December 2013

Quarterly Report

PM CAPITAL Absolute Performance Fund

PM CAPITAL Emerging Asia Fund

PM CAPITAL Australian Opportunities Fund

PM CAPITAL Enhanced Yield Fund

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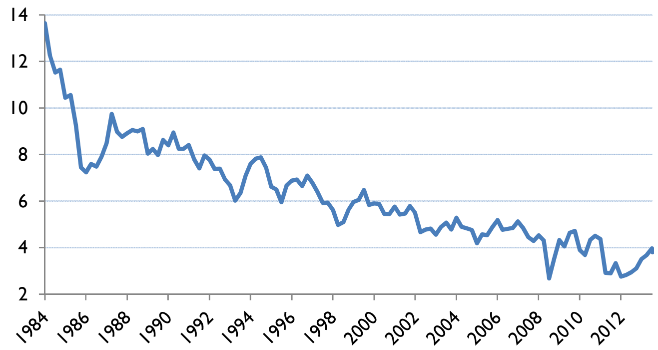
Investment overview

Fund Description					
Fund	**Category**	**Inception Date**	**Suggested Timeframe**	**Total Return Since Inception**[1]	
Absolute Performance	Global Equity Fund (long/short)	28 October 1998	7 Years +	**Fund 225.1%**	MSCI AUD 45.9%
Emerging Asia	Asian Equity Fund -ex Japan (long only)	1 July 2008	7 Years +	**Fund 197.8%**	MSCI Asia 21.4%
Australian Opportunities	Australian Equity Fund (long/short)	20 January 2000	7 Years +	**Fund 323.1%**	ASX 200 208.6%
Enhanced Yield	Yield Fund (diversified credit)	1 March 2002	2 Year +	**Fund 117.2%**	RBA 77.0%

Not expensive, but not cheap, is probably the best way to describe the current status of equity market valuations. In comparison to rates available on cash and debt securities, one could argue that equities are in fact cheap, but rates are distorted, the FED has begun a slow taper and with minimal corrections all year, it is a tough dilemma on how to invest new capital in the very short term. Thus, our recently Listed Investment Company (LIC) is essentially 100% invested in cash as we exercise patience in acquiring investments that we have targeted for long term deployment of the LIC's capital.

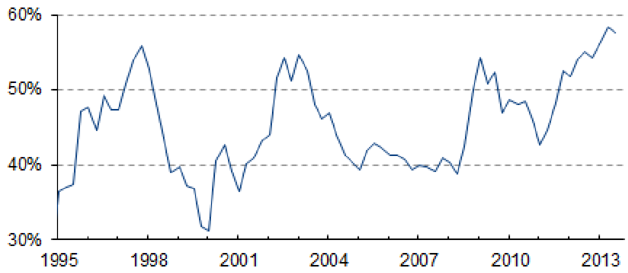
One issue at the front of our minds is a belief that long term interest rates have ended their 30 year decline giving us conviction on what we do not want to own; the so called defensive yield plays.

US 30 Year Bond Yield (%)



The consistent long term decline in interest rates has made stocks with high pay-out ratios and thus, high relative dividend yields, a favourite of investors and also driven an extreme in retail investor non-diversification within their investment portfolios. The following graph illustrates the point with respect to Australian Banks.

Per cent of Household Share Portfolios in Banks*



* data account for directly-held shares only; excludes managed funds

How much rates will increase over time is hard to determine. I suspect the initial increase will be slower than investors expect, will entrench itself over the medium term and eventually turn aggressive. However that should be a long time in the future. It is worth noting that the current 1 year term deposit rates is 3.40%, for the period between 1981 and 1991, the1 year term deposit rates averaged approximately 13% and peaked at 16%.

Double digit rates are not what we are predicting, but the implication is clear. For businesses that we want to own, their valuation should be reasonable and allow for long term interest rates that are 1% - 2% higher than current and that more of our ultimate return will be delivered by earnings growth. We are thinking long and hard about what those businesses should be, particularly in relation to investments not currently held in our portfolios.

With respect to the Australian Dollar, it has in fact declined in the order of 15% from its peak. So the extreme has been corrected, but I suspect that 80 to 85 cents is probably where the currency would be without the distortion being created from current FED policy and with the risk to economic growth in China appearing to be on the increase, we will continue to be unhedged in our currency exposures.

