PM Capital

QUARTERLY REPORT
DECEMBER 2021

Shifting sands of value and growth

Market moves reinforce our convictions

p.1 Video insight

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

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

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."

Listed Company Overview

	PM Capital Global Opportunities Fund Limited	PM Capital Asian Opportunities Fund Limited
ASX Code	PGF	PAF
Asset Class	Global equities	Asian (ex-Japan) equities
Listing Date	11 December 2013	21 May 2014
Suggested Time Frame	Seven years plus	Seven years plus
Shares on Issue	390,784,759	57,330,012
Share Price	$1.58	$1.11
Market Capitalisation	$617.4 million	$63.6million
NTA before tax accruals (per share, ex-dividend)	$1.6615	$1.0522
Company Net Assets before tax accruals	$649.3 million	$60.3 million

See page 6 for Important Information. As at 31 December 2021.

PM Capital Global Opportunities Fund

Paul Moore
Global Portfolio Manager

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

Simple ideas, simple businesses

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

Net Tangible Asset (NTA) backing per ordinary share (After fees and expenses, all figures are unaudited)[1]	December 2021
NTA before tax accruals	$ 1.6615
NTA after tax (excluding deferred tax assets)	$ 1.5363

Company performance (net of fees)[2]	3 Months	1 Year	3 Years p.a.	5 Years p.a.	7 Years p.a.	Since inception p.a.	Total Return	Gross Dividend Yield (p.a.)[3]
PM Capital Global Opportunities Fund	4.1%	28.2%	20.5%	14.6%	13.1%	13.2%	171.3%	9.0%

1. Past performance is not a reliable indicator of future performance. 2. Performance adjusted for capital flows including those associated with the payment of dividends and tax, share issuance as a result of option exercise and the dividend reinvestment plan. 3.Based on share price as at 31 December 2021, and the dividend guidance issued to the ASX on 12 August 2021. The intended fully franked dividend is subject to there being no material adverse changes in market conditions and the investment performance of the Company's portfolio. The Company's ability to continue paying fully franked dividends is dependent on the payment of tax on investment profits and there can be no guarantee that such profits will be generated in the future.

KEY POINTS

- 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^^	Current stock examples
Housing - Ireland and Spain	8.7%	Cairn Homes
Global Domestic Banking	34.0.%	Bank of America
Gaming - Macau	7.7%	MGM China holdings
Alternative Investment Managers	7.5%	Apollo Global Management
Industrial - Europe	9.9%	Siemens
Materials	17.8%	Freeport-McMoRan
Energy	9.8%	Royal Dutch Shell
Other	11.7%	Howard Hughes
Long Equity Position	**107.1%**	
Direct Short Position	-3.9%	
Index Short Position	-17.3%	SPX, NASDAQ
Net Invested Equities	85.9%	Total holdings 45

Currency exposure*	100%
AUD	49.2%
USD	29.1%
EUR	10.1%
GBP	7.5%
Other	4.1%

* Stated as effective exposure.

The Company aims to create long term wealth through a concentrated portfolio of generally 25-45 global companies that we believe are trading at prices different to their intrinsic values.

The Company's investment objective is to provide long-term capital growth over seven-year plus investment horizon through investment in a concentrated portfolio of undervalued global (including Australian) equities and other investment securities.

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

PM Capital Asian Opportunities Fund

Kevin Bertoli
Asian Portfolio Manager

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

Net Tangible Asset (NTA) backing per ordinary share (After fees and expenses, all figures are unaudited)[1]	**December 2021**
NTA before tax accruals	**$ 1.0522**
NTA after tax (excluding deferred tax assets)	**$ 1.0436**

Company performance (net of fees)[2]	**3 Months**	**1 Year**	**3 Years p.a.**	**5 Years p.a.**	**7 Years p.a.**	**Since inception p.a.**	**Total Return**
PM Capital Asian Opportunities Fund	**-5.5%**	**4.0%**	**6.2%**	**5.3%**	**5.6%**	**5.2%**	**46.8%**

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

KEY POINTS

- Omicron weighs on positions leveraged to economic reopening, while Freeport McMoRan advances with the copper price
- PAF.ASX corporate activity negatively impacts NTA
- Cash weighing remains elevated, providing flexibility to add new positions

PERFORMANCE AND 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.

Finally, it is appropriate to highlight the impact to quarterly performance of the recent corporate activity (PGF.ax Scheme of Arrangements and WAM.ax Takeover Offer). The costs associated with these two events had a combined negative impact on the Company's NTA of -2.1%

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	18.9%
Infrastructure	12.2%
Gaming	11.0%
Financials	10.0%
Consumer	7.8%
Energy	6.4%
Materials (Cooper)	5.5%
Technology	5.0%
Other	4.7%
Long Equities Position	**81.5%**
Net Invested Equities	**81.5%**

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

Currency exposure*	100%
AUD	53.5%
USD	34.1%
KRW	10.5%
INR	1.5%
Other	0.4%

* Stated as Effective Exposure.

The Company aims to create long term wealth through a concentrated portfolio of typically 15-35 Asian centric companies that we believe are trading at prices different to their intrinsic values.

The Company's investment objective is to provide long-term capital growth over a seven-year plus investment horizon through investment in a concentrated portfolio of predominantly undervalued listed Asian equities and other investment securities in the Asian Region (ex-Japan).

Kevin Bertoli - Asian Portfolio Manager

Important information

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

PM Capital
GLOBAL OPPORTUNITIES FUND LIMITED

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)

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

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

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

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

This announcement is authorised by Benjamin Skilbeck (Diretor)

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

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