QUARTERLY REPORT

SEPTEMBER 2021

Valuation and patience

Key to realising the rewards of investing

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)

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Quarterly video update

In this video Paul Moore, Chief Investment Officer and Portfolio Manager, Global strategies discusses:

- The sectors currently experiencing the largest valuation anomalies
- Why you shouldn't let oscillations in the market distract you
- The importance of valuation and patience
- The irony of industry self-destruction

Access the video **here.**

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

"Investing is about buying at a discount to intrinsic worth and selling at a premium. That is how you accumulate wealth. Selling at a discount and buying at a premium is the most tragic investment decision one can make!"

Listed Company Overview

	PM Capital Global Opportunities Fund Limited	PM Capital Asian Opportunities Fund Limited
ASX Code	PGF	PAF
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	390,180,002	57,230,342
Share Price	$1.49	$1.08
Market Capitalisation	$581.4 million	$61.8 million
NTA before tax accruals (per share, ex-dividend)	$1.6565	$1.1138
Company Net Assets before tax accruals	$646.3 million	$63.7 million

See page 6 for Important Information. As at 30 September 2021.

PM Capital Global Opportunities Fund

Paul Moore
Global Portfolio Manager

PM Capital is delighted to have its global investment strategy named the winner of the International Equities – Alternative Strategies, 2021 Zenith Fund Award.^ We congratulate the nominees, and thank Zenith for their recognition of our rigorous discipline of focusing on genuine long term valuation anomalies.

Simple ideas, simple businesses

Building long term wealth by finding and exploiting investment anomalies around the world

Net Tangible Asset (NTA) backing per ordinary share (After fees and expenses, all figures are unaudited)[1]	**September 2021**
NTA before tax accruals	**$ 1.6565**
NTA after tax (excluding deferred tax assets)	**$ 1.4848**

Company performance (net of fees)[2]	**3 Months**	**1 Year**	**3 Years p.a.**	**5 Years p.a.**	**7 Years p.a.**	**Since inception p.a.**	**Total Return**	**Gross Dividend Yield** (p.a.)[3]
PM Capital Global Opportunities Fund	**1.5%**	**53.0%**	**13.4%**	**17.1%**	**14.1%**	**13.1%**	**160.7%**	**9.6%**

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. 3.Based on share price as at 30 September 2021, and the dividend guidance issued to the ASX on 12 August 2021. The intended fully franked dividend is subject to there being no material adverse changes in market conditions and the investment performance of the Company's portfolio. The Company's ability to continue paying fully franked dividends is dependent on the payment of tax on investment profits and there can be no guarantee that such profits will be generated in the future.

KEY POINTS

- European banks start to move on the back of a step change in shareholder return policy
- Market starting to recognize value in portfolio holding Royal Dutch Shell
- Regulator uncertainty impacts Chinese equities

PERFORMANCE

The portfolio returned 1.5% over the quarter. The main positive contributors were our positions in the European banks and oil major Royal Dutch Shell, with our Macau gaming positions being the main negative detractor.

PORTFOLIO ACTIVITY

The portfolio composition was relatively stable over the quarter, albeit we sold our small position in Spanish elevator business Zardoya Otis, which rose 29% after a takeover offer by its majority shareholder OTIS Worldwide Corporation.

We also took advantage of the weakening Australian dollar to increase our exposure. While commodity prices have pulled back from their highs over the last couple of months, the Australian dollar has meaningfully underperformed the rise in commodity prices over the last couple of years. A period of higher commodity prices and higher interest rates will benefit the Australian dollar over the medium term.

OUTLOOK

European banks which are probably the most unloved sector in the market performed strongly over the quarter as they increasingly focused on returning capital to shareholders in the form of dividends and buybacks. Our largest European bank holding, ING Groep NV provided a total return of 12.8% over the quarter as it declared multiple dividends and a new buyback program. Going forward, in addition to its regular cash payout of 50% of earnings (circa 7% dividend yield), ING will top this up with buybacks resulting in a double-digit total yield. Couple this with the fact it is trading on roughly 6x adjusted earnings, ING remains a core position in our portfolio.

