PM Capital

QUARTERLY REPORT

DECEMBER 2022

The importance of our long term framework

Avoiding "groupthink" delivered in 2022

p.1 Video insight

PM Capital Global Companies Fund
ARSN 092 434 618
APIR Code PMC0100AU

PM Capital Enhanced Yield Fund
ARSN 099 581 558
APIR Code: PMC0103AU
APIR Code: PMC4700AU (Class B)

PM Capital Australian Companies Fund
ARSN 092 434 467
APIR Code PMC0101AU

CONTENTS

Quarterly video update

In this video Paul Moore, Chief Investment Officer and Portfolio Manager, discusses:

- How PM Capital navigated calendar year 2022 to produce stand out returns in what was a difficult market;
- The sectors that have provided the backbone of PM Capital's performance over the last three years;
- The importance of thinking long term, focussing on valuation, being patient and avoiding "groupthink".

Access the video **here.**

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

"It's worth nothing that our most recent returns are the result of a long-term framework that was put in place before and after the COVID-19 pandemic. This is the same process and philosophy that PM Capital has used for more than 20 years."

Total returns since inception[1]

Fund	
PM Capital Global Companies Fund	821.8%
PM Capital Australian Companies Fund	1016.4%
PM Capital Enhanced Yield Fund*	175.5%

Benchmark	
MSCI World Net Total Return Index (AUD)	254.9%
S&P / ASX 200 Accum. Index	484.5%
RBA Cash Rate	99.8%

[1]Past performance is not a reliable indicator of future performance. See page 8 for Important Information. As at 31 December 2022.
*Enhanced Yield Fund (Performance Fee Option).

Global Companies Fund

Simple ideas, simple businesses

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

Global Companies Fund	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 fees)[1]	**10-1998**	**5.0652**	**18.6%**	**11.5%**	**13.6%**	**11.9%**	**11.8%**	**15.8%**	**9.6%**
MSCI World Net Total Return Index (AUD)			4.1%	-12.2%	6.2%	9.2%	9.6%	13.6%	5.4%

KEY POINTS

- Global inflation and interest rates the main drivers of markets in 2022
- China re-opening benefits our commodity and Macau gaming companies
- Siemens growth being driven by automation, digitisation and sustainability megatrends

PERFORMANCE

The portfolio returned 18.6% over the quarter. The main contributors to the performance were our positions in European banks and commodity companies.

PORTFOLIO ACTIVITY

We sold our position in Canadian copper miner, First Quantum, during the quarter (further detail below).

OUTLOOK

Global inflation and the resulting rate hikes have been the primary drivers of lower equity and bond markets in 2022. Global equity markets generally peaked in January 2022 when the upper bound of the FED base rate was 0.25%. At the time, US interest rates were expected to end 2022 around 1%. Fast forward 12 months, the FED's policy rate sits at 4.5% and is expected to go higher. The S&P 500 and MSCI World were down close to 20%, the Nasdaq was down 33% and numerous TAM (total addressable market) stocks tumbled 90% plus in 2022. The fastest rate hikes in history were the trigger but the underlying reason was over-valuation in many sectors of the market driven by cheap money. The bond market did not help investors either with a 16% drop in the Bloomberg global aggregate bond index. The strange thing about 2022 was that the most important event to happen (rising rates) was clearly visible in advance. The market currently believes we will see rate cuts in 2023 but heightened wage growth may lead to more stubborn service inflation and compel central banks to maintain higher rates for longer.

Our European bank holdings advanced over the quarter on the back of higher interest rates in the eurozone. It is hard to believe that the ECB were running negative rates just six months ago when they suddenly realised they were way behind the curve and needed to engage in a series of rapid interest rate hikes. This was very significant for our interest sensitive European banks as on average, European bank earnings move ~25% for every 1% move in rates. With rates currently at 2%, bank earnings power is growing rapidly. While the bank's share prices have risen on the back of these new dynamics, they continue to trade on 7 to 8 times future earnings multiples. The backdrop of rising rates, increasing earnings and improving sentiment due to increasing dividends and buybacks, indicates further upside in our banking positions.

Macau casino holdings Wynn Resorts, Sands China and MGM China advanced after two important catalysts emerged. In November Macau's government announced the successful applicants of its license tender process which saw all six existing operators receiving new concessions. While this outcome was in line with our view, the tail risk that one or more of the current operators, particularly the US backed companies, may not receive a license extension, has been an overhang for the sector. Licenses were officially signed on 16 December 2022 with further details provided as to the investment commitments made by each operator as well as future table allocations. The six operators will invest a minimum of US$15 billion over the next decade with close to 90% of that investment going to non-gaming operations. We view the level of committed investment to be appropriate given the length of the licence extensions. With respect to table allocations, the clear winner was MGM China, who's retendering bid was ranked highest, seeing its allocation increase over 35% compared to pre-pandemic levels. The second catalyst came in early December when China, after mounting public pressure, took a major step towards abandoning its COVID-zero strategy when it eased a range of restrictions. Macau has closely mirrored the COVID-19 policies set in Beijing and likewise has quickly removed many measures which have disrupted visitation.

