QUARTERLY REPORT
SEPTEMBER 2020

PM Capital

Stock valuations

The buffer against macro headwinds

p.1 Video insight

PM Capital Global Companies Fund
ARSN 092 434 618
APIR Code PMC0100AU

PM Capital Asian Companies Fund
ARSN 130 588 439
APIR Code PMC0002AU

PM Capital Australian Companies Fund
ARSN 092 434 467
APIR Code PMC0101AU

PM Capital Enhanced Yield Fund
ARSN 099 581 558
APIR Code: PMC0103AU
APIR Code: PMC4700AU (Class B)

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Quarterly video update

In his video update, Paul Moore, Chief Investment Officer and Portfolio Manager, Global strategies explains:

- How the rotation towards more value-oriented stocks is occurring, but in 'fits and starts'
- How 'bond vigilantes' are hibernating for now, but not forever
- How considering stock valuations helps protect investors from macro headwinds

Access the video **here.**

Access all market updates and insights **here.**

"Ultimately, long term returns are determined by valuations. That's why we keep highlighting just how significant the current valuation dispersion in the market is, and therefore the opportunity to take advantage of it."

Total returns since inception[1]

Fund		Benchmark	
PM Capital Global Companies Fund	426.0%	MSCI World Net Total Return Index (AUD)	195.5%
PM Capital Asian Companies Fund	263.6%	MSCI AC Asia ex Japan Net (AUD)	163.9%
PM Capital Australian Companies Fund	574.7%	S&P / ASX 200 Accum. Index	343.3%
PM Capital Enhanced Yield Fund*	166.9%	RBA Cash Rate	96.9%

[1]Past performance is not a reliable indicator of future performance. See page 15 for Important Information. As at 30 September 2020.
*Enhanced Yield Fund (Performance Fee Option).

Global Companies Fund

- **The Global Companies Fund** aims to create long term wealth through a hand-picked, concentrated portfolio of generally 25-45 global companies trading at prices that we consider, after extensive research, to be trading at prices different to their intrinsic values and may provide attractive future returns.
- **The Fund's investment objective** is to provide long term capital growth and outperform the greater of the MSCI World Net Total Return Index (AUD) or RBA cash rate over rolling seven year periods. The Fund is not intended to replicate the index.

Fund category	Global equities
Investment style	Fundamental, bottom-up research intensive approach
Number of stocks	As a guide, 25-45 stocks

Minimum investment	$20,000
Suggested investment time	7 years +
Inception date	28 October 1998
Unit trust FUM	$340.6m as at 30 September 2020
Global equities FUM	$942.0m as at 30 September 2020

Global Companies Fund

Paul Moore
Global Portfolio Manager

Global Companies Fund	Inception Date	Exit Price ($.cum)	3 Months	6 Months	1 Year	3 Years pa	5 Years pa	7 Years pa	10 Years pa	Since Inception pa
Fund performance (net of pro forma fees)[1]	**10-1998**	**2.8905**	**2.0%**	**14.7%**	**-7.8%**	**2.8%**	**5.2%**	**10.6%**	**13.2%**	**9.9%**
Fund performance (net of actual fees)			**2.0%**	**14.7%**	**-7.8%**	**2.0%**	**4.3%**	**8.7%**	**11.0%**	**7.9%**
MSCI World Net Total Return Index (AUD)			3.7%	10.0%	3.9%	11.0%	10.0%	12.5%	12.7%	5.1%
Outperformance (net of pro forma fees)[1]			**-1.7%**	**4.7%**	**-11.7%**	**-8.2%**	**-4.8%**	**-1.9%**	**0.5%**	**4.8%**

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.

KEY POINTS

- Strong quarter for mining companies
- The Australian Dollar rises on stronger commodity prices
- Siemens completes the spin out of its Energy business

PERFORMANCE

The portfolio appreciated 2% over the quarter, with our materials and commodity names the best performers (see below).

