

Around the twist

Avoiding market distortions
the key for investors in 2021

p.1 Video insight



PM Capital

GLOBAL OPPORTUNITIES FUND LIMITED

PM Capital Global Opportunities Fund Limited

ACN 166 064 875 (ASX Code: PGF)



PM Capital

ASIAN OPPORTUNITIES FUND LIMITED

PM Capital Asian Opportunities Fund Limited

ACN 168 666 171 (ASX Code: PAF)

CONTENTS

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

Quarterly video update



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

- How the 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.”

Listed Company Overview

	PM Capital Global Opportunities Fund Limited	PM Capital Asian Opportunities Fund Limited
Asset Class	Global equities	Asian (ex-Japan) equities
Listing Date	11 December 2013	21 May 2014
Suggested Time Frame	Seven years plus	Seven years plus
Shares on Issue	351,394,182	56,909,183
Share Price	\$1.20	\$0.90
Market Capitalisation	\$421.7 million	\$51.2 million
NTA before tax accruals (per share, ex-dividend)	\$1.4304	\$1.0522
Company Net Assets before tax accruals	\$502.6 million	\$59.9 million

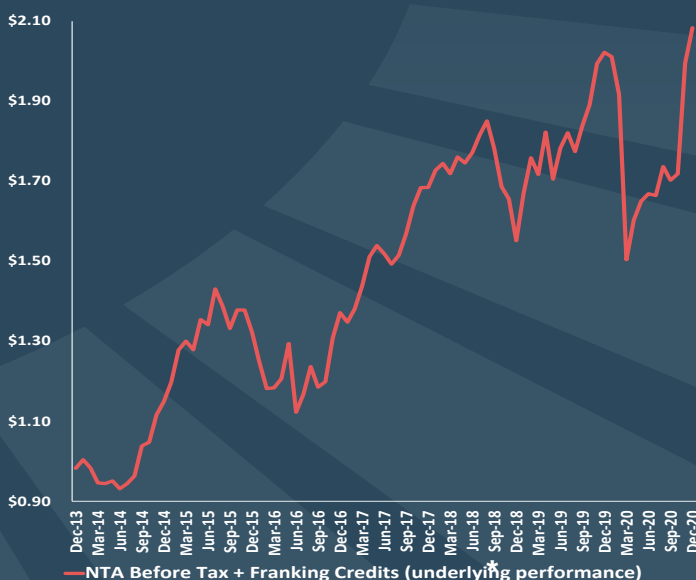
See page 8 for Important Information. As at 31 December 2020.



PM Capital Global Opportunities Fund Limited

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

Underlying performance since inception (after fees)



ASX Code	PGF
Category	Global equities (long/short)
Investment style	Fundamental, bottom-up research intensive approach
Number of stocks	As a guide, 25-45 stocks
Shares on issue	351,394,182
Suggested investment time	7 years +
Listing date	11 December 2013

Past performance is not a reliable indicator of future performance.

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

PM Capital Global Opportunities Fund



Paul Moore
Global Portfolio Manager

Net Tangible Asset (NTA) backing per ordinary share (After fees and expenses, all figures are unaudited) ¹	December 2020	Company performance (net of fees) ²	3 Months	1 Year	3 Years p.a.	5 Years p.a.	Since inception p.a.	Total Return	Gross Dividend Yield (p.a.) ³
NTA before tax accruals	\$ 1.4304	PM Capital Global Opportunities Fund	24.2%	4.0%	7.8%	9.9%	11.2%	111.7%	5.36%
NTA after tax (excluding deferred tax assets)	\$ 1.3386								

1. Past performance is not a reliable indicator of future performance. 2. Performance adjusted for capital flows including those associated with the payment of dividends and tax, share issuance as a result of option exercise and the dividend reinvestment plan, and including the value of franking credits. 3. Based on prior 12 month dividends including franking and using share price as at 31 December 2020.

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

PM Capital Global Opportunities Fund

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 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	7.8%
Global Domestic Banking	25.1%
Service Monopolies	8.6%
Gaming - Macau	8.5%
Alternative Investment Managers	7.6%
Industrial - Europe	6.7%
Materials	24.0%
Other	11.5%
Long Equity Position	99.8%
Short Equity Position	-8.2%
Net Invested Equities	91.6%
Total holdings	48

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

Currency exposure*	
AUD	38.4%
USD	34.3%
EUR	16.3%
GBP	3.9%
CAD	3.4%
Other	3.7%
Total exposure	100.0%

