PM Capital

QUARTERLY REPORT

DECEMBER 2021

Shifting sands of value and growth

Market moves reinforce our convictions

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 this video Paul Moore, Chief Investment Officer and Portfolio Manager, Global strategies, and John Whelan, Portfolio Manager, Global and Australian Strategies, discuss:

- The next major leg up in the growth to value rotation
- How increasing rates are impacting expensive sectors of the market.
- How the Omicron variant provided an opportunity to invest in Airbus

Access the video **here.**

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

"With respect to markets, I think the most interesting aspect of the last quarter is the fact that despite record increases in daily COVID-19 cases, interest rates actually started to go up and there was another major leg up in the growth to value rotation."

Total returns since inception[1]

Fund		Benchmark	
PM Capital Global Companies Fund	727.0%	MSCI World Net Total Return Index (AUD)	304.4%
PM Capital Asian Companies Fund	348.3%	MSCI AC Asia ex Japan Net (AUD)	194.0%
PM Capital Australian Companies Fund	889.7%	S&P / ASX 200 Accum. Index	490.9%
PM Capital Enhanced Yield Fund*	174.9%	RBA Cash Rate	97.2%

[1]Past performance is not a reliable indicator of future performance. See page 10 for Important Information. As at 31 December 2021.
*Enhanced Yield Fund (Performance Fee Option).

Global Companies Fund

Paul Moore - CIO

Zenith FUND AWARDS WINNER 2021

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

Simple ideas, simple businesses

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

Global Companies Fund		Exit Price ($.cum)	3 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**	**4.5446**	**4.1%**	**26.5%**	**20.2%**	**14.6%**	**13.2%**	**20.9%**	**11.5%**
Fund performance (net of actual fees)			**4.1%**	**26.5%**	**20.2%**	**13.6%**	**11.9%**	**18.6%**	**9.5%**
MSCI World Net Total Return Index (AUD)			7.1%	29.3%	20.4%	14.9%	13.4%	16.6%	6.2%

1. Fund performance (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

- Opportunity to acquire a position in European aerospace company Airbus presented itself
- Sold out of position in Nordic base metals miner & smelter Boliden
- Copper companies Freeport and First Quantum continue to outperform

PERFORMANCE

The portfolio returned 4.1% over the quarter. The main positive contributors were our positions in the copper companies Freeport McMoRan and First Quantum Minerals in addition to our position in alternative asset manager Apollo Global Management.

PORTFOLIO ACTIVITY

We initiated a position in Airbus, the European aerospace company, during the December quarter. The resurgence of COVID-19 due to the emergence of the new Omicron variant caused the shares to sell off sharply in late November, providing us the opportunity to acquire the position at an opportunistic price. Our investment thesis is based around Airbus becoming the market share leader in the world's largest duopoly in a structurally growing market with increasing profit margins. In addition, the global COVID-19 pandemic has reinforced Airbus' drive towards simplification with a focus on free cash flow generation. Its net cash, fortress balance sheet should lead to a more resilient company going forward.

Providing a little bit of history, the Airbus Group began life in 1970 as the Airbus Industries consortium, an initiative between France, West Germany and the UK and emerged as a competitor to Boeing in the late 1980's. Today, while the Boeing 737 remains the most popular aircraft in the sky, the Airbus A320 is the world's best-selling aircraft with a backlog of orders close to 50% higher vis-à-vis the 737. While some of this recent success is the result of the grounding of the Boeing 737 Max, another important factor is Airbus' development of the A321 XLR (XLR being an acronym for "extra-long range"). This new aircraft (part of the A320 family) greatly increases its range to the highest of any narrow body aircraft which in turn opens a vast range of new routes for airlines. The benefit of this cannot be understated due to the huge cost saving flying narrow body aircrafts versus the more commonly used wide body for medium to long haul routes.

Turning to our commodity positions, we exited our position in Boliden in December, a stock we originally bought in May 2020 when the stock was trading below 200 SEK versus today in the mid 300's SEK. Boliden is today as it was over 18 months ago - a well-managed, lowly-indebted diversified based metals miner& smelter with a good track record. However, several factors clouded the investment thesis and led us to exit the position.

