

Stock valuations

The buffer against macro headwinds

p.1 Video insight



PM Capital Global Opportunities Fund Limited
ACN 166 064 875 (ASX Code: PGF)



PM Capital Asian Opportunities Fund Limited
ACN 168 666 171 (ASX Code: PAF)

CONTENTS

Video update	1	PM Capital Asian Opportunities Fund	5
PM Capital Global Opportunities Fund	2	Important information	8

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.”

Listed Company Overview

	PM Capital Global Opportunities Fund Limited	PM Capital Asian Opportunities Fund Limited
Asset Class	Global equities	Asian (ex-Japan) equities
Listing Date	11 December 2013	21 May 2014
Suggested Time Frame	Seven years plus	Seven years plus
Shares on Issue	354,175,578	57,611,321
Share Price	\$0.98	\$0.77
Market Capitalisation	\$ 347.1 million	\$ 44.4 million
NTA before tax accruals (per share, ex-dividend)	\$1.1630	\$0.9215
Company Net Assets before tax accruals	\$ 411.9 million	\$53.1 million

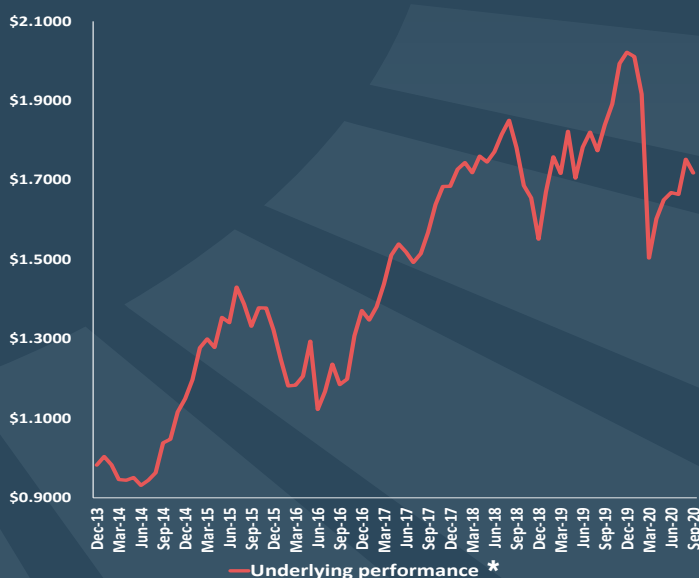
See page 8 for Important Information. As at 30 September 2020.



PM Capital Global Opportunities Fund Limited

- **The Company** aims to create long term wealth through a concentrated portfolio of generally 25-45 global companies that we believe are trading at prices different to their intrinsic values.
- **The Company's investment objective** is to provide long-term capital growth over seven-year plus investment horizon through investment in a concentrated portfolio of undervalued global (including Australian) equities and other investment securities.

Underlying performance since inception (after fees)



ASX Code	PGF
Category	Global equities (long/short)
Investment style	Fundamental, bottom-up research intensive approach
Number of stocks	As a guide, 25-45 stocks
Shares on issue	354,175,578
Suggested investment time	7 years +
Listing date	11 December 2013

Past performance is not a reliable indicator of future performance.

* Excludes the impact of: Changes in ordinary share capital (i.e., option exercise, DRP); Dividends; and Tax paid. After all costs and expenses, including (but, not limited to): management fees; listing fees; registry costs; audit costs; and directors' fees.

PM Capital Global Opportunities Fund



Paul Moore
Global Portfolio Manager

Net Tangible Asset (NTA) backing per ordinary share (After fees and expenses, all figures are unaudited) ¹	September 2020	Company performance (net of fees) ²	3 Months	1 Year	3 Years p.a.	5 Years p.a.	Since inception p.a.	Total Return	Gross Dividend Yield (p.a.) ³
NTA before tax accruals	\$ 1.1630	PM Capital Global Opportunities Fund	3.0%	-6.6%	3.1%	5.2%	8.3%	71.8%	6.56%
NTA after tax (excluding deferred tax assets)	\$ 1.1512								

1. Past performance is not a reliable indicator of future performance. 2. Performance adjusted for capital flows including those associated with the payment of dividends and tax, share issuance as a result of option exercise and the dividend reinvestment plan, and including the value of franking credits. 3. Based on prior 12 month dividends including franking and using share price as at 30 September 2020.

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 3% 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.

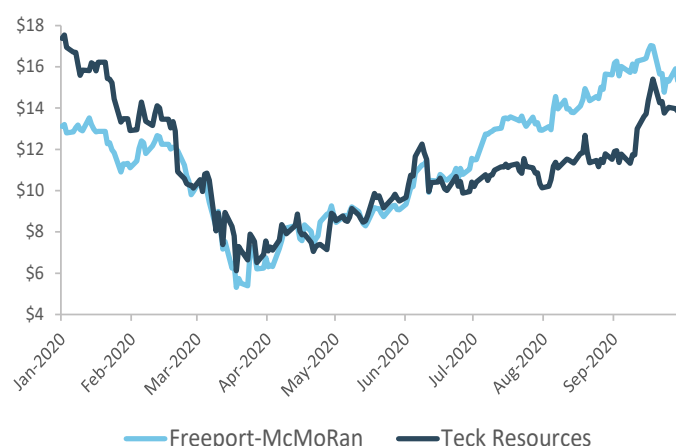
Late in the quarter, Siemens AG completed the spinoff of its energy business, Siemens Energy, which houses its thermal generation and transmission assets along with its 67% holding of separately listed wind generation business Siemens Gamesa. We took the