Our two Irish banking holdings, AIB and Bank of Ireland, performed strongly as the Irish banking market continues to consolidate. AIB is acquiring large parts of Ulster Bank's portfolio and Bank of Ireland is acquiring the entire performing loan portfolio of KBC Bank Ireland; a five-player market is thus consolidating into a three-player market. Market structure is critical in banking as it is a key input in determining banking

PM Capital Global Opportunities Fund

profitability. The consolidated Canadian, Australian and Nordic banking markets are highly profitable compared to the more challenged and fragmented German and Japanese markets. We believe market consolidation in the Irish banking market will likely strengthen the remaining banks' market positions and profitability.

After increasing the Fund's exposure earlier in the year, Royal Dutch Shell returned over 19% during the quarter. Global energy prices have spiked on a tight global gas market ahead of winter. Depleted global gas inventories after last year's cold winter have combined with increased global demand due to low hydro, low wind, and a booming industrial sector in many parts of the world. With gas prices rising, Brent has also rallied to a three-year high. Shell also announced the disposal of their Permian assets to ConocoPhilips for US$9.5 billion during September, with US$7 billion of the proceeds to be used for shareholder distributions. At current energy prices Shell is trading on a free cash flow yield of 20%. The balance sheet is de-gearing rapidly and now sits below management's prior targets. With upstream capex fixed, Shell is well positioned to increase shareholder distributions while also funding management's energy transition targets. Despite this, the stock still trades at a meaningful valuation discount relative to global oil & gas majors.

The primary detractor was our position in the Macau gaming operators. The Macau government formerly commenced a review of the city's gaming laws which precedes the upcoming license tendering process, and our holdings sold off sharply on the release of the public consultation document.

The primary concerns for investors relate to three areas of debate raised by the government; 1. more formalised oversight for government over operations, 2. increased control over dividends and 3. increasing local ownership. Details around each of these categories was limited to a few paragraphs and we believe it has been this lack of detail combined with recent pattern of heighten regulatory involvement by the government that have driven fears of worse case scenarios i.e. cashflow becoming trapped in Macau, or operators being forced to sell stakes to locals at low prices.

While comments around dividends and ownership are clearly incrementally negative, it is important to remember Macau is not only retendering its casino licenses, the government is also updating the gaming law which has now been in place for 20 years. Macau is a very different place today compared to when the original laws were written. Therefore, amendments to the law are to be expected. Clearly stocks are now very cheap on historic earnings as market fears permanent changes to economics. For US listed companies like Las Vegas Sands and Wynn Resorts current share prices reflects minimal value for Macau.

While the overall market continues to trade on historically rich multiples due to low interest rates, our portfolio is substantially different to the market composition and offers investors the opportunity to take advantage of what we believe are significant valuation anomalies.

Portfolio investments	Weighting^^
Housing - Ireland and Spain	9.1%%
Global Domestic Banking	37.1%
Gaming - Macau	7.5%
Alternative Investment Managers	7.8%
Industrial - Europe	6.4%
Materials	19.3%
Energy	9.5%
Other	12.8%
Long Equity Position	**109.5%**
Direct Short Position	-4.1%
Index Short Position	-19.1%
Net Invested Equities	86.3%

Current stock examples	
Cairn Homes	
Bank of America	
MGM China holdings	
Apollo Global Management	
Siemens	
Freeport-McMoRan	
Royal Dutch Shell	
Howard Hughes	
SPX, NASDAQ	
Total holdings	44

Currency exposure*	100%
AUD	38.2%
USD	30.5%
EUR	19.8%
GBP	7.8%
Other	3.7%

* Stated as effective exposure.

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.