PORTFOLIO ACTIVITY

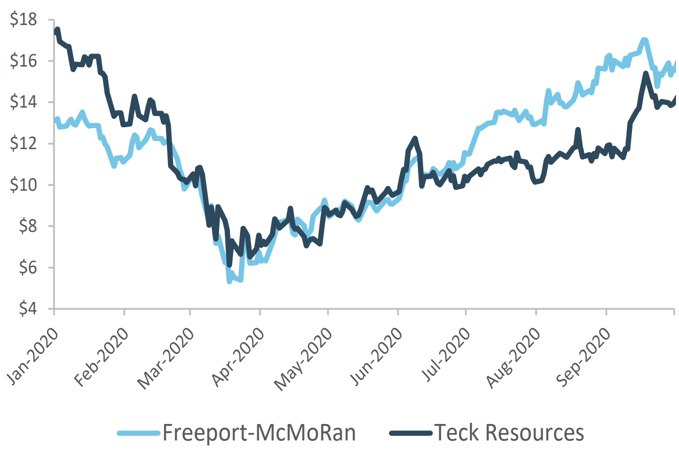
We increased our position in First Quantum over the month, redeploying the capital from the sale of our position in Antofagasta. First Quantum released several key announcements to the market during September which improves the outlook for the company. Most notable was the release of an updated technical report for the company's Kansanshi mine which included a material upgrade to the reserve base and details for future mine expansion. Importantly, the company also refinanced a large portion of its debt pushing out its maturity profile. Balance sheet de-risking is a material positive for the company which has been in the process of reducing leverage subsequent to the completion of its Cobre Panama project.

Late in the quarter, Siemens AG completed the spinoff of its energy business, Siemens Energy, which houses its thermal generation and transmission assets along with its 67% holding of separately listed wind generation business Siemens Gamesa. We took the opportunity to sell our shares in Siemens Energy to concentrate our exposure on the Siemens core. The remaining industrial company, which is made up of its factory automation, medical equipment, rail transport and infrastructure businesses, is a more focused group of faster growing, higher margin, and more resilient businesses that are leaders in their respective end markets.

OUTLOOK

Freeport-McMoRan, our largest portfolio holding, was the best performer, up over 35%. As mentioned previously, in times of both stronger commodity prices and stronger commodity currencies (the two tend to accompany one another), Freeport has the advantage of having substantial amounts of its production and cost base in the United States. Stronger commodity prices therefore flow through to Freeport's bottom line to a greater extent than some of its commodity company peers.

Freeport McMoRan and Teck Resources share price



Source: Bloomberg

Teck Resources, which has exposure to copper, zinc and metallurgical coal also had a very strong quarter, being up over 33%. While iron ore and base metal prices recovered shortly after the pandemic lows,

Global Companies Fund

metallurgical coal prices remained depressed for longer and only in September did spot buyers re-enter the market with vigour. Fundamentals for metallurgical coal (used to produce steel) appear strong with Indian steel production returning to pre-pandemic levels and Chinese domestic steel consumption particularly strong. At current spot commodity prices, Teck's valuation remains below ten times earnings.

KKR was another strong performer after agreeing to acquire life insurer Atlantic Financial. The transaction gives KKR the ability to manage Atlantic Financial's large asset book (which exists to match Atlantic's long-dated insurance liabilities) and is a low-cost way of raising new assets. KKR follows other alternative managers such as Apollo which have already implemented the same strategy.

Our Spanish homebuilders performed strongly over the quarter as they reaffirmed volume guidance and confirmed new home prices were stable and beginning to rise again as customer enquiries and sales return to pre-COVID levels. The Irish homebuilders did not fare as well due to the fact that they were forced to adhere to much stricter lockdown measures which resulted in being offsite for a couple of months versus just over a week in Spain. While in the short term the stocks will react to market sentiment, the long term demand for high quality new housing is increasing with very limited supply.

The European banking sector continued to weaken as considerable uncertainty remains around required credit loss provisions due to the pandemic. Our UK and Irish bank holdings were most impacted as little progress in the Brexit talks brings more uncertainty and delays investment decisions in the wider economy.