Paul Moore, Chief Investment Officer

[1] The above returns are calculated from exit price to exit price from the inception date of each Fund up until 30 September 2013. Detailed performance figures for other periods can be found on pages 4, 6, 7, 8 for each Fund within this report.

Absolute Performance Fund

Investment Performance[2]	Inception Date	Unit Price	3 Months	6 Months	1 Year	3 Years pa	5 Years pa	Since Inception pa	Total Return
Absolute Performance Fund	**10/1998**	**1.8050**	**11.8%**	**18.2%**	**54.2%**	**20.6%**	**18.1%**	**8.1%**	**225.1%**
MSCI World ($A)			*12.9%*	*19.5%*	*47.0%*	*16.7%*	*9.4%*	*2.5%*	*45.9%*

Invested Position	
Long Exposure	88%
Short Exposure	-18%
Net Equity Exposure	**70%**
Debt / Hybrids	27%
Cash	3%
Total Exposure	**100%**
Long Equity Exposures	
Financials Bank of America, Wells Fargo, ING Groep	52%
Technology Applied Materials, Oracle, Maxim	14%
Services Google, NASDAQ, Comcast	14%
Property Howard Hughes Corp, Hibernia REIT	7%
Global Brewing Heineken Holdings, Anheuser-Busch Inbev	6%
Other Pfizer, Norfolk Southern Corp	7%
Total Exposure	**100%**

The S&P Index has continued to make new highs this quarter and is up 30% this calendar year, making it the biggest calendar year advance since 1997. The Index is up 173% from its 12 year low in 2009, and thus, we are more cautious near term. We remain confident that as the US economy continues to improve, US interest rates are likely to normalize upwards, which will give us an opportunity to redeploy capital.

During the quarter the Federal Reserve announced that they would reduce bond purchases (quantitative easing) by $10 billion a month to $75 billion a month and if the economy continues to improve they will reduce bond purchases further. We have already started to see the bond rates normalize with the US 10 year bond rate ending the year at 3.03%, 1.03% higher than the 2% rate it was at the beginning of 2013.

The net equity position of the Fund has remained flat this quarter at 70%. We exited positions in MGM Resorts International and Nasdaq OMX, as they had both reached our price targets. During the quarter we purchased Hibernia REIT in their initial public offering, an Irish commercial property business. This purchase is a continuation of our positive view on the housing sector overseas. The company is very well managed by an ex National Asset Management Agency (NAMA) fund manager and its sole purpose is to buy Irish commercial properties at rental yields of 8-10% pa, with minimal leverage and give the money back to shareholders with a payout ratio of close to 100%. Thus, over time shareholders should obtain a regular income stream and hopefully capital appreciation, as the assets are all trading significantly below their new build costs.

We also increased our bond positions, purchasing senior secured debt in NV Hoteles, a leading Spanish hotel operator, and City Center senior secured loans. City Center is a large scale casino / hotel and shopping complex, which was built in 2009 and is operated by MGM Resorts International on the Las Vegas strip. The original build cost of the complex was $9 billion. We purchased the senior loans, which have a face value of $1.5 billion and stand at the top of the corporate structure. City Center produces approximately $300 million per annum in EBITDA. It would be ideal if they were to default on this senior debt, as this would present an opportunity to buy a virtually brand new casino complex at 16.5% of new build cost. This scenario is unlikely, however regardless of if this was to eventuate or not we are still content to hold the debt and collect the coupon income per annum for the next seven years, which carries minimal risk.

The Fund had a strong quarter, achieving a 11.8% return. The performance was assisted from the rapid share price appreciation across multiple positions, for example, Google (up 28%), Nasdaq OMX (up 24%), Norfolk Southern (up 20%) and Oracle (up 15%). Our European financial holdings also continued to contribute to positive performance due to strong earnings as bad loan provisions appear to have peaked and their capital ratios look adequate. The USA financials also continue to rerate as the bond curve steepens, quantitative easing is reduced and the economy continues to grow, thus increasing loan growth for the regional banking industry.

The Australian Dollar decreased 4.3% over the quarter versus the US Dollar. As quantitative easing tapering continues, and interest rates globally begin to normalise, we believe the A$ will continue to break down, which will be a perfect environment for the Fund, as the Fund is effectively 100% invested in US Dollars.

[2] Returns are calculated from exit price to exit price for the period as stated and represent the combined income and capital return for the Fund. For more details, the Product Disclosure Statement (PDS) provides an explanation of how returns are calculated.

