QUARTERLY REPORT

DECEMBER 2019

From Santa slump to Santa surge

Where to from here?

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)

CONTENTS

Quarterly video update

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

- How in 12 months markets have moved from short-term weakness to record highs
- Why we're at a crucial double inflection point
- Where the opportunities and risks now lie

Access the video **here.**

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

"Typically when you get these inflection points in markets investors don't really understand where the true risks lie."

Total returns since inception[1]

Fund		Benchmark	
PM Capital Global Companies Fund	528.6%	MSCI World Net Total Return Index (AUD)	196.3%
PM Capital Asian Companies Fund	308.5%	MSCI AC Asia ex Japan Net (AUD)	155.3%
PM Capital Australian Companies Fund	591.6%	S&P / ASX 200 Accum. Index	397.1%
PM Capital Enhanced Yield Fund*	165.1%	RBA Cash Rate	96.4%

[1]Past performance is not a reliable indicator of future performance. See page 17 for Important Information. As at 31 December 2019.
*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 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	$479.0m as at 31 December 2019
Global equities FUM	$1,200.8m as at 31 December 2019

Global Companies Fund

Paul Moore
Global Portfolio Manager

Fund performance (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	Since inception - total
Global Companies Fund	**10-1998**	**3.4542**	**10.2%**	**14.1%**	**31.8%**	**12.9%**	**10.8%**	**16.7%**	**12.8%**	**9.1%**	**528.6%**
MSCI World Net Total Return Index (AUD)			4.2%	9.0%	27.9%	13.7%	12.1%	16.9%	12.2%	5.3%	196.3%
Outperformance by the Fund			6.0%	5.1%	3.9%	-0.8%	-1.3%	-0.2%	0.6%	3.8%	332.3%

KEY POINTS

- The portfolio outperforms a strong market
- Market sentiment continues to favour inexpensive, under-owned cyclical and value stocks over expensive, over-owned growth and defensive stocks

PERFORMANCE

The portfolio produced an attractive return over the quarter, rising 10.2%, while the broader market returned 4.2%. Among our best performers during the quarter were stocks perceived to benefit from a de-escalating US-China trade war, including Wynn Resorts, the copper companies and the alternative asset managers.

PORTFOLIO ACTIVITY

During the quarter we exited our holding in Alphabet, parent of internet search and advertising giant Google. Google remains an excellent business with a strong competitive advantage and growth outlook, but the market now shares the same opinion and its price-to-earnings (P/E) ratio fully reflects future earnings growth, making the risk/ return equation less attractive. We bought the stock in 2011 at a P/E in the low 'teens, added to our position in 2015 on share price weakness, and exited in October at a P/E in the mid-20s.

Late in the quarter we also sold our position in Facebook. The stock has performed extremely well (up over 50% in 2019) but we feel that potential regulation could impact the way this business uses and monetises consumer data. Landmark privacy laws took effect in California from 1 January 2020 (not enforced until July), which requires Californian companies to disclose to consumers the data they collect, why they collect the data and the third parties with which it is shared. This likely paves the way for more robust regulation in other US states.

We continued to reduce our position in the alternative asset managers and fully exited our position in Blackstone in the quarter. Blackstone produced a total return of over 90% in 2019, with the stock initially jumping early in the year on speculation it would convert from a publicly-traded partnership to a corporation. It continued to appreciate after its April confirmation that it would convert, then through the actual conversion date in July 2019.

Additionally, we sold our positions in US homebuilders Lennar Corporation, Toll Brothers and Tri-Pointe Group. The stocks have appreciated considerably on the back of strong new home sales.

We increased our positions in AIB Bank and the Irish homebuilders, as we felt they were unduly impacted by Brexit uncertainty.

While selling our positions in our US homebuilder stocks, we retained our position in Howard Hughes. It owns, manages and develops commercial and residential property concentrated in Las Vegas, Houston and Hawaii - high quality long-life assets with an enormous internal development pipeline that distinguishes it from other real estate developers and homebuilders.