In relation to our currency positioning, the stronger Australian Dollar partly offset some of the equity gains, although we have actively increased our Australian Dollar exposure in the past six months.

Portfolio investments	Weighting
Housing - Ireland and Spain	9.3%
Global Domestic Banking	24.2%
Service Monopolies	13.1%
Gaming - Macau	8.2%
Alternative Investment Managers	12.1%
Industrial - Europe	6.9%
Materials	23.8%
Other	13.4%
Long Equity Position	**111.0%**
Short Equity Position	-12.7%
Net invested equities	98.3%
Total holdings	51

Current stock example
Cairn Homes
Bank of America
Visa
MGM China holdings
KKR & Co.
Siemens
Freeport-McMoRan

Currency exposure*	
AUD	41.6%
USD	33.4%
EUR	15.0%
GBP	3.7%
CAD	2.3%
Other	4.0%
Total exposure	100.0%

* Stated at effective value.

Paul Moore - Chief Investment Officer and Global Portfolio Manager

John Whelan - Contributing author

Asian Companies Fund

- **The Asian Companies Fund** aims to create long term wealth through a concentrated portfolio of 15-35 hand-picked companies within Asia ex-Japan that we believe are trading at prices different to their intrinsic values.
- **The objective of the Fund** is to provide long term capital growth and outperform the greater of the MSCI All Country Asia (ex-Japan) Net Index (AUD) or RBA cash rate over rolling seven year periods. The Fund is not intended to replicate the index.

Fund category	Asian (ex-Japan)[2] equities
Investment style	Fundamental, bottom-up research intensive approach
Number of stocks	As a guide, 15-35 stocks

Minimum investment	$20,000
Suggested investment time	7 years +
Inception date	1 July 2008
Unit trust FUM	$19.0m as at 30 September 2020
Asian equities FUM	$76.5m as at 30 September 2020

Asian Companies Fund

Kevin Bertoli
Asian Portfolio Manager

Fund performance[1] (net of fees)	Inception Date	Exit Price	3 Months	6 Months	1 Year	3 Years pa	5 Years pa	7 Years pa	10 Years pa	Since Inception pa
Asian Companies Fund	**7/2008**	**1.4454**	**5.7%**	**16.9%**	**-3.2%**	**-3.5%**	**2.9%**	**4.7%**	**6.9%**	**11.1%**
MSCI AC Asia ex Japan Net Total Return Index[2]			6.3%	10.3%	10.9%	8.1%	10.1%	10.8%	8.6%	8.2%
Outperformance by the Fund			-0.6%	6.6%	-14.1%	-11.6%	-7.2%	-6.1%	-1.7%	2.9%

KEY POINTS

- Solid performance in the region for most of the quarter
- Commodities holdings strong
- M&A news also acts as a tailwind

PERFORMANCE

The underlying equity portfolio performed solidly over the quarter despite markets across Asia giving back a component of the gains during the final weeks of September. The most material contributors to performance were the portfolio's holdings within our copper and online classifieds themes. Also providing meaningfully contributions were positions in TravelSky Technologies, SABECO and Cross-Harbour Holdings.

The portfolio's copper holdings continued the strong momentum witnessed since the COVID-19- induced lows in March. Robust demand from China coupled with a tight inventory environment continues to support the copper price which has had a flow-on effect to the equity prices of copper companies.

At the stock level, Freeport-McMoRan was the standout performer. Beyond the improving fundamentals of the copper market the company continues to benefit from a de-risking of the Grasberg mine in Indonesia as underground development now transitions to production. Grasberg remains Freeport's flagship asset and will drive a material increase in cash flows in the coming years. With Grasberg's cash flows now starting to be better appreciated by the market, Freeport has also been the centre of increasing M&A chatter as its growth profile and attractive valuation becomes more apparent.

Both the portfolio's online classified holdings Frontier Digital Ventures and iCar Asia performed solidly, with their operating results continuing to improve as we move away from the initial COVID-19 impacts. Frontier Digital Ventures was also buoyed by the announcement of the merger of its E24 business with competitor OLX. This transaction extends the geographic reach of E24 and should accelerate revenue growth and profitability of the combined business.