Absolute Performance Fund—Research Trip

During the quarter we conducted our annual research trip to the USA and travelled to Mexico for the annual Heineken Investor Forum. The trip involved a heavy schedule of company meetings, across multiple cities in the USA (New York, Bethlehem Pennsylvania, Philadelphia, Baltimore, Washington DC, Atlantic City, Kansas City, Daytona Florida, Dallas and Las Vegas) with a primary focus on gaming, cable-fibre infrastructure and housing companies. The meetings reaffirmed our positive view that the world economy is continuing to improve.

Regular readers would be aware that we have had a long term investment in the USA Cable TV industry, including a current holding in Comcast. The discussions we had with stakeholders across the media and communications sector suggested the competitive tension witnessed over the last few years are starting to subside as the roll out of fibre to the node and home from telecommunication comes to an end. Both Verizon and AT&T (American broadband and telecommunications corporations) are looking to slow their fibre rollout as returns to date have been disappointing and population densities are becoming uneconomical. It was also evident that the product differentiation between cable and fibre has closed substantially, with improvement from cable operators in terms of quality as well as platform improvement. An example of this is Comcast's all digital triple play product, which bundles digital TV, high-speed internet and home phone services. Longer term we believe the industry will consolidate. This theory was supported during the quarter where there was further speculation in the Wall Street Journal that the number two and three cable providers, Time Warner and Charter Communications, would consolidate. Near term it would be unrealistic to make assumptions around if and when this will eventuate; however looking longer term the cable industry should consolidate further as cost savings in programming and infrastructure are too attractive for it not to. Comcast's share price reacted positively to this speculation and we are confident in the ongoing operational execution as the business continues to gain high value internet and triple play subscribers each month.

Our previous two research trips to the USA in 2011 and 2012 were focused on confirming our thesis surrounding US housing undervaluation. This trip again provided us an opportunity to test our view on a broadened geographical basis. As we have highlighted previously, when we originally purchased our US housing positions more than 2 years ago, new housing starts were at 500,000 per annum versus a historical trend of approximately 1.5 million starts per annum. This was overlaid by the depressed level of home prices, which were down 30%-50% from their peak. At the time we recognized that when new home formations were growing at 3 times the underlying new build rate, the market would eventually have to tighten up and home prices would increase. We are surprised at how quickly the market has recognized this disparity and begun to tighten up, however it is no surprise that the law of economics is unfolding and excess housing supply is dissipating. It was evident from our discussion with those in the housing/property industry that conditions continue to improve. Prices are increasing and new home construction is increasing to meet the demand of first home buyers. In 2013 new housing starts reached approximately 930,000. Several discussions with property related companies, including Howard Hughes Corporation and numerous casino operators in Las Vegas, pointed to a continual improvement in the market, which was the epicentre of the housing crisis in the US. This bodes well for our investment in Howard Hughes.

Economic growth in the US is not yet being stifled by higher prices. Given elevated levels of unemployment wage levels remain favourable and consumer prices across the USA continue to remain competitive, especially compared to prices in Australia. In the USA you can purchase from a local convenience store a 600ml bottle of Coca Cola for US$1.55 (A$1.72), in Australia the equivalent bottle of Coca Cola is priced at A$2.72. Similarly, a packet of M&M's could be purchased in the USA for US$1.00 (A$1.10), whilst M&M's are double the price in Australia.

Overall, we continue to view housing as a long term investment opportunity in the USA, Ireland and selective southern European areas. We have little interest in housing in Australia and China as we see no value, combined with unsustainably elevated consumer prices in these regions. It is interesting to note that for the calendar year 2013 the Chinese Shanghai Composite Index was down 8%, even though the Chinese economy grew 7.5% over the same period. This illustrates that by focusing on business fundamentals versus headline macroeconomic noise and taking a contrarian business person approach to investing we will serve our investors well over the longer term.

