

# Monthly Update

## Fund commentary

- Valuation discrepancies among alternative asset managers creates an opportunity to focus on Apollo
- Gaming holding Crown Resorts subject to a takeover bid

We exited our positions in alternative investment managers Ares and KKR and used the proceeds to increase our position in Apollo Global Management. Apollo announced an all-share transaction to acquire insurance company Athene. The transaction is earnings accretive – Apollo's share count will increase by roughly 30% but its earnings will rise ~70% – although admittedly insurance is a lower quality business with higher capital intensity and balance sheet risk. The market is grappling with how to value Apollo going forward, but we believe the shares are too cheap, trading on a low teens multiple, for a growing business of its quality.

We also exited our investment in payment network

Mastercard. Since our original purchase in October 2014, Mastercard has been one of the Fund's core positions and strongest performers. Mastercard remains an excellent business but we suspect earnings growth in the next five years may not be good as that over the past five. With interest rates inflecting upwards and Mastercard's valuation in the mid-30s price-to-earnings, we sold out of the position.

Our gaming holding, Australian-based Crown Resorts, was up ~18% over the month following a takeover offer from private equity firm Blackstone. Crown has been subject to significant noise around its licensing which distracted from the quality of its assets and the free cash flow potential post completion of the new Sydney resort.

Global Companies Fund	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>Fund performance (net of pro forma fees)<sup>1</sup></b>	<b>10-1998</b>	<b>4.0631</b>	<b>3.7%</b>	<b>13.1%</b>	<b>40.6%</b>	<b>61.3%</b>	<b>11.9%</b>	<b>15.4%</b>	<b>14.3%</b>	<b>16.4%</b>	<b>11.4%</b>
<b>Fund performance (net of actual fees)</b>			<b>3.7%</b>	<b>13.1%</b>	<b>40.6%</b>	<b>61.3%</b>	<b>11.5%</b>	<b>14.3%</b>	<b>12.6%</b>	<b>14.1%</b>	<b>9.3%</b>
MSCI World Net Total Return Index (AUD)			5.0%	6.3%	12.5%	23.8%	13.1%	13.6%	12.9%	13.3%	5.5%
<b>Outperformance (net of pro forma fees)<sup>1</sup></b>			<b>-1.3%</b>	<b>6.8%</b>	<b>28.1%</b>	<b>37.5%</b>	<b>-1.2%</b>	<b>1.8%</b>	<b>1.4%</b>	<b>3.1%</b>	<b>5.9%</b>

1. Fund performance and Outperformance (net of pro forma fees) 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.

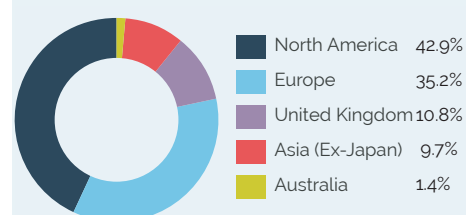
Portfolio investments	Weighting	Current stock example
Housing - Ireland and Spain	8.6%	Cairn Homes
Global Domestic Banking	34.5%	Bank of America
Global Oligopolies	3.9%	Visa
Gaming - Macau	9.2%	MGM China holdings
Alternative Investment Managers	6.8%	Apollo Global Management
Industrial - Europe	6.8%	Siemens
Materials	21.6%	Freeport-McMoRan Copper
Energy	5.8%	CNOOC
Other	13.5%	
<b>Long Equity Position</b>	<b>110.7%</b>	
Short Equity Position	-21.1%	
Net invested equities	89.6%	
Total holdings	43	

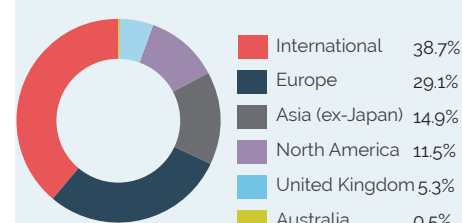
Currency exposure*	100%
USD	40.3%
AUD	26.8%
EUR	19.9%
GBP	5.5%
CAD	2.9%
Other	4.6%

\*Stated at effective value.

## Domicile of listing<sup>^</sup>



## Domicile of business<sup>^</sup>



<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.

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?

The Portfolio Manager for the Fund and CIO is Paul Moore. Paul is supported by a team of experienced investment analysts.

## Further Information

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We believe in being a patient investor, one that has conviction, one that finds opportunities where others can only see risk. We only invest in what we know, deeply, via our fundamental research.

## Why the Global Companies Fund?

**Established:** The Fund's process has been shown to be effective, based on a philosophy developed by Paul Moore, over 35 years. This has produced attractive long term capital growth.

**Unrestricted:** We have an authentic investment process where our exposure to industry sectors, geographic regions or market capitalisation is determined solely by our conviction in the risk/reward opportunities that we identify within portfolio guidelines. No conviction = 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 25 - 45 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 would 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 407% 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

Global equities

### Investment style

Fundamental, bottom-up research intensive approach

### Inception date

28 October 1998

### Fund size

\$431.8 Million

### Strategy size

\$1,209.1 Million

### Number of stocks

As a guide, 25-45 stocks

### Minimum direct investment

\$20,000

### Recommended investment time

Seven years plus

### Fees (pa)

Mgmt fee: 1.09% Perf. fee: 20% (subject to a high water mark) of the excess above the greater of the RBA cash rate and MSCI World Net Return Index (AUD).

### 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

## Important Notice

This Report is issued by PM Capital Limited ABN 69 083 644 731 AFSL 230222 as responsible entity for the PM Capital Global Companies Fund (ARSN 092 434 618, 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 is 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 World Net Total Return Index in Australian dollars, net dividends reinvested. See [www.msci.com](http://www.msci.com) for further information on the Index.