It has been an eventful few months for Frontier's management team - subsequent to quarter end the company announced the acquisition of a further three businesses with dominant market positions. This will provide meaningful scale to the group. A trading update also showed the existing portfolio of companies reaching EBITDA profitability in the third quarter.

M&A news also acted as a tailwind for two other portfolio holdings during the quarter. Firstly, Cross-Harbour Holdings received a conditional cash offer from its largest shareholder and Chairman. This was one of the smaller positions in the portfolio and we subsequently exited the position after the share price appreciated to reflect the offer.

Vietnamese brewer SABECO also advanced upon the announcement that the Vietnamese Government was looking to tender its remaining 36% stake in the business. We deem this to be a positive development as it is likely the stake will be sold to an international brewer that could materially improve SABECO's premium portfolio and drive a more focused cost culture. Portfolio holding Budweiser APAC is one of the most likely bidders in any government sell down at SABECO.

Currency was the largest detractor to performance, offsetting gains from the equity portfolio. The Australian Dollar rebounded with global equity markets which negatively impacted the Fund due to a majority of its currency exposure being in US Dollars. The Australian Dollar outperformed most Asian currencies over the period.

Macau gaming stocks also remained volatile through the period. While the Macau Government announced a timetable for the resumption of visa issuances for mainland Chinese residents during the quarter (individual and group tourist visas resumed for all residents of mainland China on 23 September) these

Asian Companies Fund

measures will take time to bear fruit and the market continues to wait for confirmation of a recovery in visitation before re-rating the sector.

PORTFOLIO COMPOSITION AND OUTLOOK

The portfolio was relatively unchanged outside the aforementioned sale of Cross-Harbour Holdings.

Given the rapid rebound in equity markets over the past six months it is not surprising to see markets take pause and digest this performance in recent weeks. In the short term, volatility will likely remain elevated with investors navigating the impacts of a spike in COVID-19 cases across Europe on the eve of a northern hemisphere winter. Furthermore, as the US enters the final stages of the election cycle there is the possibility that tail risks will emerge. The impact of these are likely to be magnified given the uncertainty around the pace of the economic recovery in the absence of further stimulus measures.

If we look beyond the short term horizon of the next quarter or two we continue to see significant value within the portfolio. It consists of a combination of good quality cyclical and industrial-type businesses that are deeply depressed but for which we see clear catalysts for re-rating, complimented by very high quality franchise businesses where we have been invested for some time and are likely to continue to be.

As Asia continues its economic recovery post-COVID we expect some of the economically sensitive components to the portfolio to rebound strongly. Despite the rebound already seen, attractive valuations continue to present themselves. This is partly a function of how deeply depressed valuations became across several of our holdings during the peak of the March sell-down, but also the already attractive valuations prior to COVID-19. The environment witnessed to date this year provides potentially a once in a generation opportunity to buy cyclical and industrial stocks, with their positive scenarios playing out over several years, not just a single quarter.

Portfolio investments	Weighting
Online Classifieds & Ecommerce	19.3%
Consumer	14.9%
Gaming	14.0%
Infrastructure	12.4%
Materials (Copper)	11.5%
Financials	8.2%
Technology	7.7%
Other	6.6%
Long Equities Position	**94.6%**
Net invested position	94.6%

Current stock example	
iCar Asia	
Dali Food Group	
MGM China Holdings Ltd	
Sinopec Kantons	
Freeport-McMoRan Copper	
Shinhan Financial	
TravelSky Technology	
Total Holdings	23

Currency exposure*	
USD	68.5%
AUD	15.6%
KRW	10.4%
INR	6.5%
Other	-1.0%
Total exposure	100.0%

* Stated as Effective Exposure.