In mid-2019 Howard Hughes announced it was launching a review of how to best unlock shareholder value. Initially the market thought it may result in a full sale of the business, but Howard Hughes later confirmed it is more likely to follow its core strategy, focusing on large master-planned communities in addition to selling US$2 billion of non-core assets and cutting corporate overhead expenses. This should result in a streamlined organisation structure with the cash from the sale of the non-core assets allowing higher shareholders returns and accelerated growth in its prime master-planned community business.

Despite the European Central Bank (ECB) cutting interest rates and relaunching its quantitative easing policy in September, our positions in European banking stocks performed very strongly over the quarter. While the markets in general were assisted by the

Global Companies Fund

de-escalation of the trade war, a few specific events helped the European banks:

• Christine Lagarde, who replaced Mario Draghi as the President of the ECB in October, is pushing for fiscal stimulus rather than continuing to rely on further monetary stimulus.

• The Chair of the ECB Supervisory Board, Andrea Enria, made it clear there will be no more explicit capital requirements (post the implementation of Basel 4) for the banks. These positions contrast with the downbeat assessment of the economy by Draghi and the never ending changing regulatory environment for banks over the last number of years.

• Brexit became clearer after the majority reached by the Conservative party in the election was larger than forecast by the polls (we took advantage of the volatility in the stock prices earlier in the quarter to increase our positions in both AIB Bank and ING Groep NV).

In September we highlighted the disconnect between our on-the-ground observations of Europe and the prevailing market sentiment. Despite the doom and gloom, we found in our research trips that the European business environment was relatively healthy. One of our holdings, Siemens, a German-based industrial conglomerate was among the best performers for the portfolio. Despite its low valuation, Siemens houses world-leading businesses in factory automation, advanced healthcare equipment and mobility - all of which have strong structural tailwinds.

A clear catalyst for Siemens to realise its full value is management's commitment to spin off the energy-related businesses in 2020 and create a more focused industrial business.

In currency, the Australian Dollar appreciated over 4% against the US Dollar, being the largest individual detractor from portfolio performance over the quarter. This was due to rising commodity prices and a contraction in the negative spread between Australian and US interest rates.

OUTLOOK

The overall market sentiment continues to favour inexpensive, under-owned cyclical and value stocks over expensive, over-owned growth and defensive-nature stocks. We are well positioned to outperform in this environment.

Portfolio investments	Weighting
Post GFC Property Recovery - Europe	8.0%
Global Domestic Banking	32.1%
Service Monopolies	9.2%
Gaming - Macau	8.1%
Alternative Investment Managers	15.1%
Materials	5.7%
Other	15.4%
Long Equity Position	**93.6%**
Short Equity Position	-12.2%
Net invested equities	81.4%
Total holdings	46

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

Currency exposure*	
USD	58.5%
AUD	17.5%
EUR	16.2%
GBP	5.5%
HKD	2.3%
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	**Minimum investment**	$20,000
Investment style	Fundamental, bottom-up research intensive approach	**Suggested investment time**	7 years +
Number of stocks	As a guide, 15-35 stocks	**Inception date**	1 July 2008
		Unit trust FUM	$24.3m as at 31 December 2019
		Asian equities FUM	$86.6m as at 31 December 2019

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	Since inception - total
Asian Companies Fund	**7/2008**	**1.6453**	**8.7%**	**4.6%**	**12.2%**	**6.9%**	**5.9%**	**10.3%**	**8.2%**	**13.0%**	**308.5%**
MSCI AC Asia ex Japan Net Total Return Index[2]			7.3%	6.6%	18.3%	13.9%	9.8%	11.9%	8.7%	8.5%	155.3%
Outperformance by the Fund			1.4%	-2.0%	-6.1%	-7.0%	-3.9%	-1.6%	-0.5%	4.5%	153.2%

KEY POINTS

- Solid gains for the region and the portfolio
- Short term pressure lifts as some light at the end of the trade war tunnel
- We remain cautious, although valuations remain reasonable

PERFORMANCE

De-escalating trade tensions saw Asian regional equity markets post solid gains over the quarter. The portfolio outperformed the broader market, as our holdings that have been saddled with uncertainty caused by recent conflict between the United States and China rose meaningfully. Notable gainers were our Macau casino holdings, positions within the copper sector, as well as several other businesses considered to be reliant on a vibrant Chinese economy both in China and regionally (i.e. TravelSky Technology, Dali Foods and AmorePacific).

