

Monthly Update

Fund commentary

- January was a month of two distinct halves – trade truce versus coronavirus
- Exceptional results from Frontier Digital Ventures and iCar Asia assist performance

The portfolio was on track to record a solid month in January as underlying holdings, particularly our gaming and copper holdings, reacted positively to the announcement of a phase one trade deal. However, this quickly reversed with the coronavirus outbreak in China, with these holdings subsequently finishing the month in the red. Freeport McMoRan fell -15% and MGM China -13%.

While coronavirus remains a short term unknown it does not materially change our long term thesis on Macau gaming or copper. To the contrary, the recent disruption is presenting some interesting opportunities. We currently have a watchlist of companies that have historically presented as being expensive, but may now become interesting investment candidates on any further weakness.

The portfolio's two largest positions, iCar Asia (+22%) and Frontier Digital Ventures (+39%), contributed positively to performance after both announced robust Appendix 4C quarterly cash flow updates. Both companies exhibited exceptionally strong revenue growth in 2019; a trend which should continue in the year ahead. These strong performances also bode well for the impending breakeven of both companies in 2020.

Heineken Malaysia (+11%) was exited during the month after a period of strong performance led to our exit objective being met. Heineken Malaysia - along with Carlsberg Malaysia, which was sold in 2019 - were long-held positions in the portfolio that contributed meaningfully to performance over their holding periods.

Fund performance ⁺ (net of fees)	Inception Date	Exit Price (\$ cum)	1 Month	3 Months	6 Months	1 Year	3 Years pa	5 Years pa	7 Years pa	10 Years pa	Since Inception pa
Asian Companies Fund	07-2008	1.6612	1.0%	6.3%	8.6%	10.6%	6.8%	5.3%	9.8%	8.7%	13.0%
MSCI AC Asia ex Japan Net Total Return Index			0.3%	5.1%	6.9%	14.6%	13.5%	8.3%	11.7%	9.3%	8.5%
Outperformance by the Fund			0.7%	1.2%	1.7%	-4.0%	-6.7%	-3.0%	-1.9%	-0.6%	4.5%

Portfolio investments	Weighting
Online Classifieds & Ecommerce	24.0%
Gaming	15.7%
Consumer	13.8%
Infrastructure - Oil & Gas	10.7%
Infrastructure - Other	4.6%
Financials	9.8%
Materials (Copper)	8.0%
Other	5.8%
Long Equity Position	92.4%
Net invested position	92.4%
Total holdings	25

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

Currency exposure [*]	
USD	58.0%
AUD	35.8%
HKD	0.4%
INR	6.3%
Other	-0.5%
Total exposure	100.0%



[^] 'Domicile of Listing' represents the location of stock exchange listing of each entities' head office, whereas 'Domicile of Business' represents the location of the predominant business of those entities.



^{*} Stated at effective value.

PM Capital Limited, founded in 1998, is a globally-focussed fund manager that invests money on behalf of private clients, the clients of financial advisers and institutions. PM Capital's goal is to build long term wealth by investing in global markets with patience and conviction.

Investment philosophy

We aim to build long term wealth together with our co-investors by finding and exploiting investment anomalies. Using a focused, patient and considered approach to finding simple investment ideas produces the best environment for creating that long term wealth.

Our experience has shown us that while the market is largely efficient, it can, and regularly does, misprice a small proportion of companies. This mispricing can arise as a result of any number of reasons, but is most often associated with disruptive or cyclical change, new information which is misunderstood by the market as having a permanent impact when it is in fact transitory, or just because they are operating in a sector out of favour with investors.

Our unique process is based on scanning the world for those companies (hence the radar in our logo), discovering the associated valuation anomalies and extracting value from them. We buy good businesses at a good price; businesses that we believe are being valued differently to their long term intrinsic value, but will return to their correct value over time.

Who manages the investment?

Kevin Bertoli is the Portfolio Manager, who has over 13 years' industry experience and has managed the Fund since its inception. Kevin is supported by a team of experienced investment analysts. The investment team is led by founder and CIO Paul Moore.

We believe in being a patient investor, one that has conviction, one that sees opportunities where others only see risk. We only invest in what we know, deeply, via our fundamental research.

Why the Asian Companies Fund?

Asia-specific: The Fund focuses on companies listed or operating in Asia (ex-Japan), giving unrestricted exposure to the world's fastest growing region.

Established: The Fund's process has been shown to be effective, based on a philosophy developed by Paul Moore, over 34 years. This has produced attractive long term capital growth.

Unrestricted: We have an authentic investment process where our exposure to countries, industry sectors or market capitalisation is determined solely by our conviction in the risk/reward opportunities that we identify in individual stocks. No conviction at the stock level = no investment.

Opportunistic and focused: The Fund is not built around a general market benchmark or index - it is highly focused based on our fundamental, bottom-up investment process. As a guide, the Fund holds around 15 - 35 deeply researched stocks that we believe give the best opportunity to produce strong long term returns.

Co-investment: Our co-investors receive access to a unique subset of opportunities to which they may otherwise find difficult to access. The management team have significant investments in the Fund - they invest for and with you.

Outperformance: The Fund *has outperformed the relevant market index by 156% since inception.*¹ The Fund is managed from an Australian investor's perspective with consideration for tax and currency outcomes.

Key Fund Details

Fund category

Asian equities

Investment style

Fundamental, bottom-up research intensive approach

Inception date

1 July 2008

Fund size

\$24.6 Million

Strategy size

\$87.4 Million

Number of stocks

As a guide, 15-35 stocks

Minimum direct investment

\$20,000

Recommended investment time

Seven years plus

Fees (pa)

Management fee: 1.40%

Buy / sell spread

0.5% (Round trip)

Investor profile

The Fund may be appropriate for investors seeking capital appreciation over a seven plus year investment horizon through a concentrated portfolio of Asian Equities (ex- Japan).

Important Notice

This Report is issued by PM Capital Limited ABN 69 083 644 731 AFSL 230222 as responsible entity for the PM CAPITAL Asian Companies Fund (ARSN 130 588 439, the 'Fund'). It contains summary information only to provide an insight into how we make our investment decisions. This information does not constitute advice or recommendations, and is subject to change without notice. It 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 which available from us, and seek their own financial advice prior to investing. The PDS explains how the Fund's Net Asset Value is calculated. 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 market forces. The investment objective is not a forecast, and is only an indication of what the investment strategy aims to achieve over the medium to long term.

1. 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. The Index is the MSCI All Country Asia ex Japan Net Total Return Index in Australian dollars, net dividends reinvested. See www.msci.com for further information on the Index.

Further Information

www.pmcapital.com.au T: +612 8243 0888 E: pmcapital@pmcapital.com.au