Kevin Bertoli - Asian Portfolio Manager

Australian Companies Fund

- **The Australian Companies Fund** aims to create long term wealth through a hand-picked portfolio of 15-25 predominantly Australian companies that we believe are trading at prices different to their intrinsic values.
- **The Fund's objective** is to provide long term capital growth and outperform the greater of the S&P/ASX 200 Accumulation Index or the RBA cash rate over rolling seven year periods. The Fund is not intended to replicate the index.

Fund category	Australian equities
Investment style	Fundamental, bottom-up research intensive approach
Number of stocks	As a guide, 15-25 stocks

Minimum investment	$20,000
Suggested investment time	7 years +
Inception date	20 January 2000
Unit trust FUM	$24.2m as at 30 September 2020
Australian equities FUM	$24.2m as at 30 September 2020

Australian Companies Fund

Kevin Bertoli
John Whelan
Australian Co-Portfolio Managers

Fund performance[1] (net of fees)	Inception Date	Exit Price ($, cum)	3 Months	6 Months	1 Year	3 Years pa	5 Years pa	7 Years pa	10 Years pa	Since Inception pa
Fund performance (net of pro forma fees)[1]	**01-2000**	**2.0748**	**1.7%**	**16.2%**	**3.5%**	**3.9%**	**7.4%**	**7.3%**	**9.8%**	**11.6%**
Fund performance (net of actual fees)			**1.7%**	**16.2%**	**3.5%**	**3.6%**	**6.7%**	**6.3%**	**8.5%**	**9.7%**
S&P/ASX 200 Accumulation Index			-0.4%	16.0%	-10.2%	4.8%	7.3%	5.9%	6.9%	7.5%
Outperformance (net of pro forma fees)[1]			**2.1%**	**0.2%**	**13.7%**	**-0.9%**	**0.1%**	**1.4%**	**2.9%**	**4.1%**

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.

KEY POINTS

- The Fund continues its positive performance
- Copper holdings continue their strong momentum
- We exit Bigtincan after share price gains

PERFORMANCE

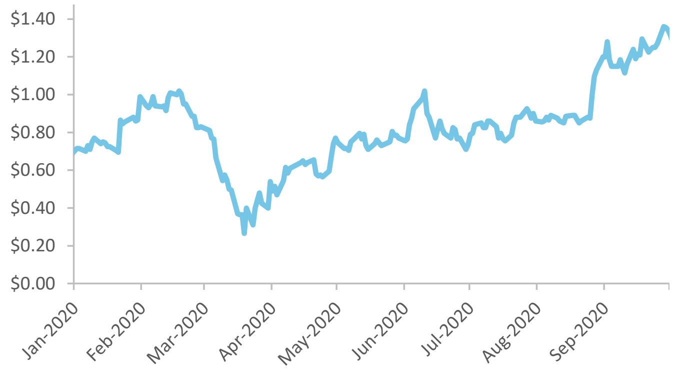
The Fund continued the positive momentum witnessed during the second quarter. Performance was supported by the portfolio's commodities holdings, particularly those focused on the copper market. Companies linked to the commodities sector also helped drive the performance of the wider Australian market as investors anticipated the impact of the record amount of stimulus being injected into the global economy, not only in helping accelerate demand for raw materials in the short term, but also potentially driving inflation over time. Also contributing to performance were positions in iCar Asia and Bigtincan.

The portfolio's copper holdings continued the strong momentum witnessed since the COVID-19-induced lows in March. Robust demand from China coupled with a tight inventory environment continues to support the copper price which has had a flow-on effect to the equity prices of copper companies.

OZ Minerals and Freeport-McMoRan were the standout performers among the commodity component of the portfolio. Beyond the improving fundamentals affecting the copper market and an elevated gold price, both stocks continue to benefit from a de-risking of major assets within their portfolios - Carrapateena in South Australia and Grasberg in Indonesia respectively. As underground development now transitions to production, both companies will experience a material increase in cash flows in the coming years. With respect to Freeport-McMoRan, as Grasberg cash flows are now starting to be better appreciated by the market the company has increasingly become the subject of M&A chatter as its growth profile and attractive valuation become more apparent.

iCar Asia saw operating trends continuing to improve from the initial COVID-19 impacts. Despite the impact to revenues from lower activity in the automotive markets in Malaysia, Thailand and Indonesia (its core geographies), management was able to effectively control operating costs to minimise the negative impacts on cash flow.

