QUARTERLY REPORT
DECEMBER 2020

Around the twist

Avoiding market distortions the key for investors in 2021

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 Portfolio Manager, Global strategies explains:

- How the valuation shift towards value has only just begun
- Our approach to commodity stock holdings now, given some significant upward moves
- The outlook for the Australian Dollar

Access the video **here.**

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

"There is always plenty to be uncertain about…What is not uncertain, in my mind, is the unwinding of the valuation dispersion between the value and the growth/ momentum sectors of the market will be the dominant feature of markets for some time."

Total returns since inception[1]

Fund		Benchmark	
PM Capital Global Companies Fund	553.6%	MSCI World Net Total Return Index (AUD)	212.8%
PM Capital Asian Companies Fund	323.4%	MSCI AC Asia ex Japan Net (AUD)	190.7%
PM Capital Australian Companies Fund	705.9%	S&P / ASX 200 Accum. Index	404.1%
PM Capital Enhanced Yield Fund*	170.6%	RBA Cash Rate	97.0%

[1]Past performance is not a reliable indicator of future performance. See page 15 for Important Information. As at 31 December 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	$398.8m as at 31 December 2020
Global equities FUM	$1106.7m as at 31 December 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**	**3.5914**	**24.2%**	**26.7%**	**4.0%**	**8.0%**	**10.1%**	**12.0%**	**15.6%**	**10.9%**
Fund performance (net of actual fees)			**24.2%**	**26.7%**	**4.0%**	**7.6%**	**9.1%**	**10.3%**	**13.3%**	**8.8%**
MSCI World Net Total Return Index (AUD)			5.9%	9.7%	5.6%	11.0%	10.9%	11.5%	13.0%	5.3%
Outperformance (net of pro forma fees)[1]			**18.3%**	**17.0%**	**-1.6%**	**-3.0%**	**-0.8%**	**0.5%**	**2.6%**	**5.6%**

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

- Market rotation continues; provides significant portfolio gains
- Alternative asset management positions mature and play out as expected
- Copper miners continue to rally on strong quarterly reports

PERFORMANCE

The portfolio appreciated strongly over the quarter, with our copper exposures and European bank positions the best performers.

PORTFOLIO ACTIVITY

The global strategies re-established a position in Alphabet in April 2020. The re-entry stemmed from the ability of the core Google business to emerge stronger from the COVID-19 crisis. At this point we were acquiring the core Google business on a high-teens price to earnings multiple. We felt this was a conservative estimation of value, as the Google business includes YouTube and Cloud. These were areas of significant reinvestment that masked the underlying profitability of the core Google Search franchise.

Two catalysts precipitated a strong share price performance for the company in the final months of 2020. The first, the one we had initially identified, was a stronger recovery in the core search business. While there remains some catch-up as the travel vertical returns, it appears to have been largely factored into consensus earnings estimates for 2021 and 2022.

The second catalyst to emerge was the intention of management to break out operating income for key segments including Google Cloud and YouTube in the upcoming full-year results. After witnessing the re-rating Amazon experienced following the break-out of Amazon Web Services (AWS) in 2015, it became a clear value driver behind our investment in Alphabet. This announcement precipitated a re-rating of Cloud inside of the company.

We exited the stock during the quarter. Our decision to exit was based on the re-valuation of the core business to its highest level in ten years - close to 30x consensus 2021 earnings. We await a better re-entry point at a more reasonable valuation – similarly to how we have done in the past.

We continued to reduce our position in the alternative asset managers and sold part of our holdings in both KKR and ARES Management over the course of the quarter. While they remain fantastic businesses, their valuations are starting to reflect this.

To refresh investors' memories, we initiated our positions in the alternative asset managers back in 2015 and substantially increased our position over 2016-17. When we made our original purchases, we believed the strength of their franchises was greatly undervalued with most investors taking the view the stocks were opaque with volatile earnings. Fast forward to today and the main alternative managers have converted from partnerships to c-corps and pivoted their earnings away from volatile performance fees towards predominately management fees. They are now in the 'sweet spot' for robust fundraising. The market is now clearly recognising the value of these businesses.

With regard to our commodity exposure, we continue to believe copper has the strongest fundamentals for the future. While our overall position in copper did not change much, we did increase our position in First Quantum. The stock remains on a low valuation multiple and has several catalysts that we believe will drive a re-rating, including a reduction in its debt and the increasing importance of its Cobre Panama mine.