Snapshot of key research trip meetings		
Michael Upchurch	CFO	Kansas City Southern
Martin Ellen	CFO	Dr Pepper Snapple Group
Lewis Fanger	Vice President	Wynn Resorts Ltd.
John Albright	President / CEO	Consolidated-Tomoka Land Co.
Mark Patton	CFO	Consolidated-Tomoka Land Co.
Daniel Briggs	Vice President	Las Vegas Sands Corp.
Susan Johnson	Senior Vice President	AT&T
Todd Holder	Divisional President	KB Home
Reed Nolte	Vice President	Fox Networks
Grant Herlitz	COO	Howard Hughes
Andrew Richardson	CFO	Howard Hughes
Jean-Francois van Boxmer	CEO / Chairman	Heineken Holdings
Rene Hooft Graafland	CFO	Heineken Holdings

Ashley Pittard, Portfolio Manager

Emerging Asia Fund

Investment Performance[2]	Inception Date	Unit Price	3 Months	6 Months	1 Year	3 Years pa	5 Years pa	Since Inception pa	Total Return
Emerging Asia Fund	**07/2008**	**1.9161**	**12.9%**	**23.0%**	**45.1%**	**16.1%**	**17.5%**	**21.9%**	**197.8%**
MSCI Asia (Ex-Japan)			*7.9%*	*10.8%*	*16.8%*	*3.7%*	*8.3%*	*3.6%*	*21.4%*

Invested Position	
Internet iProperty Group, Jobstreet Corp, Baidu	20%
Gaming Donaco International Ltd, SJM Holdings	15%
Infrastructure Beijing Capital Int'l Airport, Sinopec Kantons	14%
Retail Wumart Stores, Puregold Price Club	10%
Commodities Turquoise Hill Resources, IRC Ltd.	5%
Consumer Carlsberg Malaysia, Guiness Anchor	5%
Other	6%
Cash	25%
Total Exposure	**100%**

The Fund continued its solid run over the quarter, significantly beating the wider market despite being less than 80% invested. Performance continues to benefit from the exposure to the gaming and internet/online portals themes. This coupled with the decision to be significantly underweight financials and commodities, which continue to be plagued by concerns surrounding longer term growth prospects, contributed to our strong performance.

Our gaming holdings were the largest contributor to performance. ASX listed Donaco International, a new addition in the previous quarter, appreciated over 100% after receiving its gaming table allocation for their new casino and a 30 year gaming license reset. The new casino will open on Chinese New Year 2014 with 40 tables, and the option to increase to 50. We believe there is further upside upon operational ramp up and that expectations for table yields are currently too low. SJM Holdings also performed well, rising almost 20%. Macau continues to benefit from strong growth in both visitor arrivals and gross gaming revenue. For the year, Macau recorded gross gaming revenues of MOP365bn (A$51.4bn), an increase of 19.6% from 2012 and a record high. Further improvements to infrastructure within China and at Macau's border crossings should continue to support growth for the foreseeable future. Post our recent trip to the US we remain comfortable with the risks surrounding the junket business and license renewals and believe with tight supply over the next two to three years it is unlikely to result in any meaningful changes to the competitive landscape.

iProperty Group, Baidu and Sinopec Kantons also contributed meaningfully. Sinopec Kantons rose 27% after reports its parent company is considering selling their Yulin-Jinan natural gas pipeline to Kantons. This was taken positively given previous asset injections from the parent company have been EPS and value accretive. We believe there is further scope for Kantons to expand their pipeline business via asset injections.

The Australian Dollar (A$) depreciated more than 4% over the quarter providing a strong tailwind for the Fund. We continue to run an unhedged portfolio given our longer term negative view on the A$.

Portfolio activity was heightened over the quarter. We sold positions in Bursa Malaysia, China Resources Enterprise and PT Tower Bersama Infrastructure, after strong price movements saw all three trading near their recent highs and close to our target prices. Smaller positions in China Blue Chemical and Glorious Sun Enterprises were also closed out given our declining level of conviction in the investment theses. Activity on the buy side was more limited, Guinness Anchor Malaysia (previously held) was the only addition and increases to several of our existing holdings. As a result the invested position fell from 81% to 75%.

Our message remains consistent, despite the potential for significant headwinds as economic growth transitions, there are still significant opportunities that warrant investors continued participation in the region. However, we do not believe a broad exposure to equity markets will align investors to the sectors that have the greatest propensity to grow going forward. The structure of many economies in Asia are changing, with a reduced reliance on fixed asset investment in favour of domestic consumption, driven by individuals and private enterprise (i.e. China). Given the historic reliance on infrastructure investment and capital intensive industries, regional equity markets are skewed towards companies with exposure to these areas. It has also led to markets being dominated by state owned enterprises, which fund a large portion of the investment on behalf of the government. The outlook for these sectors remains uncertain and does not present the best investment opportunities available. We advocate investors to be selective and focus on the long term opportunities in specific industries and businesses as opposed to the growth of the wider market. This is how we continue to approach capital allocation in the Fund.