Bigtincan share price



Source: Bloomberg

Bigtincan's share price surpassed its pre COVID-19 levels during the quarter after announcing a strong FY20 result which showed a continued solid operating performance from the business despite the wider economic disruption seen this year. Bigtincan's management team has released guidance of 30-40% organic revenue growth in FY21.

Banking stocks detracted from performance. Sentiment towards the Fund's domestic and international banking positions continued to be negatively impacted by record low interest rates as well as uncertainty around credit loss provisions, both of which will put pressure on earnings. Of note was the performance of ING Groep, which given its exposure to Europe was also impacted by rising COVID-19 cases in that region.

The performance of oil and gas companies contrasted with that of base and precious metal companies. Beach Energy came under pressure, with there being record inventory levels in the oil market at a time when major demand drivers such as aviation continue to remain sluggish. Share prices of oil companies have also been impacted by continuing ESG pressures and concerns around the longer term drivers of oil demand.

PORTFOLIO COMPOSITION AND OUTLOOK

The portfolio was well positioned leading into COVID and we were able to take advantage of the rapid drawdown in markets. The biggest incremental change to the portfolio has been to the commodities sector to which we had a relatively immaterial exposure prior to COVID. Despite the solid performance of these companies since our initial purchases we remain comfortable with their value proposition.

Bigtincan was exited during the quarter after its strong share price performance.

The Fund maintains a healthy level of cash which gives us the flexibility to increase our invested position in the event we find attractive opportunities. We were active in selling puts during the quarter in both the Australian banks as well as Crown Resorts which will provide us with attractive entry prices in the event of a 10-15% draw down in these names, while also providing the Fund with attractive premiums today given the elevated volatility that exists.

Portfolio investments	Weighting
Resources	27.5%
Domestic Banks	10.0%
International Banks	8.4%
Non Bank Financials	4.6%
Internet	10.3%
Industrials	9.9%
Other	1.0%
Long Equities Position	**71.7%**
Net Invested Equities	71.7%
Total holdings	22

Current stock example
BHP
ANZ
Bank of America
EML
iCar Asia
Brambles

Currency exposure*	
AUD	98.2%
CAD	1.7%
EUR	0.2%
USD	-0.1%
Total exposure	100.0%

*Stated at effective value.

Kevin Bertoli & John Whelan - Australian Equities Co-Portfolio Managers

Enhanced Yield Fund

- **The Enhanced Yield Fund** aims to create long term wealth through identifying and profiting from market anomalies predominately in debt, corporate bond and hybrid security markets around the world. Originally developed to invest the portion of PM Capital's own money which would otherwise sit in cash, the Fund was opened to co-investors as we realised our problem – how to produce regular income and attractive returns with low volatility – was shared by many other investors.

- **The objective of the Fund** is to provide investors a return in excess of the Reserve Bank of Australia's (RBA) cash rate. The Fund aims to outperform the RBA cash rate with a low degree of volatility and minimal risk of capital loss.

Fund category	Fixed Income
Investment style	Fundamental, bottom-up research intensive approach
Investor profile	The Fund may be suitable for investors who seek a steady source of income, with a low degree of volatility, and an emphasis on capital preservation

Minimum investment	$20,000
Suggested investment time	2 years +
Inception date	1 March 2002
Unit trust FUM	$498.4m as at 30 September 2020
Fixed Income FUM	$734.8m as at 30 September 2020

Enhanced Yield Fund

Jarod Dawson
Global Yield Portfolio Manager

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

"The award recognises the consistent achievement of two of our key strategic objectives - generating attractive returns, and doing so with a low degree of volatility."

