

# Monthly Update

30 SEPTEMBER 2020



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

## Fund commentary

- Credit markets get nervy coming into the end of the year.
- We took advantage of the nerves to top up some of our favoured investments.

Credit markets were weaker in September, with investors showing some nervousness around both the US election in November and the potential for a second wave of COVID-19 virus cases in northern hemisphere countries as they approach their winter.

We used the weakness to top up our airport exposures during the month, adding to our Melbourne Airport senior secured bonds at Cash +235bp and our Brisbane Airport senior secured bonds at Cash +285bp.

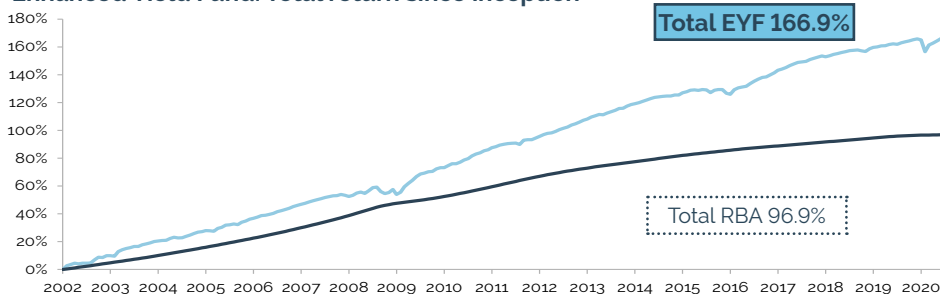
Over the past six months the Fund has acquired bonds issued by some of our favourite businesses from credit markets all around the world, at spreads we suspect

we are unlikely to see again for some time. Some of these investments have already added meaningfully to performance, however, there are still many others that we expect to make significant contributions to performance over the next few years. In light of this, we are confident that the Fund can comfortably achieve its performance objective over the medium to longer term, and under the right circumstances, exceed it.

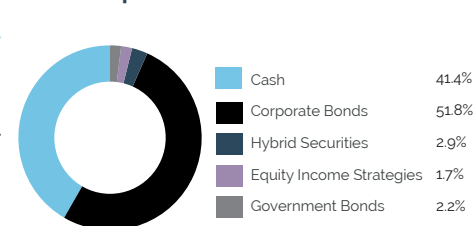
We would also like to remind our unit holders in the Fund that PM Capital itself has, for many years, held a significant investment in the Fund, and to this day sits firmly beside all of our investors.

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>Enhanced Yield Fund*</b>	<b>02-2002</b>	<b>1.1180</b>	<b>0.1%</b>	<b>1.0%</b>	<b>4.0%</b>	<b>15%</b>	<b>2.3%</b>	<b>3.3%</b>	<b>3.2%</b>	<b>3.9%</b>	<b>5.4%</b>
RBA cash rate			0.0%	0.1%	0.1%	0.5%	11%	1.3%	1.6%	2.3%	3.7%
Excess			0.1%	0.9%	3.9%	10%	1.2%	2.0%	1.6%	1.6%	1.7%
<b>Enhanced Yield Fund (Class B units)**</b>	<b>05-2017</b>	<b>1.1377</b>	<b>0.1%</b>	<b>1.0%</b>	<b>4.0%</b>	<b>1.6%</b>	<b>2.4%</b>				<b>2.6%</b>
RBA cash rate			0.0%	0.1%	0.1%	0.5%	11%				1.1%
Excess			0.1%	0.9%	3.9%	1.1%	1.3%				1.5%

## Enhanced Yield Fund: Total return since inception



## Actual exposure



Yield security maturity profile	Portfolio investments	Current stock example	Regional allocation	100%
0-1 Year	Domestic Banking	ANZ	Australia	34.5%
1-2 Years	Global Industrial Services	SPIE	Europe	11.9%
2-3 Years	Global Property	Lar Espana	North America	5.9%
3-4 Years	Global Retail	Tesco	United Kingdom	5.7%
4 Years +	Domestic Infrastructure	Sydney Airport	Other	0.6%
	Domestic Services	Seek	Cash	41.4%
	Global Banking	Wells Fargo		
Risk/return			Duration <sup>^</sup>	
Standard deviation (1 year) <sup>^^</sup>			Interest rate	0.14
Maximum drawdown			Average term to maturity	3.22
Percentage of positive months				

<sup>^^</sup>Average 1 yr standard deviation for the prior 3 years to August 2020

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

\$498.4 million

#### Strategy size

\$734.8 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

+/- 0.15%

#### 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](http://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%	0.1%				0.5%
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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