Kevin Bertoli, Portfolio Manager

[2] Returns are calculated from exit price to exit price for the period as stated and represent the combined income and capital return for the Fund. For more details, the PDS provides an explanation of how returns are calculated.

Australian Opportunities Fund

Investment Performance[2]	Inception Date	Unit Price	3 Months	6 Months	1 Year	3 Years pa	5 Years pa	Since Inception pa	Total Return
Australian Opportunities Fund	**01/2000**	**1.4911**	**-3.4%**	**8.4%**	**26.3%**	**9.1%**	**17.4%**	**10.9%**	**323.1%**
S&P / ASX 200 Index			*3.4%*	*14.0%*	*20.2%*	*8.9%*	*12.5%*	*8.4%*	*208.6%*

Invested Position	
Long Exposure	56%
Short Exposure	-13%
Net Equity Exposure	**43%**
Debt / Hybrids	24%
Cash	33%
Total Exposure	**100%**
Long Equity Exposures	
Property Asia Pacific Data Centre, 360 Capital Industrial Fund	36%
Insurance QBE Insurance, Suncorp Metway	17%
Media PMP Limited, iProperty Group	15%
Consumer JB Hi-Fi	10%
Capital Goods Brambles Ltd	7%
Other NEXTDC, Qube Logistics	15%
Total Exposure	100%

The December quarter was disappointing in an otherwise strong 2013. QBE and Wotif.com were the primary detractors, with both being impacted by unforeseen profit warnings. QBE increased their US provisions following an internal review, which was instigated by their new CEO, to assess the long-term profitability of the US division. US profits were also impacted by weakness in its crop insurance division and the restructuring of its Lender's Placed Insurance business. This led the company to downgrade insurance margin expectations for CY13 to 6% from 11%, before expecting a recovery to 10% in CY14.

We believe that this review and provisioning addresses a major source of negative sentiment for the stock. While this downgrade does diminish our view on the quality of the US business, the price action during the quarter (down 22%) is excessive. With the stock now trading on 12x forward earnings, we are comfortable to hold our position.

Wotif.com was impacted by heightened competition leading to a 5% decline in AUS/NZ hotel transaction values – a much greater impact than we, or the market, anticipated. As costs are increasing, December half profits are now expected to decline 20%, which led to a 36% decline in the stock price. With no signs that this pressure will abate, we exited the position during the quarter.

Partially offsetting these stocks was PMP, which returned 22% for the quarter. Retailers increased their catalogue volume as consumer sentiment improved, leading to more print and distribution business for PMP. The company also improved its debt profile through the issue of a 4-year unsecured bond, which was used to repay existing bank debt. With management remaining focused on cash generation, we believe PMP still represents a compelling investment opportunity.

Portfolio Changes

We want to limit the portfolio to compelling opportunities. When stocks represent fair value, we would rather stay in cash than be invested for the sake of being invested. While this may lead to short-term relative underperformance in a rising market, we believe that having the flexibility to quickly deploy new capital when true opportunities arise will ultimately maximize the our long-term returns for our investors.

This mentality has meant that our net equity position decreased from 77% to 43% during the quarter.

We sold our bank holdings in Westpac, ANZ, and NAB. The past two years have seen considerable price appreciation driven largely by an expansion in PE multiples. Westpac, for example, has risen 62% over 2 years with 47% of this price rise coming from an expansion of its forward PE from 9.3x to 13.7x. At these levels Westpac represents fair value and the potential gains from further PE multiple expansion is limited.
While bank dividend yields of around 7% (including franking) exceed the cash rate, we think this does not compensate investors for the risk of below consensus earnings driven by anemic macro conditions in Australia.

Over the quarter we also exited our positions in Macquarie Group, Echo Entertainment, and Wotif.com. We also sold the shares in Recall that we received by virtue of our Brambles investment.

Outlook

After such a strong year in 2013, many Australian businesses look to be fair value. The ASX200 now trades on a forward PE of 14.9x, which is 10% above its 10 year average. The gains from multiple expansion going forward are likely to be limited, leading to more muted returns from the broader market.

While such an environment creates a heightened level of due diligence, our ability to remain nimble and unrestricted while scouring the entire market for opportunities should place us in an advantageous position going forward.