Jarod Dawson - Portfolio Manager

Fund performance (net of fees)	Inception Date	Exit Price	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**	**1.1180**	**0.1%**	**1.0%**	**4.0%**	**1.5%**	**2.3%**	**3.3%**	**3.2%**	**3.9%**	**5.4%**
RBA cash rate			0.0%	0.1%	0.1%	0.5%	1.1%	1.3%	1.6%	2.3%	3.7%
Excess			0.1%	0.9%	3.9%	1.0%	1.2%	2.0%	1.6%	1.6%	1.7%
Enhanced Yield Fund (Class B units)**	**05-2017**	**1.1377**	**0.1%**	**1.0%**	**4.0%**	**1.6%**	**2.4%**				**2.6%**
RBA cash rate			0.0%	0.1%	0.1%	0.5%	1.1%				1.1%
Excess			0.1%	0.9%	3.9%	1.1%	1.3%				1.5%

*Enhanced Yield Fund (Performance Fee Option). **Enhanced Yield Fund - Class B units (Management Fee Option).

KEY POINTS

- Another quarter of solid performance as our pandemic investing pays off
- Good news for our patient investment in NAB's Income Securities
- An offer too good to refuse from Seek Ltd

PERFORMANCE

Over the September quarter, the Fund continued to benefit from the significant amount of investing that we have done over the past six months or so.

The major countries and economies around the world have had mixed successes in containing the coronavirus. Australia, while having had a better experience than most countries, has still had its share of challenges.

In light of all this, markets have again been quite volatile. However, better quality businesses continue to see increased demand from investors as easier fiscal and monetary policy around the world has created unprecedented levels of liquidity.

Given the Fund's focus on investing in what we believe to be the best businesses within their respective sectors, we are pleased to report that the Fund was up a further 1.0% in the September quarter, with Fund performance now comfortably higher relative to where it stood just prior to the COVID-19 pandemic.

PORTFOLIO ACTIVITY

The most significant piece of portfolio news is that on October 6 (just after the quarter ended), NAB announced its intention to call a shareholder vote at its December AGM to allow it to redeem the NAB Income Securities (ASX code NABHA). Those that are regular readers of our reports will know that this is an investment that we have been holding on the view that in the not too distant future it will no longer qualify as equity capital on NAB's balance sheet under Basel III regulations, and thus was a good chance of being redeemed.

Assuming the redemption goes ahead, we will have generated a return of well over 30% from this investment for the Fund. This investment is a classic example of the sort of long term patient investing that we engage in as a firm, looking up and down a company's capital structure for the true standouts in global investment markets.

Our investment in the bonds of Australian logistics company Qube Holdings also performed well over the quarter, as their business held up during the worst of the COVID-19 pandemic and is now very well placed to benefit from a bounce in economic growth. Qube is also in the process of selling down its new logistics park at Moorebank and has had significant interest in the

Enhanced Yield Fund

property from numerous suitors. This investment has returned over 10% since our initial purchase.

During the worst of the COVID-19 pandemic, long term inflation expectations in Australian fell to almost zero, and as previously reported, during this period we added to our investment in Australian Government inflation-linked bonds that are designed to benefit from a normalisation of these expectations. As the world (and in particular the Australian economy) has progressed through its normalisation process, so too have inflation expectations begun to rise. This is in part a result of the low Australian Dollar, higher commodity prices, a very stimulatory Federal Budget, and perhaps most significantly, Australia joining the league of money-printing nations. With inflation expectations having now risen over 1% from their lows, we have generated a return of over 5% from this investment.

Apart from the solid performance of the existing portfolio, we are pleased to report that we also made another significant new investment during the quarter.

In early July, we made an investment in the subordinated bonds of Asia Pacific online job vacancies business Seek Ltd at the very attractive yield of cash + 5.50%. Seek is a well run, highly cash generative business that has not only built a strong franchise in Australia and New Zealand, but has also made successful investments in Asia – particularly in China - via its ownership of online job company Zhaopin. At the time of offering the new bonds, Seek also offered to buy back our existing senior debt bonds at a significant premium to market – making the entire package too good to refuse.