First, high electricity prices make the European heavy industry uneconomic. Boliden is better hedged than European peers in the short-term, however longer-term Boliden will have to roll contracts at higher cost while remaining competitive in a global market. We do not know where European electricity prices might settle although the current surge is not just in spot prices but also in one- and two-year forward contracts. Second, Boliden had several recent operational issues including mine stoppages (due to tighter COVID management) and the odd flooding or fire-related outage. Being naturally lower grade mines, Boliden depends on world-class operational efficiency to keep costs down, so earnings are sensitive to outages. Lastly, it is clear Boliden stock caught some short-term momentum from the Chile political-risk trade as traders sold down Chile-exposed mining names and bought Boliden instead. Such flows can quickly reverse if sentiment changes.

As of the year end, Boliden remains attractively valued at spot commodity prices, and the stock may move higher. But, given strong commodity prices, this is true of nearly all resource companies and relative to the sector Boliden stock is no longer compelling. We maintain our large positions across other mineral resource names.

OUTLOOK

Copper positions were a key contributor to returns for the quarter with several catalysts supporting strong share price performances. Supply disruptions have again come into focus with MMG's Peruvian Las Bambas mine forced to cease production given community protests along its primary transportation routes. Las Bambas contributes between 1-2% to annual copper supply when fully operational. Supply disruptions are of heighted importance given the physical copper market remains very tight with inventories at historically low levels. An increased focus on inflation and inflation beneficiaries also buoyed copper/ gold producers over the month.

While we continue to maintain a constructive outlook concerning commodities, with copper our preferred exposure, we actively reduced our position during the quarter through the sale of call options in Freeport McMoRan which effectively halves our position at a share price of $47.5 and as discussed above, we exited our position in Boliden.

Another stronger performer over the quarter, Apollo Global Management hosted its investor day in October. The stock had traded sideways from May to the end of September as the market grappled with the change in management and the proposed merger with Athene. The investor day allowed Apollo to showcase both the strategic and financial benefits from the merger, complemented with attractive 5-year growth targets. At the end of September Apollo was trading on 10x pro-forma 2022 earnings. While it has now moved to 12x earnings post the ~17% jump in the share price over the quarter, we continue to believe Apollo stock represents compelling value for a high margin business, growing 15-20% pa with one of the best investment records in the industry. Upcoming catalysts to close the valuation discount include giving the market time to digest the completion of the Athene merger which completed earlier this month, and the potential inclusion of the shares in the S&P500 index with the shift to a single share class structure.

We continue to hold a large position in the Australian dollar which has meaningfully underperformed the rise in commodity prices over the last couple of years. A period of higher commodity prices and higher interest rates will benefit the Australian dollar over the medium term.

Portfolio investments	Weighting
Housing - Ireland and Spain	9.1%
Global Domestic Banking	33.4%
Gaming - Macau	7.9%
Alternative Investment Managers	7.4%
Industrial - Europe	9.8%
Materials	17.1%
Energy	10.0%
Other	12.7%
Long Equity Position	**107.4%**
Direct short position	-4.3%
Index short position	-18.6%
Net invested equities	84.5%

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

Currency exposure*	100%
AUD	49.4%
USD	28.0%
EUR	10.1%
GBP	7.9%
CAD	4.9%
Other	-0.3%

* Stated at effective value.

The Fund aims to create long term wealth through a hand-picked, concentrated portfolio of generally 25-45 global companies trading at prices we consider, after extensive research, 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 **Minimum investment:** $20,000 **Suggested investment time:** 7 years+

Paul Moore - Chief Investment Officer and Global Portfolio Manager

John Whelan - Contributing author

Enhanced Yield Fund

Jarod Dawson
Global Yield Portfolio Manager

Regular income, low volatility

Fund performance (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
Enhanced Yield Fund*	**02-2002**	**1.1293**	**-0.05%**	**0.29%**	**1.6%**	**2.3%**	**2.8%**	**2.9%**	**3.6%**	**5.2%**
RBA cash rate			0.03%	0.05%	0.1%	0.5%	0.9%	1.2%	1.7%	3.5%
Excess			**-0.08%**	**0.24%**	**1.5%**	**1.8%**	**1.9%**	**1.7%**	**1.9%**	**1.7%**
Enhanced Yield Fund (Class B units)**	**05-2017**	**1.1576**	**-0.11%**	**0.28%**	**1.9%**	**2.6%**				**2.7%**
RBA cash rate			0.03%	0.05%	0.1%	0.5%				0.9%
Excess			**-0.14%**	**0.23%**	**1.8%**	**2.1%**				**1.8%**

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

KEY POINTS

- Investor capital preserved amid a volatile interest rate environment
- Several new investments aimed at taking advantage of a stronger economy in 2022
- Portfolio well positioned to navigate higher interest rates and benefit from sound credit fundamentals

PERFORMANCE

The December quarter was all about interest rate volatility, as the battle between long term inflation expectations, the timing of central bank policy tapering, and the emergence of the Omicron variant of the COVID-19 virus saw bond yields move around quite significantly. Australian 10-year government bond yields began the quarter at around 1.5%, and at one point during the quarter rose to well over 2%. They ended the quarter at ~1.75%.