We exited our holding in miner Southern Copper during

Global Companies Fund

the quarter. Southern Copper is among the highest quality copper mining companies globally – its mines are low cost with long lifespans - but it now trades on a valuation exceeding 20 times earnings at the spot copper price.

Freeport-McMoRan, our largest copper position, released its third quarter results which were ~20% above consensus. More importantly, the result also demonstrated another quarter of solid execution at the Grasberg mine in Indonesia. Cash flows are now at an inflection point with Grasberg production ramping up meaningfully over the next two years.

OUTLOOK

For the past six months or so we have said that some of the best quality industrial and cyclical businesses traded on all time relative low valuations as the COVID-19 crisis hit. Since then there has been a rotation from growth and momentum sectors to value, a situation that accelerated in early November when news of Pfizer's successful vaccine trial was announced. This has greatly benefited the portfolio.

A good example of this rotation can be seen in European banking stocks. Their valuations were still severely depressed leading into the quarter and despite their appreciation are trading on single digit forward earnings multiples. They have expedited their cost saving programs and have material excess capital beyond regulatory requirements. Reinstating dividends in early 2021 (dependent on permission from the European Central Bank) should be a catalyst for further appreciation.

Another example is Wynn Resorts which had a very strong quarter. We continue to believe the Macau market is a virtual monopoly that will exhibit strong growth prospects as China returns to a more normalised environment. While the recovery trajectory remains an unknown, we believe the market should recover much quicker than some other gaming markets around the world given the favourable demographics that surround Macau.

Finally, 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 over 2020.

Portfolio investments	Weighting
Housing - Ireland and Spain	8.9%
Global Domestic Banking	26.0%
Service Monopolies	8.8%
Gaming - Macau	9.2%
Alternative Investment Managers	8.3%
Industrial - Europe	6.7%
Materials	24.8%
Other	13.1%
Long Equity Position	**105.8%**
Short Equity Position	-10.9%
Net invested equities	94.9%
Total holdings	49

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

Currency exposure*	
AUD	36.7%
USD	33.0%
EUR	17.3%
GBP	4.8%
CAD	3.7%
Other	4.5%
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	$21.5m as at 31 December 2020
Asian equities FUM	$83.6m as at 31 December 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**	**1.6833**	**16.5%**	**23.1%**	**3.7%**	**-0.2%**	**4.9%**	**5.1%**	**8.3%**	**12.2%**
MSCI AC Asia ex Japan Net Total Return Index[2]			10.2%	17.1%	13.9%	8.6%	12.3%	11.1%	9.6%	8.9%
Outperformance by the Fund			6.3%	6.0%	-10.2%	-8.8%	-7.4%	-6.0%	-1.3%	3.3%

KEY POINTS

- Strong positive quarterly performance despite negative currency contribution
- Macau gaming positions continue to recover
- Budweiser APAC exited after swift share price appreciation

PERFORMANCE

The portfolio finished the year with a strong positive quarterly performance. Over the past three months we have witnessed a broad continuation of the underlying market trends that have been in place since mid-way through the second quarter. Our copper and gaming (Macau) investments were again core contributors to performance – these two investment themes account for approximately a quarter of the portfolio's investment capital. Performance was also supported by several company-specific events which were positively received by investors, most notably those pertaining to iCar Asia, Digital Frontier Ventures and Kunlun Energy.

A negative currency contribution offset some of the positive underlying performance from our equity holdings. In a period of consistent US Dollar depreciation, the Australian Dollar was amongst the strongest global currencies thanks to its overweight exposure to commodities. While the portfolio maintains a ~25% Australian Dollar position, the material US Dollar position negatively impacted returns.

The LME copper price advanced 16% over the quarter and finished near an 8-year high. The positive backdrop provided by a 67% increase in physical copper prices from the March lows has been the primary driver for miners this year. As alluded to in previous commentary, a combination of demand factors (mainly Chinese stimulus-led buying) and supply factors (production disruption caused by COVID-19 stoppages and an already tight inventory market entering 2020) have provided the perfect set-up for several commodities this year, most prominently copper. Simply put, supply is inelastic to demand changes in the short term, resulting in higher prices. Additionally, the weak US Dollar has provided a positive backdrop for commodities and the copper sector is increasingly gaining investor attention as a key beneficiary of the 'electrification theme' after China surprised with a more ambitious emission reduction target.