A sharp rebound in these holdings highlights the degree in which corporate valuations have been impacted by the negative sentiment surrounding recent trade disputes and how even small milestones like a phase one deal can result in significant share price movements.

PORTFOLIO ACTIVITY

The current situation is no better represented than by our Macau gaming holdings which we have talked about at length over the last year. There was very little in the way of new information outside of an improving trade landscape to cause a positive share price reaction, nonetheless Wynn Resorts (+28%) and Melco Entertainment (+25%) were among the largest contributors to performance. We continue to remain positive towards Macau and believe the negative sentiment has further to unwind. While VIP play remains volatile month to month, Macau's mass market gaming activity continues to display robust growth, supporting underlying earnings.

During December, President Xi visited Macau to mark the 20th anniversary of Macau's transition from Portuguese rule to a Special Administrative Region (SAR) of China. Xi struck a positive and supportive tone towards Macau, recognising the SAR's commitment to a harmonious relationship with the Mainland. This is in stark contrast to Hong Kong and should bode well for Macau going forward.

Copper positions advanced in tandem with underlying copper prices. Copper is often seen as a gauge of investor sentiment toward the global economy (hence the moniker 'Dr Copper') and during the period we saw record short positions against the metal being partially unwound. We also saw several stock specific events acting as a catalyst for our holdings. Freeport McMoRan (+37%) was positively impacted by commentary from Barrick Gold's CEO Mark Bristow who indicated Freeport and Barrick could potentially be an attractive combination. Freeport has been raised as a takeover target on numerous occasions over the last year given its attractive portfolio of producing assets and the continued interest among operators for increased copper exposure.

Turquoise Hill Resources (+55%), a material detractor to performance over the past year on account of budget and scheduling overruns at Oyu Tolgoi, also advanced after Mongolia's parliament ratified the 2009 Oyu Tolgoi Investment Agreement as well as the Amended & Restated 2011 Shareholder Agreement. Turquoise Hill Resources continues to look cheap relative to its peer group and a commitment by the Mongolian parliament to both agreements will allow negotiations on a new funding package to re-commence.

Asian Companies Fund

Also noteworthy were the performances of CRISIL (+39%) and Frontier Digital Ventures (+11%). CRISIL, the leading credit ratings agency in India, rose steadily through the period after announcing strong third quarter results that revealed the company taking market share domestically. Controlled by S&P Global, CRISIL has benefited from a 'flight to quality' by corporate issuers after it managed to avoid recent rating scandals in the Non-Banking Financial Companies (NBFC) sector.

Frontier Digital Ventures (FDV, +11%) continued its period of robust performance as its portfolio of emerging market classified businesses continued to make solid progress towards monetisation. Management also increased its ownership of two portfolio companies, InfoCasas (property classifieds, Latin America) and AutoDeal (automotive classifieds, ASEAN). The increased investment in InfoCasas was particularly attractive. Frontier exercised an outstanding option to purchase existing shares in the business at a very attractive 5x trailing revenues (to August 2019), valuing the business at A$26 million - well below comparable businesses trading in public markets.

Both InfoCasas and AutoDeal successfully advanced to the monetisation phase in 2019 and are among Frontier's earliest portfolio investments to reach breakeven. This progress highlights the quality of FDV's broader portfolio beyond its core investment in Zameen.