In light of this volatility, and the increase in government bond yields in absolute terms, we are content to have broadly preserved the Fund's capital over the quarter.

PORTFOLIO ACTIVITY

As highlighted in the September report, we believe that our exposure to Spanish and Irish residential property is well placed to benefit from the increasing demand for and under-supply of properties in their respective markets. Irish company Glenveagh contributed positively to performance over the quarter as it is already seeing significant pre-sale demand, and the improving Irish economy is creating a solid platform for growth in 2022.

Our holding in Tesco's senior secured bonds detracted from performance early in the quarter as supply chain issues for groceries and staff shortages in the sector led the market to believe this may have implications for Tesco's business. So far Tesco has not been significantly impacted in this regard and is in fact seeing revenue increases – thus we are comfortable holding our investment in its bonds.

We made a number of notable new investments in the Fund during the quarter.

In November we initiated a position in the bonds of fuel distribution and convenience store business Ampol. With the strong economic backdrop forecast for 2022, and the likelihood in our opinion that we will see a significant number of employees returning to their offices in 2022 (as opposed to working from home) and thus increasing vehicle usage, we think Ampol should do well over the next couple of years. We are also encouraged by its significant property holdings which provides good downside protection to the investment. At a yield of ~3.4% above cash, we think investors are being well compensated for the risk being taken here.

We also added to our holding in Melbourne Airport in November, with an investment in its new senior secured bond. With international traffic returning earlier than expected, and already significant demand for domestic travel being observed, we expect Melbourne Airport's revenue to start ramping up this year. At a yield of ~1.7% above cash for what is effectively a monopoly business we think it was a good opportunity for investors.

Finally, we began building a position in Australian east coast gas pipeline infrastructure business, Ausnet, during the quarter. Ausnet's bonds had weakened significantly leading up to our investment, after the business was the subject of a takeover by global infrastructure giant Brookfield, who has the option to redeem these bonds at par in early 2022. If Brookfield doesn't redeem them, we think they represent good value for investors around their par value of ~3% above cash, and have the potential to add materially to performance over the medium to longer term. If Brookfield does decide to redeem them, then we will have received the substantial coupon on the bond for the period of our investment.

OUTLOOK

As we have communicated extensively in previous reports, we think one of the biggest risks to fixed income investors over the next couple of years is an erosion of capital as a result of meaningfully higher bond yields. We saw this at play in both February and October 2021. Our defensive interest rate position served us well during both these periods, and we see no reason to alter this positioning given our view that growth looks solid over the medium to longer term, and that higher inflation is a very real risk over this period– which could well lead to much higher bond yields.

Turning back to credit markets, we expect to see further pockets of volatility in credit risk premiums over the next 12-18 months, but against a backdrop of positive economic fundamentals. Thus, we think keeping a meaningful amount of capital up our sleeve to take advantage of any significant valuation anomalies that arise during these periods is prudent.

In the interim, as can be seen above, we are already finding interesting and attractive places to invest the Fund's capital and are confident that we can deliver on the Fund's performance objectives over the medium to longer term.

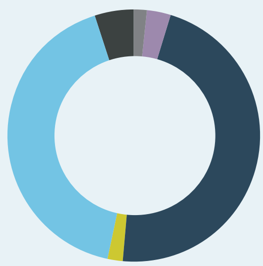
Regional allocation	
Australia	61.6%
North America	18.4%
Europe	11.2%
United Kingdom	2.8%
Other	1.2%
Cash/Cash Equivalents	4.8%

Duration^	
Interest rate	0.09
Average term to maturity	2.34

Yield security maturity profile	
0-1 Year	54.8%
1-2 Years	8.8%
2-3 Years	5.2%
3-4 Years	7.3%
4 Years +	23.9%

Portfolio Investments^	Spreads
Cash**	0.2%
Core Corporate Bonds	1.9%
Hybrid securities	3.2%

Actual exposure (see investor not above)^



Cash/Cash Equivalents	4.8%
Senior investment grade (<12mnths) *	41.7%
Government Bonds	2.0%
Core Corporate Bonds	46.6%
Hybrid securities	3.2%
Equity Income Strategies	1.7%

* Senior investment grade securities with maturities of 12 months or less.