Macau gaming positions continued to recover from their aggressive March 2020 sell off. Visa issuances for mainland Chinese residents resumed during the third quarter and this has resulted in a gradual recovery in visitation. During the quarter operators also reported better than expected results and flagged activity levels that put them at or above breakeven levels on a monthly basis. Historically, share price performance for the sector has been closely correlated to gross gaming revenue data. We expect this to be the case and the sector to continue re-rating as the operating environment normalises. On a normalised earnings basis we continue to view the Macau names as attractive investments.

Frontier Digital Ventures announced the acquisition of three businesses from global marketplace operator Adevinta. All three acquired businesses hold dominant market positions in their verticals and fit with Frontier's existing portfolio of assets. Frontier was also able to acquire the businesses at very attractive multiples given Adevinta's strategic decision to rationalise its large portfolio after the acquisition of eBay's Classifieds business this year.

The portfolio's other online classifieds holding, iCar Asia, also advanced after receiving a non-binding takeover offer from Autohome Inc., the owner of China's largest automotive classifieds marketplace. The offer values iCar Asia at A$216 million and while shares rose materially post the announcement, as at the end of the month it remained below the A$0.50 offer price. We think this is primarily due to the non-binding nature of the offer, something magnified in the current environment of geopolitical tensions between Australia and China.

Kunlun Energy announced the sale of its Beijing gas pipeline network to China's newly formed National Pipeline Company over the Christmas period. The transaction valued the assets at 1.9x P/B which was

Asian Companies Fund

above market expectations. Furthermore the company committed to returning 50% net proceeds as a special dividend, equal to a 40% dividend yield.

PORTFOLIO COMPOSITION

Optically the invested position looks broadly unchanged quarter over quarter. However, there has been some portfolio re-positioning. Budweiser APAC was exited after experiencing a swift share price recovery from our entry point in May 2020. We have long followed the Budweiser business in Asia knowing it intimately as part of the wider Anheuser Busch business, a former holding in our global strategies. While we continue to hold a favourable view with respect to the business prospects and its growth prospects overtime, particularly in mainland China where it has built a formidable position in the premium segment of the market, with the share price recovering to the levels of its 2019 initial public offering it is our view that this is now fully reflected in the valuation.

We have also started selling out-of-the-money calls on several positions that have materially outperformed. These positions will reduce exposure to some of our core portfolio thematics, such as copper, on further strong performances.

Despite the strong performance of markets we have identified opportunities to invest additional capital. The Fund participated in Frontier Digital Ventures' capital raising, the proceeds of which were used to fund the aforementioned acquisitions from Adevinta.

Adding to the portfolio's commodity positioning, we initiated a position in CNOOC Ltd, the leading oil exploration and production (E&P) business in Asia, after its share price declined materially when its parent company was added to the US Entity List for its deemed ties with the China military. An Executive Order (EO) issued by President Trump prohibits 'US Persons' from acquiring securities in companies on the entity list after 11/1/21. This EO has created a technical anomaly that creates an attractive opportunity. At our entry price CNOOC trades at <10x earnings assuming spot $50 Brent. This makes it one of the cheapest oil stocks globally despite the high quality nature of its domestic operations, attractive cash cost position and growing production base. Beside CNOOC the only other portfolio holding subject to the EO is China Mobile.

OUTLOOK

Asia continues its economic recovery post-COVID-19 and the portfolio remains well positioned to benefit from this trend. As I commented in the last quarterly report, at the portfolio level we own a combination of high 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. By design, the portfolio is concentrated around four to five core investment thematics complimented with a handful of stock-specific investment opportunities that we have identified. Despite the strong performance of the portfolio over the last six to nine months we continue to believe they represent attractive investment opportunities looking forward.

We do however recognise the pronounced rebound in global markets over the last nine months and this having led to some clear areas of excess. Some of the most obvious: the rise of commission-free trading platforms such as Robinhood, the increasing frequency of initial offerings and secondary capital raisings by businesses with highly questionable long-term economics, the resurgence of blank cheque Special Purpose Acquisition Companies commonly referred to as SPACs and the emergence of new entrants atop the lists of wealthiest individuals and largest enterprises i.e. Elon Musk and Tesla. Each bull market has a poster child and each of these could easily be today's! We continue to monitor the broader market trends closely to determine how they relate to the underlying portfolio.

