

Monthly Update

31 JULY 2020



Awarded the *Money* magazine Best of the Best Award 2020 for Best Income Fund – High Yield and Credit.

Fund commentary

- The Fund's contrarian approach leading into and during the pandemic paying off
- Europe's turn to get a shot in the arm from policy makers
- Material gains to be realised from the existing portfolio

The Fund continued to benefit from the significant investing we have done recently, with markets recognising the extreme valuations at which some quality businesses were trading. Many European businesses performed particularly well as the region announced an unprecedented stimulus package.

Our holding in Allied Irish Bank (AIB) rallied strongly on both the stimulus package and a favourable coalition government being formed in Ireland. AIB's credit profile has also improved notably given its ability to borrow from the ECB at negative interest rates and decision to cancel equity dividends.

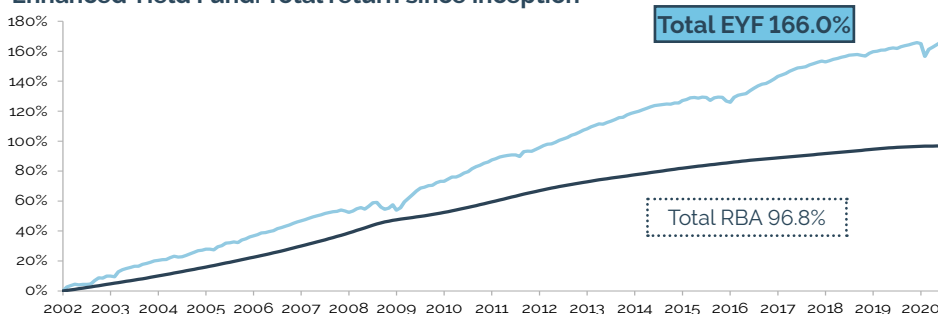
French-based industrial services company SPIE also rallied strongly after it reported better than expected half year earnings and an improved balance sheet as a result of significant cashflow generation.

Finally, our holding in Australian Government inflation-linked bonds also performed well as, consistent with our thesis, inflation expectations rose sharply on higher fuel prices and the removal of government concessions on services like childcare. Coupled with the enormous levels of money being printed by global central banks, we think inflation expectations have the potential to rise considerably longer term.

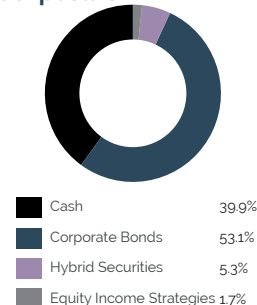
With the significant investing we have done recently, and the strong cash position we held coming into the pandemic, the Fund has already made back the mark to market drop in asset values witnessed in February/ March. With considerable value still to be realised from the current portfolio, we are very confident that we can deliver on the Fund's performance objectives.

Fund performance ¹ (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
Enhanced Yield Fund*	02-2002	1.1142	0.6%	1.8%	0.1%	1.4%	2.3%	3.0%	3.3%	4.1%	5.5%
RBA cash rate			0.0%	0.1%	0.2%	0.6%	1.2%	1.4%	1.7%	2.4%	3.7%
Excess			0.6%	1.7%	-0.1%	0.8%	1.1%	1.6%	1.6%	1.7%	1.8%
Enhanced Yield Fund (Class B units)**	05-2017	1.1332	0.6%	1.7%	0.0%	1.5%	2.4%				2.6%
RBA cash rate			0.0%	0.1%	0.2%	0.6%	1.2%				1.2%
Excess			0.6%	1.6%	-0.2%	0.9%	1.2%				1.4%

Enhanced Yield Fund: Total return since inception



Actual exposure



Yield security maturity profile	
0-1 Year	48.8%
1-2 Years	16.3%
2-3 Years	5.7%
3-4 Years	8.3%
4 Years +	20.9%

Portfolio investments	Current stock example
Domestic Banking	ANZ
Global Industrial Services	SPIE
Global Property	Lar Espana
Global Retail	Tesco
Domestic Infrastructure	Sydney Airport
Domestic Services	Seek
Global Banking	Wells Fargo

Regional allocation	100%
Australia	33.4%
Europe	11.6%
North America	6.8%
United Kingdom	5.6%
Asia	2.7%
Cash	39.9%

Risk/return	
Standard deviation (1 year) ^{^^}	1.2%
Maximum drawdown	3.26%
Percentage of positive months	86.0%

[^]These are estimates and should be used as a guide only.

Duration [^]	
Interest rate	0.16
Average term to maturity	3.14

^{^^}Average 1 yr standard deviation for the prior 3 years to July 2020 is 1.2%

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 around the world. 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?

Jarod Dawson has been the Portfolio Manager since 2004. Assisted by John Whelan and David Murray, together they have over 40 years' combined industry experience. They are supported by the broader investment team, with Paul Moore as CIO who has over 34 years' experience in successfully managing investment funds.

Why the Enhanced Yield Fund?