^ These numbers are indicative and provided as a guide only.
**Cash spread includes short dated bonds <12 months.

The 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 Fund's investment objective 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 **Minimum investment:** $20,000 **Suggested investment time:** 2 years+

Jarod Dawson - Global Yield Portfolio Manager

Australian Companies Fund

Kevin Bertoli
John Whelan
Australian Co-Portfolio Managers

Applying global insights to profit from anomalies in the Australian market

Fund performance[1] (net of fees)	Inception Date	Exit Price ($, cum)	3 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**	**3.0207**	**3.7%**	**22.8%**	**22.5%**	**12.1%**	**12.5%**	**14.9%**	**12.8%**
Fund performance (net of actual fees)			**3.7%**	**22.8%**	**22.5%**	**11.7%**	**11.5%**	**13.6%**	**11.0%**
S&P/ASX 200 Accumulation Index			**2.1%**	**17.2%**	**13.6%**	**9.8%**	**9.0%**	**10.8%**	**8.4%**

1. Fund performance (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

- Corporate activity at Crown Resorts supports strong performance despite ongoing regulatory overhang
- Copper positions performed well leading to a decision to reduce exposure
- New opportunities emerging, allowing for the rotation of capital within the portfolio

PERFORMANCE & POSITIONING

Despite another period of economic uncertainty created by the emergence of the Omicron COVID-19 variant the underlying portfolio performed well during the period. The portfolio continues to be positioned in selective names where we see clear catalysts emerging over the medium to long term which have yet to be fully reflected in earnings expectations and valuations.

Copper positions were a key contributor to quarterly performance with several catalysts supporting a continued positive rating in share prices. Supply disruptions have again come into focus with MMG's Las Bambas mine in Peru, which contributes 1-2% of global supply, forced to cease production given community protests along its primary transportation routes. The impact of supply disruptions is heightened at present given the physical copper market remains very tight with inventories at historically low levels. An increased focus on inflation and inflation beneficiaries also buoyed copper producers over the month.

Specific to our holding in First Quantum, the newly elected government in Zambia passed its first budget which included the restating of a tax deductibility clause for royalties which removes double taxation issue for miners. An improved fiscal regime should result in a re-rating of the Company's Zambian assets overtime, while accelerating free cash flows as copper price hedges roll off, should provide another positive catalyst moving forward.

Crown Resorts was also a strong contributor. It was an eventful quarter for Crown with the Victorian Royal Commission concluding in October that the Company was unfit to hold its license in the state. Unsurprisingly however Crown was given two years to remedy the issues flagged by Commissioner Ray Finkelstein, with a special manager appointed to oversee operations and ultimately make a final decision on whether the Company retained its license.

Despite the obvious regulatory overhang, shortly after the release of the Royal Commission findings Crown received an improved takeover proposal from Blackstone, this time at $12.50 per share a slight premium to its previous offers of $11.85 and $12.35. Blackstone's continued interest in Crown highlights the value of the underlying property assets, something which has been central to our investment thesis. Media reports continue to speculate on additional interest in the Crown business with Star Entertainment, Las Vegas Sands and Wynn Resorts all flagged as potential suitors. While these reports remain unconfirmed, we believe the current bid from Blackstone undervalues the business leaving room for superior offers.

Westpac Bank detracted from performance after full year results came in below market expectations. Net interest margins fell short of expectations while the outlook for management's cost cutting initiatives disappointed. Westpac now trades at 12x F23 earnings which we believe provides good value in an environment of rising rates which should lend support to net interest margins on a go forward basis.

Beach Energy also declined over the period giving back some of the gains achieved in the September quarter. Oil and gas prices remain elevated, benefitting from lower supply growth and recovering demand globally. Domestically, high levels of exports via LNG into Asia have driven up domestic gas prices, likely benefitting Beach's east coast gas operations. The company is trading at a level which implies little value to Beach's Western Flank assets after last year's production and reserves downgrade, whilst ignoring the future growth from Waitsia LNG and the Otway Basin. Beach maintains a strong balance sheet to fund multiple low-cost growth options and very high exposure to east coast gas prices, combined with a substantial valuation discount compared to ASX peers.