The abrupt change in China's COVID-19 strategy also benefits our commodity holdings as investors recalibrated expectations for growth in the world's second largest economy. Industrial metals such as copper, iron ore and nickel all rose over the quarter providing a positive tailwind for Freeport McMoRan and Teck Resources. We exited our position in First Quantum during the period after a strong rebound in the share price, despite management revising down production guidance for 2022-2023 due to operational issues at its Kansanshi mine in the DRC. These disclosures provide an additional layer of complexity to the First Quantum investment thesis and increase the risk of further earnings disruptions in the short to medium term. Investors initially glossed over these disclosures, preferring to focus on the bounce in commodity prices, giving us the opportunity to exit.

European industrial Siemens AG had a strong quarter as it reported its full year results in November. Management provided bullish guidance and expects high single digit organic growth despite the perceived economic slowdown. The primary driver was the factory automation business, which grew revenue by 13% this financial year and has guided to grow at a similar rate in the coming year. Increasing labour costs, escalating geopolitical sensitivity around global manufacturing chains, and the re-arranging of automotive factories to produce electric vehicles are long-term trends that benefit Siemens and are increasingly showing up in its order books.

Airbus was also particularly strong over the quarter as management reiterated guidance for operating earnings and increased its free-cash flow generation guidance for 2022. Demand remains strong, assisted by the re-opening in China and Western airlines' determination to restore their pre-COVID capacity. We believe Airbus is in a multi-year sweet spot driven by rising production of its very popular A320, tailwinds from a strong US dollar and the absence of any new major development programs which will drive strong free-cash flow generation.

Regarding our currency positioning, we took advantage of a sell-off in the Australian dollar in early November to increase our exposure. The Australian dollar rose strongly over the quarter.

Portfolio investments	Weighting
Domestic Banking - Europe	21%
Commodities - Industrial metals	13%
Domestic Banking - USA	13%
Commodities - Energy	13%
Gaming	11%
Industrials	10%
Alternative Investment Managers	7%
Housing Ireland & Spain	5%
Other	7%
Long Equity Position	**100%**
Direct Short Position	-4%
Index Short Position	-5%
Net invested equities	91%

Current stock example	
ING Groep	
Freeport-McMoRan Copper	
Bank of America	
Shell	
Wynn Resorts	
Siemens	
Apollo Global Management	
Cairn Homes	
SPX	
Total holdings	43

Currency exposure*	100%
AUD	81%
USD	6%
GBP	7%
EUR	3%
Other	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 **Kevin Bertoli -** Co-Portfolio Manager **John Whelan** - Co-Portfolio Manager

Australian Companies Fund

Applying global insights to profit from anomalies in the Australian market

Australian Companies Fund	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 fees)[1]	**01-2000**	**3.3713**	**11.3%**	**12.8%**	**17.3%**	**12.0%**	**11.8%**	**12.7%**	**11.1%**
S&P/ASX 200 Accumulation Index			9.4%	-1.1%	5.5%	7.1%	8.4%	8.7%	8.0%

KEY POINTS

- Mining equipment business IMDEX Limited was added to the portfolio
- Stanmore Resources completed the acquisition of the remaining 20% interest in BHP Mitsui & Co
- Strong performance from our international sleeve

PERFORMANCE

The portfolio had a strong quarter returning 11.3%

PORTFOLIO ACTIVITY

The Fund's net equity position was roughly flat quarter over quarter at 69%. One new position, IMDEX Limited, was added during the period. IMDEX is a mining services business engaged in the provision of mining equipment and consumables deployed primarily during the exploration and development stage of the mining cycle. It's a company we know well, holding a position up until November of 2021. In October we travelled to Western Australia to meet with the management of several portfolio holdings as well as prospective investments, including IMDEX. We continue to be attracted to the company's market leading portfolio of drilling optimisation tools and management's commitment to reinvesting back into the business to extend leadership overtime. While management has done an excellent job of managing the pandemic, no mean feat given the global nature of their business, the share price had declined close to 40% primarily on the back of a slowdown in capital raisings amongst junior miners, a key lead indicator of drilling activity. At our entry point of ~$2, valuation had once again become attractive and was discounting our positive commodities view, specifically the medium to long term requirement for material reinvestment into exploration and development to replenishment reserves of key industrial commodities.