Thomas Rice, Portfolio Manager

[2] Returns are calculated from exit price to exit price for the period as stated and represent the combined income and capital return for the Fund. For more details, the PDS provides an explanation of how returns are calculated.

Enhanced Yield Fund

Investment Performance[2]	Inception Date	Unit Price	3 Months	6 Months	1 Year	3 Years pa	5 Years pa	Since Inception pa	Total Return
Enhanced Yield Fund	**03/2002**	**1.1053**	**1.5%**	**3.0%**	**5.6%**	**5.5%**	**7.0%**	**6.8%**	**117.2%**
RBA Cash Rate			*0.6%*	*1.3%*	*2.7%*	*3.8%*	*3.8%*	*4.9%*	*77.0%*

	%	Avg. Yield (gross)	Avg. Spread to RBA (gross)
Cash	**42.1%**	3.3%*	0.8%*
Corporate Debt	**36.4%**	4.8%*	2.3%*
Fixed Floating	0% 36.4%		
Hybrids	**20.2%**	6.1%*	3.6%*
Fixed Floating	0% 20.2%		
Equity Income Strategies	**1.3%**		
Total Exposure	**100%**		

Maturity	
0-1 year	49%
1-2 years	14%
2-3 years	7%
3-4 years	13%
4 years +	17%
Regional	
Australia	87%
UK/Europe	12%
US	1%
Duration	
Interest rate	0.15 Years*
Average term to maturity	2.50 Years*

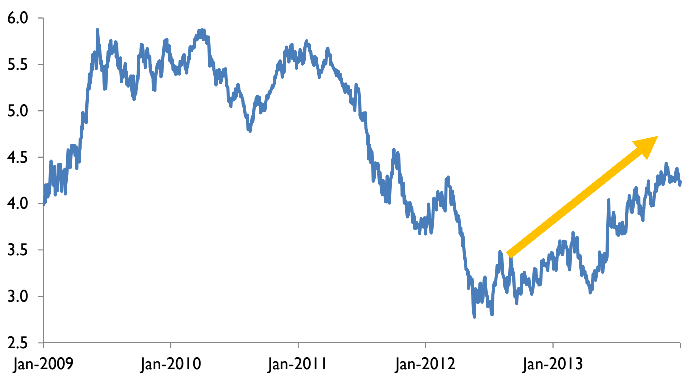
* These numbers are an estimate and should be used as a guide only.

The Fund returned 1.5% over the quarter v the RBA cash rate at 0.6%. Over the past year, the Fund has generated a return of 5.6% - approximately 2.9% above the RBA cash rate at 2.7%. This also compares favourably to 1 Yr Term Deposits at 4.15%^ and 1 Yr Bank Bills at 2.91%^.

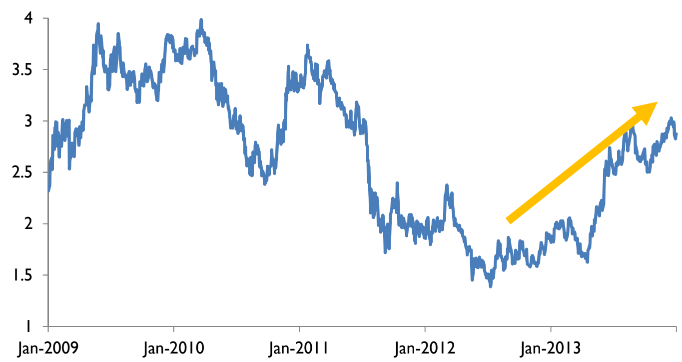
Credit markets continued their recent good form in the December quarter, as the US Federal Reserve's promise of reducing their asset purchase program (i.e. quantitative easing) and subsequent action provided the market with some level of confidence in the medium to long term outlook for global growth. Improved economic conditions in the US were also accompanied by an improvement in activity in Europe and the UK, with some talk of rate rises in the UK starting to emerge from some corners of the market.