POSITIONING & OUTLOOK

At 31 December the net equity position sat at just above 80%. While the headline invested position was largely unchanged, quarter over quarter there were material adjustments to the underlying portfolio composition.

While we continue to maintain a constructive outlook concerning commodities, with copper and oil and gas our preferred exposures, we were active in adjusting our positioning throughout the period. Most notably we exited IMDEX Limited after the management provided a robust trading update at its AGM triggering another round of earnings upgrades from analysts and further share price strength. While IMDEX is well positioned to benefit from increased exploration and development expenditure in the copper and gold sectors in coming years, after more than doubling since our initial purchase we now consider the current earnings expectations to be fully reflective of the positive environment and valuation to be full.

We also reduced our position in OZ Minerals which has been another strong contributor to performance over the past year and a half, benefiting from the strong performances at both Prominent Hill and Carrapateena, as well as the appreciation in the copper price. The proceeds from the sale of IMDEX and OZ Minerals were partially reinvested into metallurgical coal producer Coronado Global Resources.

The Fund also participated in several capital raisings during the quarter. We increased our existing position in Frontier Digital Ventures through its recently completed institutional placement. Frontier raised A$35m through its institutional placement and targets another A$5m through a share purchase plan, with the proceeds used to acquire minority investors within its Latin American classified portfolio.

We also initiated positions in two ASX listed spirits companies, Lark Distillery and Top Shelf International, both of which came to the market to raise capital. We have followed both companies for several years and used these institutional placements to establish positions.

As alluded to in our September commentary the ASX is a very narrow market particularly amongst the large caps. Beyond financials and commodities, valuations overwhelmingly remain within the top quartile of historical ranges. Given our flexible mandate we are not forced to maintain a fully invested position and can allow our cash balance to build when opportunities are more limited. We remain highly selective when it comes to initiating new holdings, waiting for specific instances where we feel the market is genuinely mispricing an opportunity. We were able to execute on several of these opportunities as highlighted above during the quarter. We only need to identify a handful of opportunities and the portfolio composition can change meaningfully. Given the portfolio size we have the flexibility to look at stock outside of the ASX 200.

Portfolio investments	Weighting
Resources	26.4%
Domestic Banks	17.9%
International Banks	6.8%
Non Bank Financials	6.0%
Internet	12.9%
Other	12.3%
Long Equities Position	**82.3%**
Short Equities Position	-1.7%
Net Invested Equities	80.6%
Total holdings	20

Current stock example
OZ Minerals
ANZ
ING Groep
iCar

Currency exposure*	100%
AUD	100.4%
CAD	2.4%
EUR	-0.3%
USD	-2.5%

*Stated at effective value.

The 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 investment 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 **Minimum investment:** $20,000 **Suggested investment time:** 7 years+

Kevin Bertoli & John Whelan - Australian Equities Co-Portfolio Managers

Asian Companies Fund

Kevin Bertoli
Asian Portfolio Manager

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

Fund performance[1] (net of fees)	Inception Date	Exit Price ($cum)	3 Months	1 Year	3 Years pa	5 Years pa	7 Years pa	10 Years pa	Since Inception pa
Asian Companies Fund	**7/2008**	**1.6973**	**-3.7%**	**5.9%**	**7.2%**	**6.0%**	**5.6%**	**9.7%**	**11.8%**
MSCI AC Asia ex Japan Net Total Return Index[2]			-1.9%	1.1%	10.9%	11.2%	9.1%	11.8%	8.3%

KEY POINTS

- Omicron weighs on positions leveraged to economic reopening, while Freeport McMoRan advances with the copper price
- Cash weighing remains elevated, providing flexibility to add new positions

PERFORMANCE & POSITIONING

The emergence of the Omicron variant, which was announced as a 'variant of concern' by the World Health Organisation in late November, dictated that COVID-19 was again the central issue impacting markets over the quarter. Portfolio positions leveraged to the reopening of global borders and a corresponding acceleration in economic activity were most impacted. Travelsky Technologies was the most consequential detractor from performance amongst our reopening plays with the market contemplating a slower recovery in air travel, particularly internationally, than previously anticipated.

