The Investment In-Crowd V PM Capital's approach

European banks

The Investment In-Crowd	PM Capital's approach
The investment In-Crowd avoided European banks for more than a decade. Expectations of falling interest rates and tougher banking regulation in Europe weighed on the sector. After underperforming for so long, European bank valuations have badly lagged those in the US and Australia.	European bank valuations provided an attractive entry point into the sector. We expected inflation and interest rates to rise, which would support higher bank earnings. We also expected easing banking regulation in Europe, and for higher dividends and/or share buybacks to resume.

Irish home builders

The Investment In-Crowd	PM Capital's approach
The In-Crowd dumped European property companies after the 2008-09 Global Financial Crisis and then Brexit in 2016. Residential home builders in Ireland were particularly hard-hit. COVID-19 added further uncertainty into European property and diminished investor sentiment towards these companies.	PM Capital believed some European property stocks fell too far during the property crisis in the region in the previous decade. We expected the eurozone to recover, with strong growth in Ireland. A large gap between housing supply and demand in Ireland was an opportunity for residential builders in that market.

Copper, oil

The Investment In-Crowd	PM Capital's approach
Copper and some other commodities lost favour in the previous decade as the investing In-Crowd preferred tech or other momentum-based growth stocks. Expectations of slowing global economic growth weighed on copper. Oil was even more out of favour in the previous decade as the In-Crowd focussed on clean energy.	PM Capital thought copper had attractive fundamentals, based on supply constraints in the commodity. We believed a higher copper price was needed to incentivise new copper production. After our copper holdings rallied, we rotated to oil. Like copper, we believed oil faced greater supply constraints, which would support a higher oil price.

Macau casinos

The Investment In-Crowd	PM Capital's approach
The In-Crowd avoided casino stocks with operations in China, amid an anti-corruption crackdown, US/China trade dispute, COVID-19 and fears of greater Chinese regulation of the sector. At one point, the market ascribed almost no value to the Macau assets of some western companies that had Chinese government concessions to operate there. This valuation anomaly was despite Macau's position as the world's casino capital.	PM Capital took advantage of volatility in the Macau casino sector to lighten our positions (after share prices rallied) and re-established positions (after prices fell). We believed the market over-reacted to the risk of regulatory change in Macau. We were attracted to the Chinese casino industry's long-term growth prospects, favourable industry structures, relatively high return on capital invested, and low company valuations in the sector.

Fixed income

The Investment In-Crowd	PM Capital's approach
Last year, the investment In-Crowd believed higher inflation was a temporary response to supply-chain bottlenecks during COVID-19. They thought interest rates near zero were the norm, and that rate rises were a long way off and would be moderate. The In-Crowd seemingly thought the 40-year bull market in bonds would continue in perpetuity, aided by record low inflation and interest rates. They were positioned in fixed-rate bonds – a strategy that has so far underperformed in 2022.	PM Capital argued that inflation would be higher and more persistent than markets recognised. We expected some central banks to raise interest rates earlier and more aggressively than the market had priced in. We reduced exposure to fixed-rate bonds to almost zero in the PM Capital Enhanced Yield Fund. We preferred floating rates that benefit as rates rise. This strategy helped protect investor capital during volatile months for bond markets and supported the Fund's outperformance.

PM Capital

Important information

This document is issued by PM Capital Limited (ABN 69 083 644 731, AFSL No. 230222) as responsible entity for the:

PM Capital Global Companies Fund
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PM Capital Australian Companies Fund
ARSN 092 434 467

PM Capital Enhanced Yield Fund
ARSN 099 581 558

the 'Fund', or collectively the 'Funds' as the context requires.

For Target Market Determinations for the Funds, please see our website: www.pmcapital.com.au/design-and-distributions-obligations

The document contains summary information only to provide an insight into how and why we make our investment decisions. This information is subject to change without notice, and does not constitute advice or a recommendation (including on any specific security or other investment position mentioned herein).

This report 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 ('PDS') which is available from us, and seek their own financial advice prior to making a decision to invest. The PDS explains how the Funds' Net Asset Value is calculated. Returns are calculated from exit price to exit price (inclusive of the reinvestment of distributions) for the period from inception to 31 October 2021 and represent the combined income and capital return. The investment objective is expressed after the deduction of fees and before taxation. The objective is not a forecast, and is only an indication of what the investment strategy aims to achieve over the medium to long term. While we aim to achieve the objective, the objective and returns may not be achieved and are not guaranteed. 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 factors, including market forces.

The Index for the PM Capital Global Companies Fund is the MSCI World Net Total Return Index in Australian dollars, net dividends reinvested. See www. msci.com for further information on the MSCI index. The Index for the PM Capital Australian Companies Fund is the S&P/ASX 200 Accumulation Index. See www.asx.com.au for further information. The Index for the PM Capital Enhanced Yield Fund is RBA Cash Rate. See www.rba.gov.au for further information.

Fund return rankings in the Morningstar peer group are sourced from Morningstar Direct. As at 30/9/2021. All rights reserved. Neither Morningstar, its affiliates, nor the content providers guarantee the data or content contained herein to be accurate, complete or timely nor will they have any liability for its use or distribution. Any general advice or 'class service' have been prepared by Morningstar Australasia Pty Ltd (ABN: 95 090 665 544, AFSL: 240892) and/or Morningstar Research Ltd, subsidiaries of Morningstar, Inc, without reference to your objectives, financial situation or needs. Refer to our Financial Services Guide (FSG) for more information at www.morningstar.com.au/s/fsg.pdf . You should consider the advice in light of these matters and if applicable, the relevant Product Disclosure Statement before making any decision to invest. Our publications, ratings and products should be viewed as an additional investment resource, not as your sole source of information.

1. The PM Capital Enhanced Yield Fund was named Money Magazine's 2020 Winner for Best Income Fund – High Yield and Credit.

2. Pro forma Fund performance 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.

INVEST DIFFERENTLY HOMEPAGE