

# Monthly Update

## Fund commentary

- The long-delayed formation of PipeChina, China's state-owned national gas pipeline company, took a meaningful step forward and had a material impact on our oil and gas infrastructure holdings.

Sinopec Kantons rose strongly on the sale of its Yu Ji Pipeline Co. to PipeChina. The transaction values the assets at 1.43x book value, well ahead of market expectations. The implied valuation of Sinopec Kanton's oil terminal and storage assets, its core business, is now substantially below book value. We expect a large portion of the HK\$3.7 billion cash received (44% of its market capitalisation as at Jul 31) will be returned to shareholders as a special dividend.

Kunlun Energy also rose as it is expected to announce the sale of its Shaanxi-Beijing pipeline network to PipeChina in the coming months on favourable terms, further driving attention to this undervalued sector.

Better than expected earnings updates from Budweiser Brewing APAC and Frontier Digital Ventures drove strong share price performances. Furthermore, Frontier Digital Venture's announced the merger of its E24 business with competitor OLX. This should accelerate revenue growth and profitability of the combined business.

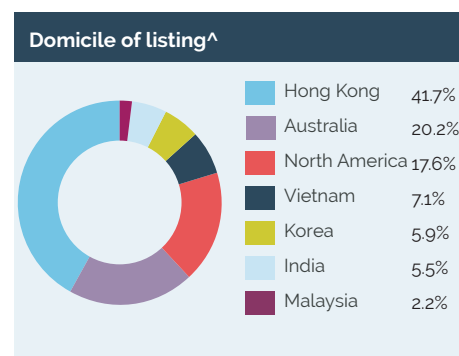
Copper holdings continued on from the strong performances witnessed in the June quarter as the copper price approached US\$3/ lb. Holdings in Freeport McMoRan and Turquoise Hill Resources also produce a large amount of gold as by-product in their mines and therefore continue to benefit from a rising gold price.

Fund performance <sup>1</sup> (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
<b>Asian Companies Fund</b>	<b>07-2008</b>	<b>14240</b>	<b>4.1%</b>	<b>3.3%</b>	<b>-13.2%</b>	<b>-5.7%</b>	<b>-2.5%</b>	<b>1.1%</b>	<b>4.9%</b>	<b>6.5%</b>	<b>11.1%</b>
MSCI AC Asia ex Japan Net Total Return Index			4.2%	6.1%	10%	7.9%	8.4%	8.0%	10.4%	8.7%	8.2%
Outperformance by the Fund			-0.1%	-2.8%	-14.2%	-13.6%	-10.9%	-6.9%	-5.5%	-2.2%	2.9%

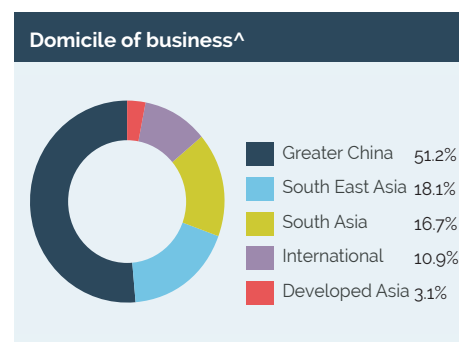
Portfolio investments	Weighting
Online Classifieds & Ecommerce	23.6%
Infrastructure - Oil & Gas	11.3%
Infrastructure - Other	3.3%
Consumer	13.3%
Gaming	13.0%
Materials (Copper)	10.6%
Financials	7.8%
Other	9.0%
<b>Long Equities Position</b>	<b>91.9%</b>
Net invested position	91.9%
<b>Total holdings</b>	<b>24</b>

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

Currency exposure <sup>*</sup>	
USD	60.4%
AUD	22.5%
KRW	9.5%
INR	5.9%
Other	1.7%
<b>Total exposure</b>	<b>100.0%</b>



<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.



<sup>\*</sup> 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 14 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 100% 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

Asian equities

### Investment style

Fundamental, bottom-up research intensive approach

### Inception date

1 July 2008

### Fund size

\$20.8 Million

### Strategy size

\$77.7 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](http://www.msci.com) for further information on the Index.

## Further Information

[www.pmcapital.com.au](http://www.pmcapital.com.au) T: +612 8243 0888 E: [pmcapital@pmcapital.com.au](mailto:pmcapital@pmcapital.com.au)