

# Monthly Update

## Fund commentary

- Equity losses largely offset by currency gains
- KKR issues strong results

In January, declines in our equity holdings were largely offset by gains in our currency positioning. The novel coronavirus outbreak saw holdings such as our Macau casino operator MGM China decline sharply in the last two weeks of January, as did broad commodity prices, commodity stocks and the Australian Dollar.

Much of our currency exposure is to the United States Dollar and Euro. Both of these currencies typically appreciate against the Australian Dollar in times of uncertainty and help to protect the portfolio.

During the month, alternative fund manager KKR

appreciated 9% after issuing strong results. KKR's book value was up sharply in 2019, fundraising efforts continue in earnest, and management is considering corporate governance changes to allow inclusion in the Russell index family.

Part of our alternative manager investment thesis – discussed in our September 2019 quarterly report – was how conversion from a partnership structure to a corporate structure would facilitate wider ownership and ultimately share price appreciation. The thesis continues to play out as expected.

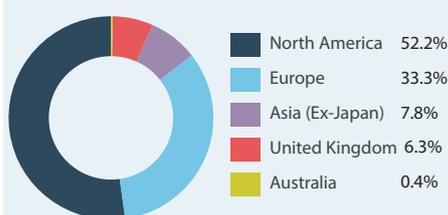
| Global Companies Fund                                       | Inception Date | Exit Price (\$ cum) | 1 Month      | 3 Months     | 6 Months     | 1 Year       | 3 Years pa   | 5 Years pa   | 7 Years pa   | 10 Years pa  | Since Inception pa |
|---|----------------|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------------|
| <b>Fund performance (net of pro forma fees)<sup>1</sup></b> | <b>10-1998</b> | <b>3.4366</b>       | <b>-0.5%</b> | <b>6.4%</b>  | <b>11.2%</b> | <b>21.9%</b> | <b>14.9%</b> | <b>11.7%</b> | <b>18.5%</b> | <b>15.5%</b> | <b>11.1%</b>       |
| <b>Fund performance (net of actual fees)</b>                |                |                     | <b>-0.5%</b> | <b>6.4%</b>  | <b>11.2%</b> | <b>21.9%</b> | <b>13.4%</b> | <b>10.1%</b> | <b>15.6%</b> | <b>13.1%</b> | <b>9.0%</b>        |
| MSCI World Net Total Return Index (AUD)                     |                |                     | 4.4%         | 8.3%         | 11.1%        | 28.2%        | 16.2%        | 12.4%        | 16.9%        | 13.0%        | 5.5%               |
| <b>Outperformance (net of pro forma fees)<sup>1</sup></b>   |                |                     | <b>-4.9%</b> | <b>-1.9%</b> | <b>0.1%</b>  | <b>-6.3%</b> | <b>-1.3%</b> | <b>-0.7%</b> | <b>1.6%</b>  | <b>2.5%</b>  | <b>5.6%</b>        |

1. Fund performance and Outperformance (net of pro forma fees) has been calculated based on the new fee structure (implemented 1 December 2018), assuming it had applied from the Fund's inception. These returns do not represent the actual net Fund performance and are included for illustrative purposes only.

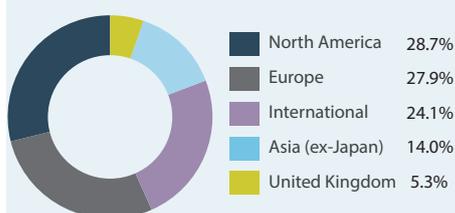
| Portfolio investments               | Weighting    | Current stock example        |
|-------------------------------------|--------------|------------------------------|
| Post GFC Property Recovery - Europe | 8.1%         | Cairn Homes                  |
| Global Domestic Banking             | 31.4%        | Bank of America              |
| Service Monopolies                  | 10.3%        | Visa                         |
| Gaming - Macau                      | 7.9%         | MGM China                    |
| Alternative Investment Managers     | 13.2%        | KKR & Co.                    |
| Materials                           | 5.4%         | Freeport-McMoRan Copper      |
| Other                               | 16.3%        |                              |
| Long Equity Position                | <b>92.6%</b> | Currency exposure*           |
| Short Equity Position               | -12.5%       | USD 56.3%                    |
| Net invested equities               | 80.1%        | AUD 20.9%                    |
| Total holdings                      | 46           | EUR 15.4%                    |
|                                     |              | GBP 5.4%                     |
|                                     |              | HKD 2.0%                     |
|                                     |              | <b>Total exposure 100.0%</b> |

\*Stated at effective value.

### Domicile of listing<sup>^</sup>



### Domicile of business<sup>^</sup>



<sup>^</sup> '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.

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?

The Portfolio Manager for the Fund and CIO is Paul Moore. Paul is supported by a team of experienced investment analysts.

We believe in being a patient investor, one that has conviction, one that finds opportunities where others can only see

risk. We only invest in what we know, deeply, via our fundamental research.

## Why the Global Companies Fund?

**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 industry sectors, geographic regions or market capitalisation is determined solely by our conviction in the risk/reward opportunities that we identify within portfolio guidelines. No conviction = 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 25 - 45 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 would 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 316% since inception.*<sup>1</sup> The Fund is managed from an Australian investor's perspective with consideration for tax and currency outcomes.

## Key Fund Details

### Fund category

Global equities

### Investment style

Fundamental, bottom-up research intensive approach

### Inception date

28 October 1998

### Fund size

\$474.1 Million

### Strategy size

\$1,192.1 Million

### Number of stocks

As a guide, 25-45 stocks

### Minimum direct investment

\$20,000

### Recommended investment time

Seven years plus

### Fees (pa)

Mgmt fee: 1.09% Perf. fee: 20% (subject to a high water mark) of the excess above the greater of the RBA cash rate and MSCI World Net Return Index (AUD).

### 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

## Important Notice

This Report is issued by PM Capital Limited ABN 69 083 644 731 AFSL 230222 as responsible entity for the PM Capital Global Companies Fund (ARSN 092 434 618, 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 is 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 World Net Total Return Index in Australian dollars, net dividends reinvested. See [www.msci.com](http://www.msci.com) for further information on the Index.

## Further Information

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