OUTLOOK

Commodities positions again provided a strong foundation to performance with our metallurgical coal positions, Stanmore Resources and Coronado Resources, alongside Woodside and BHP all providing material positive attribution. The abrupt shift by Chinese authorities in their approach to the management of COVID-19 acted as a catalyst for industrial commodity prices in the latter stages of the quarter. The rebound in both iron ore and copper, up 18% and 13% respectively for the period, provided a strong backdrop for BHP.

Interestingly energy linked commodities such as oil and metallurgical coal did not react to China's reopening in the same manner, with WTI and met coal largely trading sideways, driven more by the dynamics unfolding in Europe. This nonetheless failed to deter the performance of our energy holdings. As alluded to in prior commentary our metallurgical coal holdings continue to capitalize on elevated coal prices, with both announcing strong results during the period. Record coal prices continue to drive windfall cashflows at both companies which has enhanced shareholder returns at Coronado and supported a rapid deleveraging at Stanmore.

Stanmore was a standout contributor. Beside the above catalysts, the company also completed the acquisition of the remaining 20% interest in its BHP Mitsui & Co (BMC) from Japanese trading house Mitsui during the quarter. The acquisition completed at a final price of US$270m, which is materially below the equivalent price the company paid for its initial 80%, acquired in May 2022. The acquisition boosts attributable production by two million tonnes, which at spot coal prices would roughly imply a one year payback period indicating an extremely attractive acquisition price.

The international sleeve of our portfolio performed strongly. European industrial Siemens AG had a strong quarter as it reported its full year results in November. Management provided bullish guidance and expects high single digit organic growth despite the perceived economic slowdown. The primary driver was the factory automation business, which grew revenue by 13% this financial year and has guided to grow at a similar rate in the coming year. Increasing labour costs, escalating geopolitical sensitivity around global manufacturing chains, and the re-arranging of automotive factories to produce electric vehicles are long-term trends that benefit Siemens and are increasingly showing up in its order books.

In what was a strong period for our portfolio holdings one obvious exception was Star Entertainment which dropped after NSW Treasurer Matt Kean announced plans to increase taxes on casino table and EGM revenues from July 2023. The proposed changes which require legislative approval, something that would occur after the March 2023 state election, would see the state's two casinos contribute an incremental A$120m pa in tax. The announcement was a surprise considering Star Entertainment, only as recently as June 2020, entered a long-term agreement with the NSW government, signed by then Treasury Dominic Perrottet, which provided clarity on tax rate until 2041.

While the government's abrupt about face should be concerning to any corporate with a pre-existing agreement with NSW government, the rationale and quantum were also worrisome. While the initial Government press release indicated that tax reform, at least with respects to EGM's, would bring NSW in line with Victoria after recent changes in the state, the reality is that they go much further when the Responsible Gaming Levy and GST are also considered. Unfortunately, the proposed changes look like an opportunistic tax grab aimed at a sector seen as easy picking given recent regulatory issues, rather than an effort to ensure casino operators 'paid their fair share' and if enacted would likely lead to future investment dollars spent in other jurisdictions.

While the ASX 200 is trading back near to its all-time highs, this has largely been driven by banking and commodities companies. Beyond these two sectors there remains a significant subset of the market which trades well below its 52-week highs. The Fund's healthy cash position puts us in a strong position to take advantage of the drawdowns experienced across the Australian market outside banking and commodities. 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 only need to identify a handful of opportunities and the portfolio composition can change meaningfully.

Portfolio investments	Weighting
Commodities - Energy	20%
Banking	19%
Commodities - Industrial Metals	11%
Alternative Investment Managers	4%
Online Classifieds & Internet	4%
Gaming	3%
Consumer	3%
Other	6%
Long Equities Position	**70%**
Short Equities Position	-1%
Net Invested Equities	69%
Corporate Debt & Bonds	17%
Net Invested	86%
Total holdings	19

Current stock example
Woodside Energy
ANZ
BHP
Apollo Global Management
Frontier Digital Ventures
The Star Entertainment
Lark Distillery

Currency exposure*	100%
AUD	100%

*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+

Paul Moore - Chief Investment Officer **Kevin Bertoli -** Co-Portfolio Manager **John Whelan** - Co-Portfolio Manager

Enhanced Yield Fund

Regular income, low volatility

Fund performance (net of fees)[1]	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**	**1.1098**	**1.4%**	**2.0%**	**0.2%**	**1.3%**	**1.7%**	**2.7%**	**2.9%**	**5.0%**
RBA cash rate			0.7%	1.2%	1.3%	0.6%	0.9%	1.1%	1.5%	3.4%
Excess			**0.7%**	**0.8%**	**-1.1%**	**0.7%**	**0.8%**	**1.6%**	**1.4%**	**1.6%**
Enhanced Yield Fund (Class B units)**	**05-2017**	**1.1359**	**1.3%**	**1.9%**	**0.0%**	**1.4%**	**1.9%**			**2.2%**
RBA cash rate			0.7%	1.2%	1.3%	0.6%	0.9%			0.9%
Excess			**0.6%**	**0.7%**	**-1.3%**	**0.8%**	**1.0%**			**1.3%**

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

KEY POINTS

- Fund performed strongly in the December quarter - a derivative of the significant investing done by the team throughout 2022
- Portfolio yield to maturity of ~5.25%^ puts the Fund in a strong position coming into 2023

PERFORMANCE

The Fund performed strongly in the December quarter, returning 1.35%.