Portfolio investments	Weighting
Online Classifieds & Ecommerce	20.1%
Gaming	15.6%
Infrastructure	15.5%
Materials (Copper)	12.6%
Consumer	8.8%
Technology	8.3%
Financials	8.1%
Other	5.7%
Long Equities Position	**94.7%**
Net invested position	94.6%

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

Currency exposure*	
USD	61.2%
AUD	24.1%
KRW	7.0%
INR	6.2%
Other	1.5%
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	$28.9m as at 31 December 2020
Australian equities FUM	$28.9m as at 31 December 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**	**2.4782**	**19.4%**	**21.5%**	**16.5%**	**8.4%**	**10.2%**	**10.6%**	**10.7%**	**12.4%**
Fund performance (net of actual fees)			**19.4%**	**21.5%**	**16.5%**	**8.3%**	**9.5%**	**9.6%**	**9.4%**	**10.5%**
S&P/ASX 200 Accumulation Index			13.7%	13.2%	1.4%	6.7%	8.7%	7.4%	7.8%	8.0%
Outperformance (net of pro forma fees)[1]			**5.7%**	**8.3%**	**15.1%**	**1.7%**	**1.5%**	**3.2%**	**2.9%**	**4.4%**

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

- Pfizer's successful vaccine trial dominates market moves; market rotation favours our portfolio
- M&A activity boosts iCar Asia
- We participate in Frontier Digital Ventures' raising

PERFORMANCE

The portfolio performed strongly over the quarter, with the market rotation favouring our exposure to commodity and materials-related stocks.

PORTFOLIO ACTIVITY

We added two new positions to the portfolio over the quarter. The first, Imdex Ltd, engages in the provision of mining equipment, technology, and services. Its revenue is linked to the exploration and development stage of the mining cycle.

The second portfolio entrant, Frontier Digital Ventures Ltd, engages in the investment and development of online classified businesses in underdeveloped, emerging countries or regions. Frontier raised A$100 million early in the quarter, with the Fund participating in the institutional placement at A$1.25 a share. The proceeds from the raising will be used to acquire three businesses from global marketplace operator Adevinta. All three acquired businesses hold dominant market positions in their verticals and fit with Frontier's existing portfolio of assets.

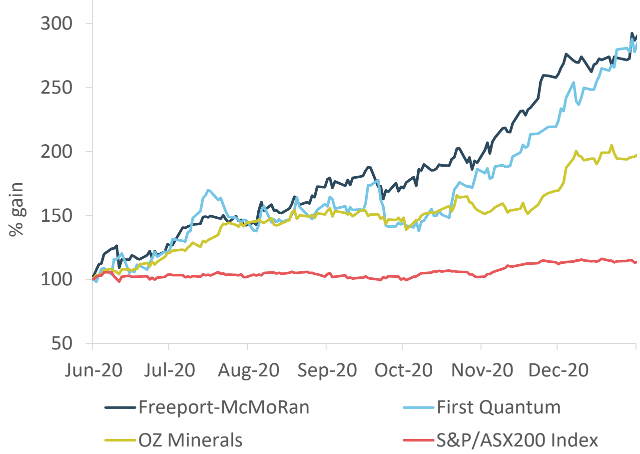
PORTFOLIO ACTIVITY

The announcements of successful vaccine trials by a number of pharmaceutical companies provided a positive backdrop for equity markets during the quarter. The announcements also led to an acceleration of the market rotation that has been happening post the March COVID-19 lows, favouring our exposure to commodity and materials-related stocks.

Back in October, portfolio holding iCar Asia received a non-binding takeover offer from Autohome Inc., the owner of China's largest automotive classifieds marketplace. The offer of A$0.50 per share was at a 51% premium to its closing price prior to the offer. This added to portfolio performance. For more information on this offer please see the Asian strategies commentary.

The Fund's copper stocks once again contributed meaningfully to performance.

Copper stocks performance v S&P/ASX200 Index



Source: Bloomberg

OZ Minerals provided an update on its expansion project at Prominent Hill which proposes to extend underground haulage capacity by 50% and importantly increases the life-of-mine for the asset to ~2038 (currently 2030) as further drilling activity has allowed the company to convert mineral resource to reserves. Prominent Hill, along with Carrapateena, are OZ Mineral's two key assets so increasing clarity around expansion projects for each asset has acted as a positive catalyst for the share price over the last six months (on top of the favourable copper price environment).

First Quantum continues its outperformance over the month of December as Q3 results showed it beating production targets in addition to lower than expected costs. The company also increased its copper and gold production targets and lowered its cash cost guidance due to a lower cost environment. Deleveraging has begun and growth in free cash flow should lead to further debt reductions over time. The process of deleveraging should be positive for First Quantum as a de-risked balance sheet justifies a higher equity valuation.