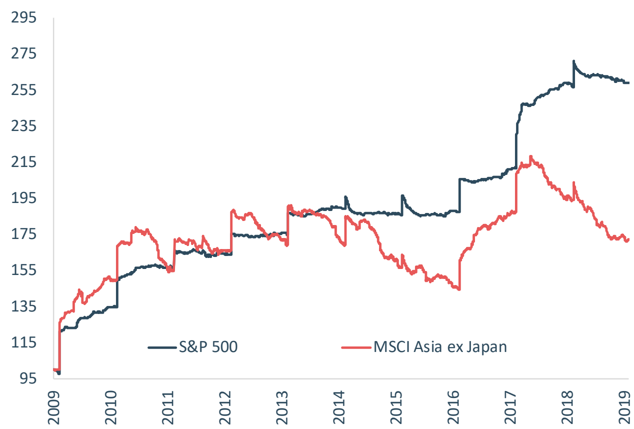
Negative contributors to performance were limited to a small number of holdings and there was no major company specific news to highlight relating to these positions. The portfolio's currency positioning did detract from performance as the Australian Dollar appreciated along with the growing risk appetite of investors. While we have gradually increased our Australian Dollar exposure this was still a headwind to performance.

OUTLOOK

We have witnessed a clear disconnect between equity markets across Asia and the US since the onset of the current trade dispute in early 2018, with the most severe differential being the China and Hong Kong markets. Consequently, the forward price earnings multiple for the S&P500 relative to the Hang Seng Index is now at a twenty-year high. Valuations of mining companies are also at long term extremes. The forward cyclically adjusted price to earnings (CAPE) ratio multiple for the S&P500 Mining Index relative to the broader market is now wider than during the Dotcom Bubble and the Great Depression! Earnings expectations for Asia have reduced materially since the start of 2018 and have now been flat for almost 10 years, providing a more reasonable base for valuations.

While reports of a phase one or mini trade deal are obviously welcome, we continue to look forward with a degree of caution. Statements of positive progress, mainly from the US side, have been a frequent occurrence in recent times only for investors to ultimately be left disappointed. As we have highlighted in past commentary, a reform of trade relationships and issues such as IP protection are long term structural issues which have developed over many decades and are therefore very difficult to resolve. That being said we continue to identify new opportunities to deploy capital and one new position was initiated late in the quarter.

NTM* Earnings Estimates (Indexed 2009)



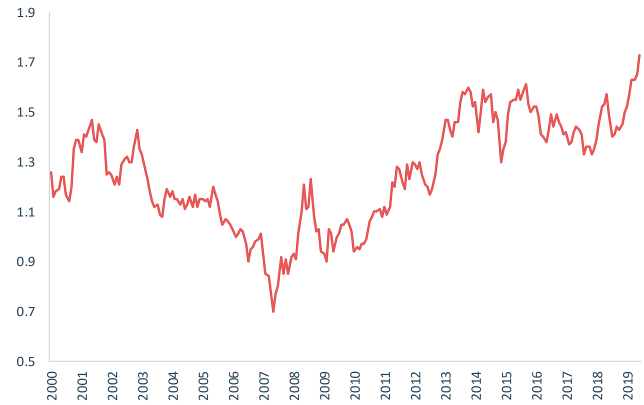
Source: Bloomberg

* Next 12 months

Kevin Bertoli - Asian Portfolio Manager

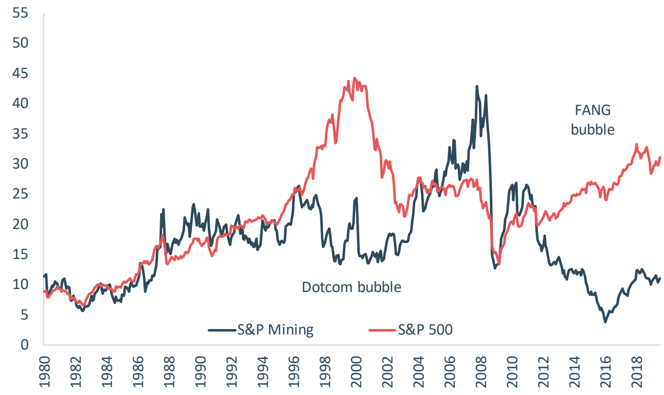
Asian Companies Fund

S&P 500 relative to Hang Seng (NTM P/E)