Performance was largely driven by the significant increase in the yield to maturity^ of the portfolio as a result of the substantial number of new yield investments that were made at what we believe were very attractive levels, over the course of 2022.

The opportunity to take advantage of these investments was created by the Fund's large cash and short dated security position going into early 2022 – where we were mindful (and thus conservatively invested) of the potential impact that substantially higher interest rates could have on market valuations. This shift in market pricing materialised over 2022, supporting our views, and putting us in a position to make these investments.

In terms of individual investment performance, the two standouts in the December quarter were French industrial services company SPIE – market leader in improving the energy efficiency of commercial properties, and on demand video streaming pioneer Netflix, who has successfully broadened out its customer offering well ahead of investor expectations, as well as retaining far more of its existing clients than markets expected post the lift in numbers that they achieved as a result of the COVID-19 pandemic .

PORTFOLIO ACTIVITY

We continued to broaden out the portfolio's exposures with new investments initiated in the senior bonds of Melbourne toll road company Connecteast – operator of the Westlink toll road in Melbourne's east at a yield of ~5.5%, and global banking giant HSBC, at a yield of ~5.3%.

We added to our exposure in the highly profitable Australian supermarket duopoly in October, increasing our position in Woolworths at a yield of just under 5%.

In the area of retail and consumer spending, we added to our position in dominant fuel and convenience store business Ampol at a yield of ~5.2%.

Finally, we increased our position in the senior bonds of retail market leading Lloyds Bank in the UK at a yield of ~5.5%.

All of these investments were in bonds that carry around 3.5 years or less in credit duration, and so do not materially increase the risk in the Fund, but have made a notable increase to the Fund's yield.

OUTLOOK

Despite the Fund's recent strong performance, the yield to maturity^ of the portfolio still sits at a very attractive ~5.25%.

Investors have recently been questioning the trajectory of central bank rate increases, including that of the US Federal Reserve (The Fed) and the reserve Bank of Australia (RBA), in light of more mixed economic

^ This is not a forecast of future or expected returns. It represents the portfolio's yield to maturity before fees as at 31 Dec 2022 assuming investments are held to maturity and there are no issuer defaults.

data that has materialised in recent months, including inflation data that at the very least appears to be increasing at a decreasing rate.

These developments are in line with our own views, and indeed the positioning of the Fund, which currently has an interest rate duration position of just under 1 year, and an average maturity date on our investments of just over 2 years.

We are strongly of the view that central banks around the world have done a lot of heavy lifting over the course of 2022 – much of which has yet to flow through the economy - and thus we expect to see global economic activity moderate over the course of 2023.

We believe that this dynamic – implying lower peak central bank official cash rates - should benefit our interest rate exposure, as well as give our short dated credit risk assets a lift.

With a current yield to maturity^ of ~5.25%, and a portfolio of investments that we believe we have purchased at attractive yields, we look forward to reporting on the performance of these investments over the course of 2023.

Finally, on behalf of the fixed income team, we would like to wish everyone a happy, healthy and prosperous 2023 – 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 new year.

Regional allocation	
Australia	62.6%
North America	11.3%
Europe	9.3%
United Kingdom	6.2%
Other	3.1%
Cash/Cash Equivalents	7.5%

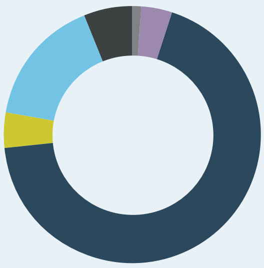
Duration^^	
Interest rate	0.81
Average term to maturity	2.10

Yield security maturity profile	
0-1 Year	35.9%
1-2 Years	22.9%
2-3 Years	10.7%
3-4 Years	15.0%
4 Years +	15.5%

Portfolio Investments^^	Spreads
Cash**	0.8%
Core Corporate Bonds	2.2%
Hybrid securities	3.6%

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

Actual exposure



Cash/Cash Equivalents	7.5%
Senior investment grade (<12mnths) *	14.4%
Government Bonds	4.3%
Core Corporate Bonds	68.6%
Hybrid securities	4.0%
Equity Income Strategies	1.2%

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

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+

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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 Enhanced Yield Fund
ARSN 099 581 558

PM Capital Australian Companies Fund
ARSN 092 434 467

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') and Target Market Determination which are 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 2022 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. See www.msci.com for further information on the MSCI index. 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.

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