></b>	<b><u>Unlisted-Managed Fund</u></b>	<b><u>ASX-listed Investment Company</u></b>
Global Equities	Global Companies Fund	Global Opportunities Fund Limited
Asian Equities	Asian Companies Fund	Asian Opportunities Fund Limited
Australian Equities	Australian Companies Fund	
Yield	Enhanced Yield Fund	

If you have any questions or would like to discuss this further, please contact Mr Rob Thompson on Telephone: +612 8243 0807 or by E-mail: [rthompson@pmcapital.com.au](mailto:rthompson@pmcapital.com.au).

Authorised  
**PM CAPITAL Limited**  
as responsible entity for the Funds



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