Source: Bloomberg

S&P Mining CAPE** vs S&P 500



Source: Bernstein

** Cyclically adjusted Price to Earnings

Portfolio investments	Weighting
Online Classifieds & Ecommerce	16.3%
Gaming	17.3%
Consumer - Breweries	2.9%
Consumer - Other	14.3%
Infrastructure - Oil & Gas	11.3%
Infrastructure - Other	4.7%
Financials	10.4%
Materials (Copper)	9.2%
Other	10.2%
Long Equity Position	**96.6%**
Net invested position	96.6%
Total holdings	26

Current stock example
iCar Asia
MGM China Holdings
Heineken Malaysia
Dali Food Group
Sinopec Kantons
China Merchants Holdings International
Shinhan Financial
Freeport-McMoRan Copper

Currency exposure*	
USD	58.4%
AUD	31.1%
HKD	3.8%
INR	6.5%
Other	0.2%
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	$26.3m as at 31 December 2019
Australian equities FUM	$26.3m as at 31 December 2019

Australian Companies Fund

Uday Cheruvu
Australian 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	Since inception - total
Australian Companies Fund	**1/2000**	**2.1267**	**6.1%**	**12.3%**	**28.6%**	**6.7%**	**8.4%**	**10.8%**	**8.6%**	**10.2%**	**591.6%**
S&P / ASX 200 Accumulation Index			0.7%	3.1%	23.4%	10.3%	9.0%	10.0%	7.9%	8.4%	397.1%
Outperformance by the Fund			5.4%	9.2%	5.2%	-3.6%	-0.6%	0.8%	0.7%	1.8%	194.5%

KEY POINTS

- We reduced the net invested position to 57% after selling the domestic banks
- oOh!media reverses its performance from the September quarter following an earnings upgrade
- BigTinCan continues to grow both organically and through acquisitions

PERFORMANCE

The Fund returned 6.1% in a quarter where the S&P/ ASX200 Accumulation Index returned a relatively modest 0.7%. The biggest factors affecting our relative performance were selling out of our domestic banking positions in October and reducing our net invested position from 75% to 57%. The biggest contributors to the positive performance were oOh!media (+20%), iCar (+11%), BigTinCan (+21%) and Bank of America (+24%).

PORTFOLIO ACTIVITY

The Fund's combined position in the domestic banks and the international banks at the beginning of the quarter was approximately 25%, with the domestic banks representing ~12% and the internationals ~13%. However, we saw the risk/ reward proposition between these two segments very differently. While we remained optimistic of the earnings prospects for international banks, we became concerned about the earnings expectations and valuations for the domestic banks.

At the time of our analysis, the domestic banks were trading between 12.5 to 13.5 times next 12 month earnings. Although these multiples are by no means peak valuations, we developed a view that the market had become too optimistic about both their earnings and dividend sustainability capacity. Our experience investing in international banks over the last 15 years has taught us that in a declining cash rate environment, as we have been seeing in Australia for the last two years, the market underappreciates by how much net interest margins can decline. Our analysis suggested that net interest margin and earnings growth expectations for the domestic banks were too high and reducing these expectations by even a fraction would mean that the domestic banks would not have the capacity to meet APRA's capital requirements by 2021, without either reducing dividend payout ratios or raising new capital. We believed that the market had not fully factored in these two outcomes.

As a result, we sold out of our domestic banking positions prior to November (when three of the four majors reported their FY19 earnings). In line with our expectations, Westpac raised $2.5 billion in new capital, NAB cut its dividend, and ANZ (which had the highest capital ratio among its peers) cut the franking level on its dividends. It is a highly unusual move for a fund like ours to have a zero weighting in local banks (as noted in the *AFR*), but our thinking seemed fairly clear cut.