Dependable: A minimum 20% cash position helps the Fund to preserve capital and achieve its return objectives with low volatility. The Fund's process is effective and repeatable, based on a compelling philosophy. This Fund has been producing attractive returns for co-investors for more than 17 years, and is one of the longest running yield funds of its kind in Australia.

Careful: We have an authentic investment process where our exposure to industry sectors, geographic regions or market capitalisation is determined solely by our conviction in individual risk/reward opportunities that we identify. All holdings within the Fund have been intensively researched by our investment team. No conviction = no investment.

Co-investment: Our co-investors receive access to a unique subset of opportunities which they would otherwise find difficult to replicate. PM Capital has a meaningful investment in the Fund - we invest for and with you.

Key Fund Details

Fund category

Fixed income

Investment style

Fundamental, bottom-up-research intensive approach

Inception date

1 March 2002

Fund size

\$510.2 million

Strategy size

\$752.3 million

Minimum direct investment

\$20,000

Recommended investment time

Two years plus

Fees (p.a.)

*Performance Fee Option:
Management fee: 0.55%.

Performance fee: 25% of net excess above RBA Cash Rate (subject to a high watermark).

**Management Fee Option - Class B units:
Management Fee: 0.79%.

Buy / sell spread

+/- 0.2%

Investor profile

The Fund may be appropriate for investors seeking capital preservation and potential return in excess of the Reserve Bank of Australia's (RBA) cash rate with a low degree of volatility.

Important Notice

This Report is issued by PM Capital Limited ABN 69 083 644 731 AFSL 230222 as responsible entity for the PM Capital Enhanced Yield Fund (ARSN 099 581 558, 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 a recommendation, 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 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. 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 RBA Cash Rate. See www.rba.gov.au for further information.

Enhanced Yield Fund*: Monthly Return Series Since Inception

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	CYTD
2020	0.2%	-0.3%	-3.2%	1.8%	0.5%	0.6%	0.6%						0.2%
2019	0.7%	0.4%	0.2%	0.3%	0.1%	0.4%	0.2%	-0.1%	0.4%	0.3%	0.2%	0.3%	3.4%
2018	0.3%	-0.2%	0.3%	0.4%	0.2%	0.3%	0.2%	0.3%	0.1%	0.1%	-0.2%	-0.2%	1.6%
2017	0.7%	0.7%	0.4%	0.4%	0.6%	0.5%	0.4%	0.2%	0.2%	0.5%	0.3%	0.3%	5.3%
2016	-1.1%	-0.3%	1.5%	0.6%	0.3%	0.2%	0.8%	0.7%	0.7%	0.5%	0.2%	0.6%	4.7%
2015	0.0%	0.7%	0.3%	0.5%	0.1%	-0.2%	0.3%	-0.1%	-0.8%	0.8%	0.2%	0.0%	1.7%
2014	0.5%	0.3%	0.3%	0.5%	0.4%	0.5%	0.3%	0.2%	0.2%	0.1%	0.0%	0.3%	3.7%
2013	0.7%	0.4%	0.7%	0.5%	0.5%	-0.1%	0.6%	0.4%	0.5%	0.6%	0.1%	0.7%	5.6%
2012	0.7%	0.6%	0.7%	0.4%	0.1%	0.5%	0.7%	0.5%	0.5%	0.7%	0.4%	0.6%	6.6%
2011	0.4%	0.8%	0.4%	0.6%	0.3%	0.2%	0.1%	0.0%	-0.5%	1.6%	0.2%	0.0%	4.3%
2010	0.5%	0.0%	0.9%	0.8%	0.0%	0.6%	0.9%	0.5%	1.1%	0.7%	0.5%	0.8%	7.5%
2009	1.5%	-2.3%	1.0%	2.5%	1.5%	1.4%	1.6%	1.1%	0.3%	0.6%	0.2%	1.0%	11.0%
2008	-0.4%	-0.6%	0.6%	1.0%	0.5%	-0.7%	1.3%	1.4%	0.2%	-1.9%	-1.0%	0.5%	0.8%
2007	0.6%	0.5%	0.5%	0.6%	0.6%	0.4%	0.5%	0.6%	0.4%	0.4%	0.1%	0.6%	6.0%
2006	1.0%	0.4%	0.6%	0.8%	0.2%	0.5%	0.5%	0.9%	0.5%	0.6%	0.6%	0.8%	7.8%
2005	0.3%	0.6%	-0.1%	-0.4%	1.7%	0.5%	1.3%	0.2%	0.4%	-0.3%	1.3%	0.6%	6.2%
2004	0.8%	0.4%	0.3%	0.1%	1.1%	0.7%	-0.4%	0.2%	0.7%	0.8%	0.9%	0.8%	6.5%
2003	1.2%	0.0%	-0.4%	3.1%	1.2%	0.7%	0.6%	0.7%	0.0%	1.1%	0.6%	0.6%	9.4%
2002			2.6%	0.9%	1.0%	-0.5%	0.4%	0.0%	0.2%	2.2%	1.7%	-0.2%	8.3%

Further Information

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