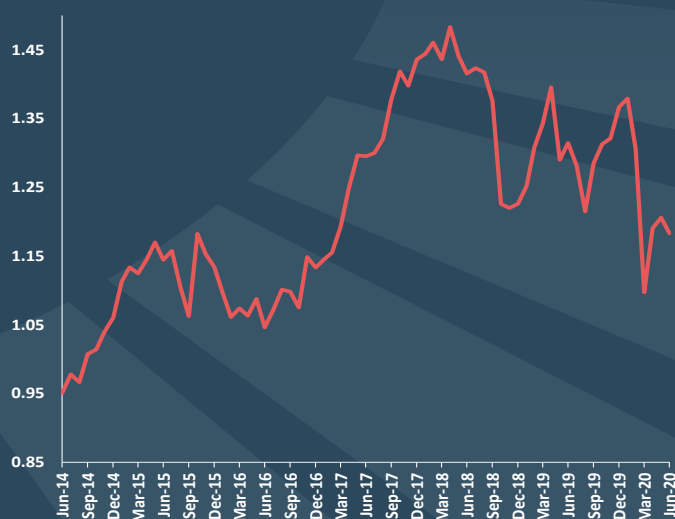
* Stated as effective exposure.



PM Capital Asian Opportunities Fund Limited

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

Underlying performance since inception (after fees)



ASX code

PAF

Category

Asian (ex-Japan)⁶ equities

Investment style

Fundamental, bottom-up research intensive approach

Number of stocks

As a guide, 15-35 stocks

Shares on issue

56,909,183

Suggested investment time

7 years +

Listing date

21 May 2014

— NTA Before Tax + Franking Credits (underlying performance)

Past performance is not a reliable indicator of future performance.

⁶Excludes the impact of: Changes in ordinary share capital (i.e., option exercise, DRP); Dividends; and Tax paid. After all costs and expenses, including (but not limited to): management fees; listing fees; registry costs; audit costs; and directors' fees.

PM Capital Asian Opportunities Fund



Kevin Bertoli
Asian Portfolio Manager

Net Tangible Asset (NTA) backing per ordinary share (After fees and expenses, all figures are unaudited) ¹	December 2020	Company performance (net of fees) ⁴	3 Months	1 Year	3 Years p.a.	Since inception p.a.	Total Return
NTA before tax accruals ²	\$ 1.0522	PM Capital Asian Opportunities Fund	14.4%	2.5%	-0.8%	5.3%	41.1%
NTA after tax (excluding deferred tax assets ³)	\$ 1.0432						

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

KEY POINTS

- 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

PM Capital Asian Opportunities Fund

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 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	Current stock examples	Currency exposure*
Online Classifieds & Ecommerce	19.1%	iCar Asia	USD 60.0%
Infrastructure	14.6%	Sinopec Kantons	AUD 27.4%
Gaming	13.9%	MGM China Holdings	KRW 9.1%
Materials (Copper)	11.7%	Freeport-McMoRan	INR 4.8%
Consumer	11.4%	Dali Food Group	Other -1.3%
Technology	8.8%	Travelsky	Total exposure 100.0%
Financials	6.7%	Shinhan Financial	
Other	5.3%	China Mobile	
Long Equities Position	91.5%		
Net Invested Equities	91.5%	Total Holdings 24	

* Stated as Effective Exposure.

Important information

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



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

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

It contains general information only and does not constitute an offer, invitation, solicitation or recommendation with respect to the purchase or sale of any securities of either PGF or PAF. The information herein seeks to provide an insight into how and why we make our investment decisions, and is subject to change without notice. The Quarterly Report does not constitute product or investment advice, nor does it take into account any investors' investment objectives, taxation situation, financial situation or needs. An investor should seek their own financial advice, and must not act on the basis of any matter contained in this Quarterly Report in making an investment decision but must make their own assessment of PGF and/or PAF and conduct their own investigations and analysis prior to making a decision to invest. Past performance is not a reliable indicator of future performance and no guarantee of future returns, ASX trading prices, or market liquidity is implied or given. The capital and income of any investment may go down as well as up due to various market forces. All values are expressed in Australian currency unless

otherwise stated.

The Index for the PM Capital Global Opportunities Fund Limited is the MSCI World Net Total Return Index in Australian dollars, net dividends reinvested. The Index for the PM Capital Asian Opportunities Fund Limited is the MSCI AC Asia ex Japan Net Total Return Index in Australian dollars, net dividends reinvested. See www.msci.com for further information on the MSCI indices.

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

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

Announcement authorised by Benjamin Skillbeck - Director.

INVESTMENT MANAGER

PM Capital Limited
ABN 69 083 644 731
AFSL 230222

Level 27, 420 George Street
Sydney NSW 2000

P +61 2 8243 0888

F +61 2 8243 0880

E pmcapital@pmcapital.com.au

www.pmcapital.com.au

REPRESENTATIVE CONTACTS

John Palmer

Client Relationship Manager

M 0447 471 042

E jpalmer@pmcapital.com.au

Nicholas Healey

Client Relationship Manager

M 0447 814 784

E nhealey@pmcapital.com.au