In relation to our other commodity exposure, BHP was a strong performer over the quarter. Iron ore prices continued marching upwards on strong Chinese demand, while supply growth out of Brazil is constrained (in early December competing producer Vale guided that 2021 production volumes would be roughly the same as 2020 volumes). Up until December, implicit in BHP's share price was an expectation that iron ore prices would recede in the near future. The market is now considering that high iron ore prices might persist for longer than initially thought.

Beach Energy was another beneficiary of the rotation. We believe Beach Energy makes an interesting investment in the oil and gas sector. The business is underpinned by its domestic gas business which better insulates the company from the vagaries of the commodity cycle. Unlike most of its peers, it plans to grow production in the coming years, supported by its strong balance sheet.

Portfolio investments	Weighting
Resources	34.8%
International Banks	8.4%
Domestic Banks	5.8%
Non Bank Financials	5.6%
Internet	13.4%
Industrials	9.0%
Other	3.2%
Long Equity Position	**80.2%**
Short Equity Position	0.0%
Net Invested Equities	71.7%
Total holdings	22

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

Currency exposure*	
AUD	95.4%
CAD	3.1%
EUR	1.9%
USD	-0.4%
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	$505.0m as at 31 December 2020
Fixed Income FUM	$732.6m as at 31 December 2020

Enhanced Yield Fund

Jarod Dawson
Global Yield Portfolio Manager

Investor note: Exposure allocations listed below for cash, cash equivalents and investment grade securities with 12 months or less to maturity have now been separated to provide more granular information to unitholders. They were previously aggregated. There has been no change in the Fund's investment strategy.

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**	**1.1295**	**0.29%**	**1.39%**	**2.4%**	**2.1%**	**2.3%**	**3.4%**	**3.2%**	**3.9%**	**5.4%**
RBA cash rate			0.01%	0.04%	0.1%	0.3%	1.0%	1.2%	1.6%	2.2%	3.7%
Excess			0.28%	1.35%	2.3%	1.8%	1.3%	2.2%	1.6%	1.7%	1.7%
Enhanced Yield Fund (Class B units)**	**05-2017**	**1.1540**	**0.37%**	**1.79%**	**2.8%**	**2.5%**	**2.5%**				**2.9%**
RBA cash rate			0.01%	0.04%	0.1%	0.3%	1.0%				1.1%
Excess			0.36%	1.75%	2.7%	2.2%	1.5%				1.8%

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

KEY POINTS

- An early Christmas present from NAB
- Our airports and air services investments gaining altitude
- Individual stock picking the best way to navigate markets going forward

PERFORMANCE

The 2020 calendar year will go down as one of the most volatile years we have witnessed in over two decades in financial markets. The uncertainty and subsequent fear that ensued, was matched only by the extent of policy responses from both governments and central banks around the world.

Extraordinary market declines in the first quarter were followed by extraordinary rallies in the second quarter as investors tried to get a handle on the long term implications for the global economy. The rally was then fuelled further later in the year upon confirmation of viable vaccines. If this was not enough, in between the pandemic chaos we had the US election (and subsequent Senate run-off races in Georgia), BREXIT and China trade friction among other things to deal with.

One of the main observations this year was the increasing disconnect between Wall Street and Main Street. Markets climbed to new highs in some cases, while unemployment rose sharply and many businesses took (and still are taking) significant hits to their bottom line.

In light of all this, the Fund (performance fee option) returned a pleasing +1.4% in the December quarter.

PORTFOLIO ACTIVITY

As noted in our September Quarterly Report, NAB announced it was intending to call a vote to allow it to redeem the NAB Income Securities (ASX code: NABHA) in 2021, due to the notes losing their equity capital status at the end of the year. Pleasingly in December, NAB shareholders approved the redemption. We expect this will likely occur in the first half of 2021. The notes rallied ~6% during the quarter, and given the $100 face value of the notes, there is still further upside to be realised from this investment.

In line with our investment in the NABHA, we also have an investment in long dated Australian major bank subordinated bonds which will lose their status as subordinated debt on bank balance sheets at the end of the year. These bonds rallied ~15% during the quarter, and we believe there is still considerable upside to be realised here also.

The key investment theme that we initiated at the height of the COVID-19 pandemic, and have been building on, was our investment in the bonds of numerous travel infrastructure and services businesses. This theme is anchored by investments in a series of Australian and New Zealand airports, as well as in Australia's government-owned air traffic control business (Air Services Australia) and an investment in dominant Australian airline Qantas. These investments added considerable value in the December quarter, however, there is still material upside to be gained.