In contrast to the domestic bank performances, Bank of America (BAC) reported third quarter earnings that were 10% higher than consensus expectations, as both loan growth and net interest income growth beat the tape.

oOh!media was a drag on the Fund's performance in the prior quarter as the company announced an earnings downgrade at its half year results presentation in August. It announced a significant decline in forward bookings for the September quarter as both the banking sector and automotive sector, which represent the two largest customer cohorts, cut back on advertising spending significantly on the back of a decline in domestic macro conditions. This led to the share price falling more than 30%. We increased our position in the company at the time as we believed that these cyclical headwinds were masking the structural improvement in the industry, where consolidation has seen the number of competitors in the industry reduce from six to three.

Over the December quarter, two events happened which appeared to have reversed the market's bearish view on the company. Its smallest competitor, QMS, was acquired by a private equity firm for near 10x next 12 months' (NTM) EV/ EBITDA at a time when oOh!media was trading closer to 7.0x NTM EV/ EBITDA. Secondly, oOh!media announced that the revamp in sales strategy it undertook following the downgrade had resulted in a better improvement in bookings than anticipated and consequently management upgraded its (previously downgraded) expectations by 10 – 15%. As a result, oOh!media regained much of the ground it lost in the previous quarter. We continue to believe that there is structural upside to earnings and that oOh!media is trading between 20 – 30% discount to its international peers.

BigTinCan (BTH) continued to be a positive contributor (up +164% for the last 12 months), with both acquisitions and new contract wins in the quarter. On the acquisition front, BTH has continued on its path of acquiring small technology companies which complement its core offerings and enhance functionality. The company's philosophy has been to look at the ROI of 'build versus buy' and proceed accordingly. In the quarter, it acquired Xinn, which is a leader in the financial services market segment and counts eight of the top 15 investment managers around the world among its customers.

BTH funded the Xinn acquisition and increased its capacity for future investments via a A$20 million capital raising. In conducting the capital raising, BTH also gave organic growth guidance of between 30–40% for FY20, which is in line if not better than market expectations for next year. We believe that organic growth for the business will remain robust given the rapid pace at which its market is growing. The strong growth in the share price provided us with the opportunity to take our position in BTH back to 3%.

OUTLOOK

In addition to selling the domestic banks, we reduced our position in Nufarm and EML Payments. We sold out of Donaco and exited the quarter with a net invested position of 57%. This net invested position is reflective of our view that the valuation of the domestic market is stretched. The next 12 months' P/E ratio of the benchmark S&P/ ASX200 index is at 18x, its highest level in the last 20 years and materially above the 15x average of the past 10 years. We do not believe the outlook for the domestic market warrants such a premium valuation. As a result, we expect to remain patient in redeploying the Fund's capital.

Portfolio investments	Weighting
International Banks	13.7%
Non Bank Financials	6.2%
Internet	19.1%
Industrials	9.5%
Technology	6.4%
Property	4.9%
Long Equities Position	**59.8%**
Short Equities Position	-2.6%
Net Invested Equities	57.2%
Total holdings	22

Current stock example
Bank of America
EML
iCar Asia
Brambles
NextDC
Centuria Industrial

Currency exposure*	
AUD	98.4%
USD	1.3%
EUR	0.3%
Total exposure	100.0%

*Stated at effective value.

Uday Cheruvu - Australian Equities Portfolio Manager

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	$551.8m as at 31 December 2019
Fixed Income FUM	$826.2m as at 31 December 2019

Enhanced Yield Fund

Jarod Dawson
Global Yield Portfolio Manager

PM Capital's Enhanced Yield Fund (EYF) has been 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	Total Return
Enhanced Yield Fund*	**02-2002**	**1.1186**	**0.3%**	**0.8%**	**1.3%**	**3.3%**	**3.4%**	**3.3%**	**3.7%**	**4.4%**	**5.6%**	**165.1%**
RBA cash rate			0.1%	0.2%	0.4%	1.2%	1.4%	1.6%	1.9%	2.6%	3.9%	96.4%
Excess			0.2%	0.6%	0.9%	2.1%	2.0%	1.7%	1.8%	1.8%	1.7%	68.7%
Enhanced Yield Fund (Class B units)**	**05-2017**	**1.1383**	**0.4%**	**1.0%**	**1.4%**	**3.5%**					**3.1%**	**8.2%**
RBA cash rate			0.1%	0.2%	0.4%	1.2%					1.4%	3.6%
Excess			0.3%	0.8%	1.0%	2.3%					1.7%	4.6%