Regular readers of our reports will know that for some time we have been advocating the view that after many years of all time low interest rates across most major developed economies, the improved growth trajectory and subsequent potentially substantial rise in longer term global interest rates that we felt would result, was not being properly reflected in bond market pricing. Thus, we had removed almost all of the interest rate risk from the portfolio. As you can see in the charts below and over the page, over the past year or so this thesis has played out, and that trend continued in the December quarter with Australian, US and UK 10 year bond rates all up a further 30-40bp. In addition to being shielded from this move, the capital value of our ~4% position across a selection of deeply discounted Australian and UK bank subordinated debt securities (that actually benefit from a higher interest rate environment) returned approximately 7% for the quarter, adding an additional +0.20% to performance (and has added +0.50% since we purchased them). So all up, the Fund return has actually benefitted from the rise in global rates – a trait that we believe is fairly unique amongst fixed income funds in Australia.

Australian 10 year bond rates



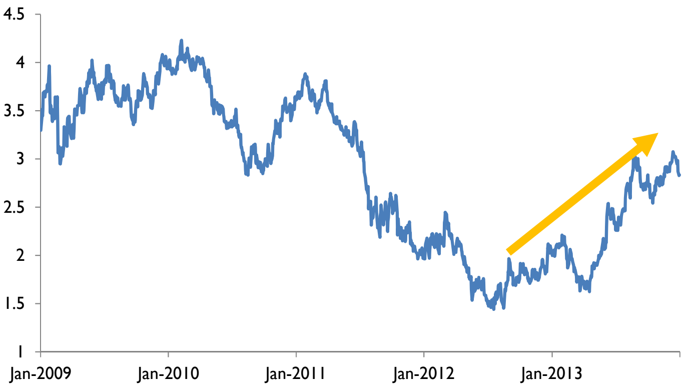
US 10 year bond rates



[2] Returns are calculated from exit price to exit price for the period as stated and represent the combined income and capital return for the Fund. For more details, the PDS provides an explanation of how returns are calculated. ^ 1Yr TD and 1Yr Bank Bill rates are sourced from Bloomberg as at 31/12/12. The 1Yr TD rate represents the average Australian bank TD rate.

Enhanced Yield Fund

UK 10 year bond rates



Whilst credit markets in general have been strong over the quarter, and key holdings in names like Tabcorp, Transpacific, Crown, IAG and Deutsche Annington have all rallied strongly, the capital value of our holding in the $US subordinated debt securities of QBE was negatively impacted by their recent earnings downgrade and balance sheet write-downs. Spreads on this security moved out from ~+500bp to ~+600bp over the quarter (essentially back to the level we initiated the position at). Having said this, we think the current spread more accurately reflects the inherent risk in what has always been a fairly cyclical business with a lumpy claims profile, but one that at current pricing we are happy to own to its relatively near term 3.5 year call date. Additionally, the substantial coupon income generated on this security over the quarter offset the negative capital price move.

As noted in previous quarterly reports, we have increasingly been looking offshore for what we perceive to be the standout opportunities in credit markets and this quarter was no exception. In December we initiated a new position in the secured debt of Enterprise Hotels – a UK pub operator who, like a lot of pub operators in the UK, has been battling excessive debt levels and falling asset prices in the face of slowing UK beer sales. Having said this, we believe they are through the worst of this environment and the execution of their strategy to reduce debt and divest the lower quality assets in their portfolio has not been reflected in the price of their secured debt. Their remaining assets are being priced off capitalisation rates of around 8-9% which we think is more appropriate for the commensurate risk in their business. This investment matures in 7 years and was purchased with a yield of ~$A Bills +400bp.

We also added to quite a number of existing positions over the quarter, with additional investments made in Bunnings secured debt (Bills +200bp), Citypoint secured debt (Bills +375bp), Lloyds bank subordinated debt (Bills +350bp), Tabcorp subordinated debt (Bills +340bp), Tattersalls senior debt (Bills +250bp), NAB income securities (Bills +350bp) and CBA listed senior debt (Bills +120bp).

Overall, the portfolio continues to be well protected from further rises in global interest rates, and additionally, still has a material exposure to what we believe are the best available credit investments globally. With a gross spread to the RBA cash rate of approximately Bills +200bp, there is still plenty of scope for further spread contraction within the portfolio, as the global recovery continues to play out.

I would also highlight to any investors whose own portfolios are reflective of a more broad cross section of credit investments that credit markets in general have had a pretty good run over the last 12 months, and we think that there are numerous debt issuers, who make up a large part of particularly the Australian investment grade credit market, whose securities are now starting to look relatively fully valued. Thus, when investing in this space, we think it is important to focus on strategies that involve individual stock picking (and not broader generic market exposures) in order to take advantage of the next leg up in returns.

Jarod Dawson, Portfolio Manager

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