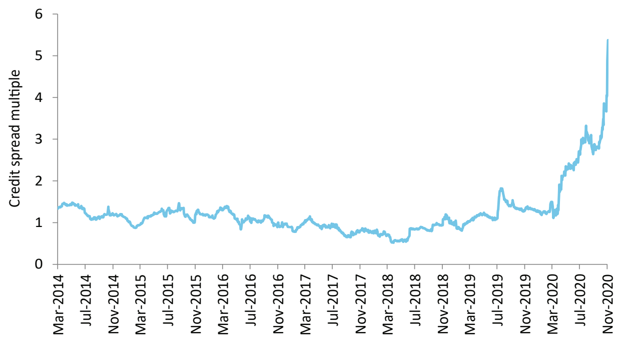
One of our best performing investments over the past six months has been our holding in Australian Government inflation-linked bonds. During the worst of the pandemic, where we purchased the bulk of

Enhanced Yield Fund

our holding, markets were pricing in a 10 year inflation rate of only ~0.30% for the next 10 years! At the end of December, post the huge government and central bank stimulus (and in line with our thesis), markets had re-adjusted their expectations to an average inflation rate of ~1.75%. This resulted in a return through this period of over 10% from this investment.

Apart from adding to our travel infrastructure and services theme at spreads of ~+175-200bp over cash during the quarter, we also increased our NAB exposure, participating in NAB's new subordinated bond at a yield of cash +170bp. Major bank subordinated debt has significantly lagged the performance of senior debt, and at the time of purchase, bank subordinated spreads were at all time high multiples of senior spreads – see chart below:

Credit spread multiples - Aus major bank subordinated v senior



Source: Westpac as at November 2020

OUTLOOK

While credit markets have had a good run over the past six months or so, there are still significant distortions between sectoral valuations – and thus there are still plenty of opportunities to generate attractive returns. However, we firmly believe that in the current environment, individual stock picking is going to be vitally important. 2021 will likely be a year of rebalancing for many businesses. Some will thrive, others who may have been held up by government policy and central bank liquidity to this point may have to face the music, and so a strategy aimed at sorting the good businesses from the bad will be critical. A broad allocation to credit is unlikely to get the job done going forward.

In general, we think there is still a lot of value to be realised from our existing portfolio of anomalies. Additionally, we are still finding new investments for the Fund – albeit finding anomalies in global credit markets has become more challenging compared to six months ago.

On the interest rate side, even though rates have begun to rise, on a long term basis they are really not that far off their lows. With the potential for the massive policy and liquidity responses from governments and central banks to fuel a growth bubble over the next couple of years, and potentially put upward pressure on inflation, we are investing predominately in floating rate securities - with the objective of helping preserve investor capital.

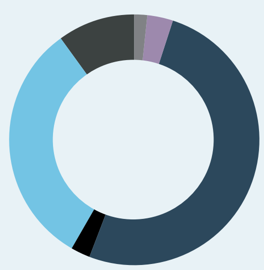
In absolute terms we are confident of achieving (and potentially exceeding) the Fund's return objectives. Additionally, the Fund continues to deliver a meaningful return over and above what is achievable in term deposits (based on 1 year major bank term deposit data from Bloomberg).

With that, we would like to wish everyone a happy, healthy and prosperous 2021 – and would also like to take this opportunity to thank all of our co-investors for your fantastic support this year. We look forward to building further on our achievements together in the years ahead.

Regional allocation	
Australia	53.4%
Europe	15.7%
North America	11.4%
United Kingdom	5.3%
Other	4.4%
Cash	9.8%

Yield security maturity profile	
0-1 Year	45.6%
1-2 Years	18.6%
2-3 Years	6.7%
3-4 Years	7.9%
4 Years +	21.2%

Actual exposure (see investor not above)^



Cash/Cash Equivalents	9.8%
Senior investment grade (<12mnths) *	31.8%
Government Bonds	2.3%
Core Corporate Bonds	51.1%
Hybrid Securities	3.1%
Equity Income Strategies	1.9%

^ These numbers are indicative and provided as a guide only
* Senior investment grade securities with maturities of 12 months or less.

Portfolio Investments^	Spreads
Cash**	0.10%
Core Corporate Bonds	1.90%
Hybrid Securities	5.95%

Duration^	
Interest rate	0.15
Average term to maturity	3.26

**Cash spread includes short dated bonds <12 months.

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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 31 December 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).

PM Capital