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

KEY POINTS

- Better late than never - a Brexit and US/ China trade Christmas present
- Thinking 'outside the box' for new ideas
- New year's resolution – focus on individual stock picking, not markets

PERFORMANCE

In spite of all of the market volatility that we witnessed in 2019, the performance of the Fund has been pleasing. The December quarter return was 0.8% versus the RBA cash rate return of 0.2%, and the return for calendar year 2019 was 3.3%, compared to the RBA return of 1.2%.

We also think it is worth highlighting that the Fund's margin above the RBA cash rate has been consistently around 2% on a 3-year basis - all the way out to 10 years – in line with the Fund's long term performance objective. Again, pleasingly we have achieved this in an environment dominated by the aftermath of the 2008/ 09 GFC, the European debt crisis in 2011/ 12, various Chinese growth scares, volatility around Brexit, and certain "surprising" election results.

All in all, credit markets had a pretty mixed run in 2019, so individual stock picking became more important than ever.

The two most significant themes during the year were Brexit, and trade negotiations between the US and China. It was pleasing to see that as the year drew to a close, both of these themes (around which there was considerable volatility) were largely resolved – at least in the market's eyes. Boris Johnson's Conservative Party was returned with an overwhelming majority, effectively ensuring the path of his Brexit plan, and the US and China reached a "phase one" trade deal, putting further significant tariffs on hold for the time being. I am a little sceptical of the latter development however, and suspect it may be a while before we see any further progress regarding trade between the world's two largest economies.

PORTFOLIO ACTIVITY

The Fund was well positioned to benefit from a steadying of the Brexit ship in particular, and thus quite a number of our UK and European holdings added meaningfully to performance in December.

Irish markets have been a hotbed of activity in light of concern over how the Irish border might operate under various Brexit scenarios – and thus presented numerous opportunities to invest capital when investors focussed on the underlying fundamentals of local businesses there.

Our holdings in both the senior and subordinated debt of Allied Irish Bank (AIB) performed well during the quarter. Medium term expectations for post Brexit economic stability

Enhanced Yield Fund

– creating a tailwind for the Irish property market - gave the bonds a lift, as did continued pressure from regulators requiring European banks to hold more equity (which sits below the bonds in the capital structure – thus improving the credit quality of the bonds).

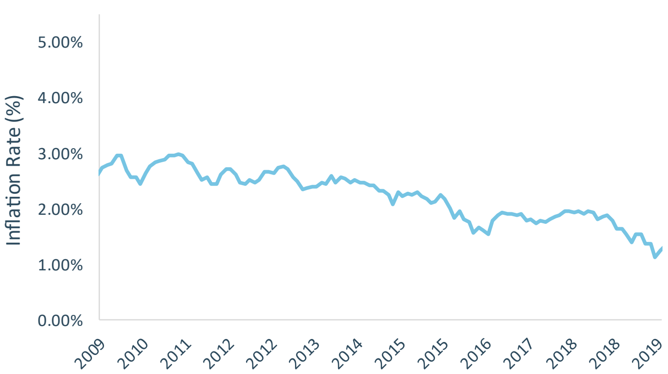
The Fund's holding in Irish property companies Glenveagh and Cairn also benefitted from an improved outlook for the Irish property market – as well as further confirmation from the businesses themselves that they are comfortably hitting their completion and sales targets.

Our exposure to English consumers through our holding in Tesco, and our exposure to English commercial property via our holding in Taurus also performed well. Apart from Brexit developments, Tesco announced that it has had considerable interest in its Asian supermarkets business and is considering a sale. The significant cashflow that this would generate would provide Tesco with the ability to further bolster its balance sheet. Taurus continues to benefit from the substantial cashflow that it generates from its properties, as well as further increased cashflow that is being applied to the bonds post a number of asset sales.