Paul Moore - Chief Investment Officer & Global Portfolio Manager
John Whelan - Contributing author

PM Capital Asian Opportunities Fund

Kevin Bertoli
Asian Portfolio Manager

Profiting from hand-picked business operating in the world's growth engine

Net Tangible Asset (NTA) backing per ordinary share (After fees and expenses, all figures are unaudited)[1]	September 2021
NTA before tax accruals	$ 1.1138
NTA after tax (excluding deferred tax assets)	$ 1.0939

Company performance (net of fees)[2]	3 Months	1 Year	3 Years p.a.	5 Years p.a.	7 Years p.a.	Since inception p.a.	Total Return
PM Capital Asian Opportunities Fund	1.2%	26.0%	4.2%	7.4%	7.5%	6.2%	55.3%

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.

KEY POINTS

- iCar Asia advances after receiving second takeover offer
- Regulatory scrutiny intensifies in China
- Portfolio well positioned to benefit from economic reopening across Asia as vaccine penetration improves

PERFORMANCE

The portfolio increased 1.2% in the September quarter compared to the market which declined 5.8%.

Readers of our commentary will be familiar with our investments in the online classified and ecommerce sector, iCar Asia and Frontier Digital Venture. These are the two largest positions in the portfolio and were key contributors to performance throughout the quarter.

iCar Asia was a standout after receiving another non-binding takeover offer, this time from Singapore based Carsome Group, which valued the company at A$243 million. Carsome's offer was superior to the previous non-binding offer received from Autohome Inc. On October 1st iCar Asia announced that Carsome had completed its confirmatory due diligence and obtained the necessary funding to complete a transaction. The two parties now enter a period of negotiation around final price (between $0.53-$0.54) and look to complete binding transaction documents.

Corporate activity at iCar Asia has also led to greater investor attention on Frontier Digital Ventures. Frontier has been active in expanding its business over the past year, announcing several acquisitions, most notably four businesses from global marketplace operator Adevinta. The strategic acquisitions made by Frontier during a period of heightened uncertainty created by the pandemic, stand out as highly contrarian. The long-term focus of management and the decision to take advantage of the disruption caused by the pandemic has put the business on a markedly different growth trajectory than that envisioned pre-COVID-19. The company remains well place to capitalise its market leading positions, particularly in the property vertical and we believe it remains under appreciated by investors.

The intensifying regulatory crackdown in China, particularly within the internet and education sectors garnered considerable attention during the quarter. This led to substantial declines in benchmark MSCI Asia ex Japan weightings like Tencent, Alibaba and Meituan. China's internet sector is a segment of the market where we have vocalised our cautious views and we did not have positions here, something that had previously hurt our relative performance when these stocks were in favour.

Regulatory scrutiny has been gradually building and we see this as part of a broader push back by the government against private enterprises which are increasingly influential in the economy. Companies like Alibaba and Tencent have been allowed to acquire many of the emerging technology companies across the internet ecosystem, and now these players have a dominant presence in most of the online verticals. This has stifled competition and seen power coalesce in the hands of a select few, which the government sees as a risk. We expect regulatory scrutiny will remain elevated, but equity prices are now largely reflecting this.

Increased regulatory scrutiny rightly instils in investors 'China risk'. While we were positioned correctly with regards to China's internet sector, we failed to judge the extent of the markets unwillingness to accept any regulatory risk when it comes to China and how this would follow on to our other holdings, particularly Macau.

Macau's government formerly commenced a review of the city's current gaming law and the license tendering process. While these two events have been expected, the release of the government's official public consultation document was negatively received by the market and our holdings detracted from performance meaningfully. The primary concerns for investors relate to three areas of debate

PM Capital Asian Opportunities Fund

raised by the government; 1. more formalised oversight for government over operations, 2. increased control over dividends and 3. increasing local ownership. Details were limited to a few paragraphs, and we believe it has been this lack of detail, combined with the recent pattern of heightened regulatory involvement by the government that have driven fears of worse case scenarios i.e. cashflow becoming trapped in Macau, or operators being forced to sell stakes to locals at low prices.