We continue to hold a constructive mid to long term view on TravelSky predicated on the growth outlook for the Chinese aviation sector where per capita penetration remains well below the levels seen in more mature developed markets. As the incumbent GDS infrastructure provider within China with deep-seated relationships with each of the local airline operators, TravelSky is a direct toll on the growth in commercial passenger volumes, not just domestically within China but internationally. In the last decade (2010-2019), China's domestic and international passenger volumes compounded at over 10% per annum and we expect these growth rates to return as authorities learn to better live with COVID-19. As a major provider of airport software infrastructure TravelSky is also well placed to benefit from the investments being made by the Chinese government in improving China's airport network, not just with respects to the construction of new airports but also an upgrading of the existing network.

After a period of sustained strong performance from its COVID-19 lows, oil took a breather during the quarter, again as investors digested the impact on demand from the most recent rise in infections. This negatively impacted our position in CNOOC. We believe the impact will be short lived with the market refocusing its attention on the potential for material supply shortages driven by underinvestment, which we view as structural in nature and likely to drive sustained higher prices in the medium term.

Conversely Freeport McMoRan contributed positively to performance with several factors helping drive copper producers over the past three months. Supply disruptions have again come into focus with MMG's Las Bambas mine forced to cease production given community protests along its primary transportation routes. Las Bambas contributes between 1-2% to annual copper supply when fully operational. Supply disruptions are of heighted importance given the physical copper market remains very tight with inventories at historically low levels. An increased focus on inflation and inflation beneficiaries also buoyed copper producers late in the period.

While we continue to maintain a constructive outlook towards commodities, with copper and oil our preferred exposures, we actively reduced our position during the quarter selling options over Freeport McMoRan which effectively halves our position at a share price of approximately $47.5. We also exited our position in Turquoise Hill Resources.

iCar Asia was also a positive contributor after the Carsome's takeover offer became binding. The deal which is structured as a Scheme of Arrangements is set to be voted on by shareholders in late January.

OUTLOOK

Chinese corporates are increasingly screening as the obvious valuation anomaly in global equity markets today. The risk factors pertaining to China have been well communicated, whether it be the uncertainty created by increased regulatory scrutiny, the impaired relationship with the west or the impacts of a slowing economy and faltering property market.

The uncertainty created by these factors has led to current valuations sitting in the bottom quartile of long-term historic range and growth expectations being revised downwards materially over the past year.

Recent announcements from two portfolio holdings and the subsequent share price reactions highlight the current level of negative sentiment towards Chinese equities and some of the measures companies are now starting to take to address the valuation discounts.

Portfolio holding China Merchant Ports jumped sharply in December after announcing that Ningbo Port, of which it owns 45%, will increase container handling tariffs on foreign cargoes by 10% from January 2022. This is the first major tariff increase passed through by a Chinese port since 2018. While Ningbo accounts for less than 5% of China Merchants container throughput, its share price rose 18% on the announcement highlighting the current bearish sentiment towards the port sector given the reduced visibility on tariffs.

China Mobile which we also hold in the portfolio, announced plans to buy back US$12.5bn of stock in the Hong Kong market (h-shares) after completing its secondary 'a-share' listing on the domestic Shanghai Exchange. A-share listing completed in the last week of December raised ~US$7.7bn and was done at a 47% premium to h-shares. The buyback represents about 10% of its issued h-shares and this action represents another example of a China SOE looking to improve shareholder returns and address current depressed valuations. It comes after peer China Telecom committed to increasing its dividend payout from 40% to 70% over next 2 years.

Relative to the broader market the portfolio has benefited over the past year from the rotation out of growth and technology into value where we have been more heavily positioned. The portfolio continues to run with a material cash balance of 18%. The portfolio's elevated cash position puts us in a strong position to take advantage of the short-term disruption caused by a spike in COVID-19 fears, to either add to existing positions or initiate positions where we have been waiting for an entry point. More fundamentally however, we have started revisiting sectors of the market that have witnessed a structural derating in growth expectations and valuation over the past six to twelve months, and having this elevated cash position sees us ideally placed to capitalise on any opportunities which we identify.

Portfolio investments	Weighting
Online Classifieds & Ecommerce	18..5%
Infrastructure	13.0%
Financials	11.8%
Gaming	11.0%
Consumer	9.7%
Energy	6.1%
Technology	6.1%
Materials (Copper)	5.9%
Other	4.0%
Long Equities Position	**86.1%**
Net invested position	86.1%

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

Currency exposure*	100%
AUD	52.6%
USD	31.5%
KRW	8.6%
MYR	3.4%
Other	3.9%

* Stated as Effective Exposure.

The 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 Fund's investment objective 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 **Suggested investment time:** 7 years+

Kevin Bertoli - Asian 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
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 2021 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).

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

PM Capital