We continued to identify new investments for the Fund during the quarter. In December we participated in online job board company Seek Ltd's new bond deal. As we have noted previously, we think Seek is a solid business, generating significant cashflow, and one that has delivered for its investors through a multitude of different economic environments. The deal was priced at Bills + 370bp (~4.50% yield) which we believe incorporates a considerable yield premium - primarily due to the fact that Seek does not have a credit rating. This deal highlights what we have been saying for some time - that often the best anomalies present themselves due to technical reasons unrelated to the quality of the underlying business.

We also participated in Allied Irish Bank's new bond deal. The positive backdrop for AIB is highlighted above. We purchased the deal at a spread of $A Bills + ~260bp (~3.5% yield) which we felt was a standout given our view that the bank is very well capitalised, and well positioned going into 2020.

Chart: Australian 10 Year Inflation Expectations



Source: Bloomberg

When investing your and our hard-earned capital, we always like to keep an eye out for "out of the box" ideas. We recently identified a new investment that we think fits this description.

It is no secret that inflation has been subdued in Australia (and in most of the developed world) for a number of years. What might not be so well known is that until recently, the market was effectively speculating that inflation would remain at ~1% for the next 10 years (as can be seen in Chart 1) – a multi-decade low! Given the RBA's mandated objective of maintaining inflation between 2-3%, we felt these expectations were highly irrational. In order to take advantage of this, we purchased some long-dated Australian Government inflation-linked bonds, and sold long-dated bond futures against them (in order to remove the interest rate risk – ie so we maintain the Fund's effectively zero interest rate exposure). After selling the futures we are left with exposure to long term inflation expectations. If inflation goes back to the RBA's target band, the investment increases in value. Given the RBA's mandate, the bounce in the Australian property market, higher prices for our exports, and the relatively strong Australian job market (albeit mostly driven by the public sector), we think this investment is a sound one and has the potential to generate a significant return. It has already contributed to performance.

OUTLOOK

In light of the easing bias being maintained by many of the major central banks around the world, we think credit fundamentals generally are likely to remain somewhat favourable in 2020.

Additionally, we believe that both the US and Europe have very real chances of surprising to the upside over the next few years, even though markets are more concerned about downside risk – and so we expect to make further investments in these regions.

Having said all this, as we have been saying over the past few months, we believe the easy money in credit has been made. Going forward, our sense is that investors will need to be far more discerning when it comes to investing new capital – focussing on individual businesses that are positioned to do well in their respective industries – and not just investing blindly in broader markets.

We also believe that markets will continue to remain volatile over the next couple of years as the economic and political/geo-political landscape continues to evolve. This is in part why we have a significant amount of cash sitting in the Fund, available to be deployed on short notice. Our experience over the past couple of years is that it is more beneficial for us and our co-investors to invest meaningfully during periods of high volatility, and to try and protect our downside when valuations become more stretched.

And so with that, on behalf of the team I would like to wish all of our investors a very happy and prosperous 2020. We look

Jarod Dawson - Global Yield Portfolio Manager

Enhanced Yield Fund

forward to continuing our investment partnership with you all.

Portfolio Investments	Weighting**	Average yield	Average spread to RBA
Cash	**48.3%**	**1.15%***	**0.54%***
Corporate bonds	**45.8%**	**3.27%***	**2.52%***
Fixed	0.0%*		
Floating	100.0%*		
Hybrids	**4.0%**	**3.61%***	**2.86%***
Fixed	0.0%*		
Floating	100.0%*		
Equity income strategies	**1.9%**		
Total exposure	100.0%		

Regional allocation	
Australia	25.9%
Europe	11.2%
United Kingdom	7.2%
North America	4.8%
Asia	2.5%
Cash	48.4%

Yield security maturity profile	
0-1 Year	56.9%
1-2 Years	12.3%
2-3 Years	12.3%
3-4 Years	4.0%
4 Years +	14.5%

Jarod Dawson - Global Yield Portfolio Manager

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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
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PM Capital Asian Companies Fund
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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 2019 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 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).

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