OUTLOOK

Over the next few months, I suspect we will see more volatility from investment markets in general, as the COVID-19 pandemic continues to play out – particularly in the northern hemisphere – and we get our seemingly daily dose of noise surrounding the US election. Additionally, there will likely be some further posturing around Brexit coming into the end of December.

With the volatility however will likely come some very exciting investment opportunities. With around 40% of the Fund currently sitting in cash, we are again in an exceptional position to take advantage of these opportunities.

As always we will continue to invest in businesses that we believe will thrive longer term, regardless of when a vaccine eventually becomes available to treat COVID-19, or who is voted into the White House in November.

In light of this, we are confident that the Fund can deliver on its performance objectives over the medium to long term, and under the right circumstances even exceed them.

Portfolio Investments	Weighting**	Average yield	Average spread to RBA
Cash^	**41.4%**	**0.60%***	**0.35%***
Corporate bonds	**51.8%**	**2.75%***	**2.50%***
Fixed	0.0%*		
Floating	100.0%*		
Hybrids	**2.9%**	**5.15%***	**4.90%***
Fixed	0.0%*		
Floating	100.0%*		
Equity income strategies	**1.7%**		
Total exposure	100.0%		

* These numbers are indicative and provided as a guide only

** Fixed / Floating proportions are determined after the effect of interest rate swaps.

^Includes senior investment grade securities with maturities of 12 months or less.

Duration	
Interest rate*	0.14
Average term to maturity*	3.22

Regional allocation	
Australia	34.5%
Europe	11.9%
North America	5.9%
United Kingdom	5.7%
Other	0.6%
Cash	41.4%

Yield security maturity profile	
0-1 Year	52.5%
1-2 Years	12.9%
2-3 Years	3.9%
3-4 Years	8.4%
4 Years +	22.3%

Jarod Dawson - Global Yield Portfolio Manager

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PM Capital

Important information

This Quarterly Report is issued by PM Capital Limited (ABN 69 083 644 731, AFSL No. 230222) as responsible entity for the:

PM Capital Global Companies Fund
ARSN 092 434 618

PM Capital Asian Companies Fund
ARSN 130 588 439

PM Capital Australian Companies Fund
ARSN 092 434 467

PM Capital Enhanced Yield Fund
ARSN 099 581 558

the 'Fund', or collectively the 'Funds' as the context requires.

The Quarterly Report contains summary information only to provide an insight into how and why we make our investment decisions. This information is subject to change without notice, and does not constitute advice or a recommendation (including on any specific security or other investment position mentioned herein).

The Quarterly Report 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 ('PDS') which is available from us, and seek their own financial advice prior to making a decision to invest. The PDS explains how the Funds' Net Asset Value is calculated. Returns are calculated from exit price to exit price (inclusive of the reinvestment of distributions) for the period from inception to 30 September 2020 and represent the combined income and capital return. The investment objective is expressed after the deduction of fees and before taxation. The objective is not a forecast, and is only an indication of what the investment strategy aims to achieve over the medium to long term. While we aim to achieve the objective, the objective and returns may not be achieved and are not guaranteed. 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 factors, including market forces.

The Index for the Global Companies Fund is the MSCI World Net Total Return Index in Australian dollars, net dividends reinvested. The Index for the Asian Companies Fund is the MSCI AC Asia ex Japan Net Total Return Index in Australian dollars, net dividends reinvested. See www.msci.com for further information on the MSCI indices. The Index for the Australian Companies Fund is the S&P/ASX 200 Accumulation Index. See www.asx.com.au for further information. The Index for the Enhanced Yield Fund is RBA Cash Rate. See www.rba.gov.au for further information.

1. Past performance is not a reliable indicator of future performance.

2. The Asian region (ex-Japan) includes Hong Kong, China, Taiwan, Korea, Indonesia, India, Sri Lanka, Malaysia, Philippines, Thailand, Vietnam, Pakistan and Singapore, but excludes Japan. The Fund may also obtain exposure to companies listed on other global exchanges where the predominant business of those companies is conducted in the Asian region (ex-Japan).

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