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

PM Capital Global Opportunities Fund

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, 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	8.4%
Global Domestic Banking	23.7%
Service Monopolies	13.6%
Gaming - Macau	7.9%
Alternative Investment Managers	11.5%
Industrial - Europe	7.1%
Materials	23.1%
Other	11.7%
Long Equity Position	107.0%
Short Equity Position	-9.3%
Net Invested Equities	97.7%
Total holdings	50

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

Currency exposure*	
AUD	42.8%
USD	34.3%
EUR	14.4%
GBP	3.0%
CAD	2.0%
Other	3.5%
Total exposure	100.0%

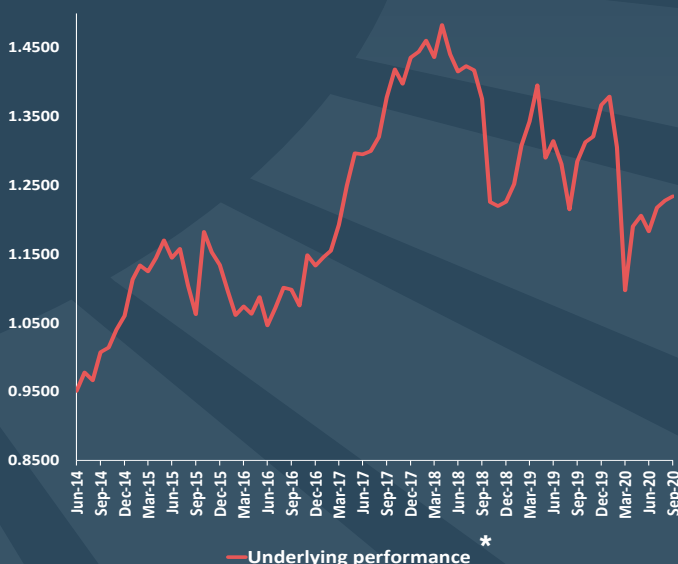
* Stated as effective exposure.



PM Capital Asian Opportunities Fund Limited

- **The Company** aims to create long term wealth through a concentrated portfolio of typically 15-35 Asian centric companies that we believe are trading at prices different to their intrinsic values.
- **The objective of the Company** is to provide long-term capital growth over a seven-year plus investment horizon through investment in a concentrated portfolio of predominantly undervalued listed Asian equities and other investment securities in the Asian Region (ex-Japan).

Underlying performance since inception (after fees)



ASX code	PAF
Category	Asian (ex-Japan) ⁶ equities
Investment style	Fundamental, bottom-up research intensive approach
Number of stocks	As a guide, 15-35 stocks
Shares on issue	57,611,321
Suggested investment time	7 years +
Listing date	21 May 2014

Past performance is not a reliable indicator of future performance.

*Excludes the impact of: Changes in ordinary share capital (i.e., option exercise, DRP); Dividends; and Tax paid. After all costs and expenses, including (but not limited to): management fees; listing fees; registry costs; audit costs; and directors' fees.

PM Capital Asian Opportunities Fund

Kevin Bertoli
Asian Portfolio Manager



Net Tangible Asset (NTA) backing per ordinary share (After fees and expenses, all figures are unaudited) ¹	September 2020	Company performance (net of fees) ⁴	3 Months	1 Year	3 Years p.a.	Since inception p.a.	Total Return
NTA before tax accruals ²	\$ 0.9215	PM Capital Asian Opportunities Fund	4.3%	-3.9%	-3.6%	3.4%	23.4%
NTA after tax (excluding deferred tax assets ³)	\$ 0.9147						

1. Past performance is not a reliable indicator of future performance. 2. Performance adjusted for capital flows including those associated with the payment of dividends and tax, share issuance as a result of option exercise and the dividend reinvestment plan, and including the value of franking credits.

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

PM Capital Asian Opportunities Fund

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 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	Current stock examples	Currency exposure*	
Online Classifieds & Ecommerce	18.5%	iCar Asia	USD	65.4%
Consumer	16.1%	Dali Food Group	AUD	22.4%
Gaming	12.3%	MGM China Holdings	KRW	8.2%
Infrastructure	11.1%	Sinopec Kantons	INR	4.9%
Materials (Copper)	10.3%	Freeport-McMoRan	Other	-0.9%
Technology	8.4%	TravelSky Technology	Total exposure	100.0%
Financials	6.7%	Shinhan Financial		
Other	5.9%			
Long Equities Position	89.3%			
Net Invested Equities	89.3%	Total Holdings		24

* Stated as Effective Exposure.

Important information

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



PM CAPITAL Global Opportunities Fund Limited
ACN 166 064 875 (ASX Code: PGF)



PM CAPITAL Asian Opportunities Fund Limited
ACN 168 666 171 (ASX Code: PAF)

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The Index for the PM Capital Global Opportunities Fund Limited is the MSCI World Net Total Return Index in

Australian dollars, net dividends reinvested. The Index for the PM Capital Asian Opportunities Fund Limited 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.

See the company announcements platform at www.asx.com.au, and www.pmcapital.com.au, for further information.

6. 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 Company 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).

Announcement authorised by Benjamin Skillbeck - Director.

INVESTMENT MANAGER

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