While comments around dividends and ownership is incrementally negative it is important to remember Macau is not only retendering its casino licenses, the government is also updating the gaming law which has now been in place for 20 years. Macau is a very different place today compared to when the original laws were written. Therefore, amendments to the law are to be expected. Clearly stocks are now very cheap on historic earnings as market fears permeant changes to economics. For US listed companies like Las Vegas Sands and Wynn Resorts, current share prices reflect minimal value for Macau. We have seen other sectors in China act in a similar way when regulatory overhang exists. We saw this firsthand with the gas pipeline companies which we've held in the portfolio (Kunlun Energy). The market feared industry restructuring would be done at the expense of minority shareholders, ultimately this did not happen, and the sector rerated.

PORTFOLIO ACTIVITY

Positions in Samsung Electronics and CRISIL Limited were sold. Our Samsung Electronics position was held via preference shares and a key element of our thesis was the narrowing of the discount those preference shares traded at relative to the common stock. While Samsung's common stock has been a strong performer on the back of strength in its core semiconductor business, the preference share outperformed with the discount reducing to single digits compared to 20%+ when we first entered the position. CRISIL was sold after a period of strong share price performance saw it reach our target valuation.

OUTLOOK

Looking forward, investor focus continues to be China's economic growth outlook. The potential for debt defaults at property developer Evergrande and the impact of electricity shortages across China have been widely covered and resulted in investors becoming increasingly cautious. As alluded to in previous commentary, Chinese equities have been a notable underperformer since the onset of the US-China trade dispute and many sectors already trade in the bottom quartile of their long-term valuation ranges.

Evergrande has been a perennial short candidate due to its hyperaggressive growth strategy fuelled by willingness for investors, many overseas, to fund this growth in their search for yield. It is difficult to predict how an Evergrande type event might play out, however even before Evergrande became front page news there were signs that China's property market had started to cool in large part due to tangible actions taken by the government. While we have no direct exposure to Chinese property and less than 5% exposure to Chinese financials, we continue to monitor these issues due to their importance for our copper holdings.

The portfolio remains well positioned for the continued reopening of the economies across Asia as vaccine penetration improves and restrictions are gradually removed. We believe the progress being made bodes very well for CY2022 earnings growth.

Portfolio investments	Weighting
Online Classifieds & Ecommerce	19.4%
Infrastructure	11.9%
Materials (Copper)	9.9%
Gaming	9.2%
Financials	8.6%
Consumer	8.1%
Energy	6.7%
Technology	5.5%
Other	4.6%
Long Equities Position	**83.9%**
Net Invested Equities	**83.9%**

Current stock examples	
iCar Asia	
Sinopec Kantons	
Freeport-McMoRan	
MGM China Holdings	
Shinhan Financial	
SABECO	
CNOOC	
Travelsky	
China Mobile	
Total Holdings	22

Currency exposure*	100%
USD	42.6%
AUD	42.6%
KRW	10.5%
INR	1.5%
Other	2.8%

* Stated as Effective Exposure.

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 Company's investment objective 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).

Kevin Bertoli - Asian Portfolio Manager

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.

Inception date for PGF: 12 December 2013.
Inception date for PAF: 22 May 2014.

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

4. 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).

PAF annoucement authorised by Benjamin Skilbeck - Director.
PGF announcement authorised by Richard Matthews - Company Secretary.

^The Zenith Fund Awards were issued on 15 October 2021 by Zenith Investment Partners (ABN 27 130 132 672, AFSL 226872) and are determined using proprietary methodologies. The Fund Awards are solely statements of opinion and do not represent recommendations to purchase, hold or sell any securities or make any other investment decisions. To the extent that the Fund Awards constitutes advice, it is General Advice for Wholesale clients only without taking into consideration the objectives, financial situation or needs of any specific person. Investors should seek their own independent financial advice before making any investment decision and should consider the appropriateness of any advice. Investors should obtain a copy of and consider any relevant PDS or offer document before making any investment decisions. Past performance is not an indication of future performance. Fund Awards are current for 12 months from the date awarded and are subject to change at any time. Fund Awards for previous years are referenced for historical purposes only.

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