PM Capital

Quarterly report

March 2024

PM Capital
GLOBAL OPPORTUNITIES FUND LIMITED

PM Capital Global Opportunities Fund Limited

ACN 166 064 875 (ASX Code: PGF)

CONTENTS

Quarterly video insight

In this video, Co-Portfolio Managers Kevin Bertoli and John Whelan discuss:

- The state of play in global markets and the implications for valuations
- Drivers behind the performance, and core themes in the portfolio such as 'where to from here' for European banks
- Update on Airbus and CNOOC

Access the video **here.**

Access all market updates and insights **here.**

Listed Company Overview

	PM Capital Global Opportunities Fund Limited
ASX Code	PGF
Asset Class	Global equities
Listing Date	11 December 2013
Suggested Time Frame	Seven years plus
Shares on Issue	409,124,707
Share Price	$1.995
Market Capitalisation	$816.2 million
NTA before tax accruals (per share)	$2.0958
Company Net Assets before tax accruals	$857.4 million

See page 5 for Important Information. As at 31 March 2024.

PM Capital Global Opportunities Fund

Simple ideas, simple businesses

Building long-term wealth by finding and exploiting investment anomalies around the world

Net Tangible Asset (NTA) backing per ordinary share (After fees and expenses, all figures are unaudited)[1]	**March 2024**
NTA before tax accruals	**$ 2.0958**
NTA after tax (excluding deferred tax assets)	**$ 1.8254**

Company performance (net of fees)[2]	**3 Months**	**1 Year**	**3 Years pa**	**5 Years pa**	**7 Years pa**	**Since inception pa**	**Total Return**	**Gross Dividend Yield** (pa)[3]
PM Capital Global Opportunities Fund	**15.2%**	**29.6%**	**19.6%**	**19.0%**	**16.1%**	**14.7%**	**310.1%**	**7.2%**

1. Past performance is not a reliable indicator of future performance. 2. Performance adjusted for capital flows including those associated with the payment of dividends and tax, share issuance as a result of option exercise and the dividend reinvestment plan. 3. Based on share price as at 31 March 2024 and the dividend guidance issued to the ASX on 10 August 2023. The intended fully franked dividend is subject to there being no material adverse changes in market conditions and the investment performance of the Company's portfolio. The Company's ability to continue paying fully franked dividends is dependent on the payment of tax on investment profits and there can be no guarantee that such profits will be generated in the future.

KEY POINTS

- The Company returned 15.2% for the quarter.
- Step change in shareholder distributions for European banks provide tailwind for the sector.
- A321 XLR aircraft to propel Airbus into the next decade .
- Strong operational outlook and prospects of further shareholder returns boost CNOOC.

PERFORMANCE

Our European bank holdings had a strong quarter, lead by Italy's largest bank, Intesa Sanpaolo up 27%, and the more rate sensitive AIB Group and CaixaBank up 28% and 29% respectively. While the rise in bond yields helped, we believe the key positive development was management's step change in their attitude to capital allocation with our holdings now returning circa 100% of their earnings back to shareholders, resulting in 15% yields through dividends and buybacks. The sector has finally come through a decade and a half of simplifying their businesses, increasing their capital bases, and reducing their overall balance sheet risk. European banks have both reduced the risk in their lending books and increased the capital they hold against these loans.

Many investors see the European banks as complicated and uninvestable. We see a sector at an inflection point with regard to interest rates, regulatory burdens and ultimately profitability, and thus see the sector as a long-term misunderstood opportunity.

The period of negative interest rates was very painful for the banks. However, negative rates are highly unusual in a long-term historical context and we do not see the ECB returning to this policy anytime soon. The combination of normal rates in the 2-3% range and a simplified business model focused on retail saving and lending products, coupled with fee income from wealth management and insurance products, should allow for a mid-teen return on equity. We believe this is not being reflected in current valuations.

Airbus had a strong quarter advancing 22% on the back of strong orders, rising deliveries and improving cashflow due to the absence of new aircraft programs. The key issue for Airbus is the successful ramp-up of production of their A320 family of aircraft. This includes the introduction into service of the A321 XLR which is expected in the latter half of 2024. The A321 XLR should greatly enhance value for airline clients, as it effectively allows airlines to use smaller and more fuel efficient single-aisle aircraft for long haul flights. The XLR can travel up to 8,700 kms, which opens new transatlantic routes as well as the important intra-Asian routes for single-aisle aircraft. Record free cash flow generation is also on the cards, as no new aircraft launch is expected until at least the early part of the next decade. This will keep research and development expenditure contained until close to the end of the decade.

Oil and gas producer CNOOC rose 39% despite the continued uncertainty surrounding Chinese equities more broadly. While oil prices inched up through the quarter, this was not the predominant driver with CNOOC comfortably outperforming global sector peers. CNOOC's annual strategy day in January proved to be a positive catalyst, specifically the upgraded 2024-2026 production targets, which now imply CAGR of 6-7% over the next three years. Management also spoke to shareholder returns, which are becoming a greater focus amongst Chinese state-owned entities at the behest of Beijing. Management resolved to address the company's valuation discount versus global peers through dividends and buybacks. We also believe CNOOC was positively impacted by the current dispute between Exxon Mobil and the soon to be merged Chevron and Hess regarding first refusal rights over the latter's stake in a very lucrative joint venture operating Guyana. CNOOC owns 25% of the Guyana joint venture and the dispute highlights the value of this stake to CNOOC shareholders.

PORTFOLIO ACTIVITY & OUTLOOK

We initiated a new position in Royalty Pharma, a company we have spent the past twelve months building our understanding of. Royalty Pharma invests in and owns royalty streams on a diverse basket of pharmaceutical drugs, with most streams structured as a percentage of global sales. The owners and marketers of these drugs include many of the multinational pharmaceutical companies we are all familiar with, Pfizer and Johnson & Johnson being two examples. Royalty businesses are well established and well followed in the mining industry; the contrary is true in pharmaceuticals. Royalty Pharma listed publicly three years ago and is the only large capitalisation stock of its kind.

We believe Royalty Pharma's current mix of assets is strong – their flagship asset relates to cystic fibrosis where one highly effective specialist treatment dominates the market. Management have proven adept over time in securing new assets at good returns. Royalty Pharma increasingly plays the role of specialist capital provider in the industry, as biopharmaceutical companies looking for capital struggle to obtain debt financing. They must weigh up dilutive equity raises or less onerous royalty arrangements. Royalty Pharma are one of few firms globally that have the expertise to assess these opportunities.

In late March we exited our position in Flutter Entertainment. We entered into this position in March and April 2022, and the position has contributed materially to performance over the past two years with the share price more than doubling from our entry point. At the time of our initial investment, Flutter – along with the wider US sports betting and online gaming universe – had sold off substantially as investors shifted from a focus on revenue growth to competition and profitability as the rate cycle inflected. Since this point investor sentiment towards the US sports betting and online gaming opportunity has vastly improved as competitive pressure abated and large operators such as Flutter moved towards profitability. Flutter in particular has benefited from exceptional execution in the US and has adapted best to a changing regulatory environment in the UK and Australia. While we continue to believe Flutter will be the long-term winner in the US and maintain its leadership position in key mature markets like the UK and Australia, this thesis is now the consensus view and valuation has rerated.

We will soon realise our investment in the Spanish listed testing and inspection company Applus Services as it enters the final stages of being acquired. The Spanish regulators, the CNMV have approved both the €11 per share cash offer by ISquared and TDR, in addition to the alternative €10.65 per share bid by Apollo. The acceptance period started on 26 March and will last for 30 days during which additional improvements or new competing bids could emerge. At the end of the period, both parties can lodge their best and final bid.

Portfolio investments	Weighting^^
Domestic Banking - Europe	25%
Commodities - Energy	17%
Commodities - Industrial metals	17%
Domestic Banking - USA	13%
Industrials	11%
Gaming	11%
Housing Ireland & Spain	7%
Alternative Investment Managers	6%
Other	6%
Long Equity Position	**113%**
Direct Short Position	-4%
Index Short Position	-12%
Net Invested Equities	97%
Total holdings	46

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

Currency exposure*	100%
AUD	72%
EUR	7%
HKD	7%
GBP	6%
Other	8%

^^ Quoted before tax liability on unrealised gains.
* Stated as effective exposure.

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

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

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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. See www.msci.com for further information on the MSCI indices.

Inception date for PGF: 12 December 2013.

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

This announcement is authorised by Benjamin Skilbeck - Director.

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