PM Capital

QUARTERLY REPORT
MARCH 2020

Streets empty, markets up-ended

Coronavirus, and what comes next

p.1 Video insight

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

PM Capital Asian Companies Fund
ARSN 130 588 439
APIR Code PMC0002AU

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

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

CONTENTS

Quarterly video update

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

- The "peak panic" environment
- Our long term framework
- Recent portfolio activity

Access the video **here.**

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

"We won't really know how the next six months will play out until we have the benefit of hindsight, and noting that the experts are constantly revising their thoughts. What we do know though is that valuations are extreme. Typically, the best time to buy equities is when the economy is approaching its worst point, and it doesn't get much worse than a closing of all non-essential services."

Total returns since inception[1]

Fund		Benchmark	
PM Capital Global Companies Fund	358.4%	MSCI World Net Total Return Index (AUD)	168.6%
PM Capital Asian Companies Fund	211.0%	MSCI AC Asia ex Japan Net (AUD)	139.3%
PM Capital Australian Companies Fund	480.8%	S&P / ASX 200 Accum. Index	282.3%
PM Capital Enhanced Yield Fund*	156.6%	RBA Cash Rate	96.6%

[1]Past performance is not a reliable indicator of future performance. See page 17 for Important Information. As at 31 March 2020.
*Enhanced Yield Fund (Performance Fee Option).

Global Companies Fund

- **The Global Companies Fund** aims to create long term wealth through a hand-picked, concentrated portfolio of 25-45 global companies trading at prices that we consider, after extensive research, to be trading at prices different to their intrinsic values and may provide attractive future returns.
- **The Fund's investment objective** is to provide long term capital growth and outperform the greater of the MSCI World Net Total Return Index (AUD) or RBA cash rate over rolling seven year periods. The Fund is not intended to replicate the index.

Fund category	Global equities
Investment style	Fundamental, bottom-up research intensive approach
Number of stocks	As a guide, 25-45 stocks

Minimum investment	$20,000
Suggested investment time	7 years +
Inception date	28 October 1998
Unit trust FUM	$336.7m as at 31 March 2020
Global equities FUM	$887.5m as at 31 March 2020

Global Companies Fund

Paul Moore
Global Portfolio Manager

Global Companies Fund	Inception Date	Exit Price ($.cum)	3 Months	6 Months	1 Year	3 Years pa	5 Years pa	7 Years pa	10 Years pa	Since Inception pa
Fund performance (net of pro forma fees)[1]	**10-1998**	**2.5192**	**-27.1%**	**-19.6%**	**-13.4%**	**1.4%**	**3.0%**	**13.3%**	**10.7%**	**9.4%**
Fund performance (net of actual fees)			**-27.1%**	**-19.6%**	**-13.4%**	**0.1%**	**1.8%**	**10.6%**	**8.5%**	**7.4%**
MSCI World Net Total Return Index (AUD)			-9.3%	-5.6%	4.0%	9.7%	7.9%	14.1%	11.0%	4.7%
Outperformance (net of pro forma fees)[1]			**-17.8%**	**-14.0%**	**-17.4%**	**-8.3%**	**-4.9%**	**-0.8%**	**-0.3%**	**4.7%**

1. Fund performance and Outperformance (net of pro forma fees) has been calculated based on the new fee structure (implemented 1 December 2018), assuming it had applied from the Fund's inception. These returns do not represent the actual net Fund performance and are included for illustrative purposes only.

KEY POINTS

- COVID-19 and the collapse of OPEC prompts the fastest bear market in history
- Peak panic met by peak monetary and fiscal policy response; short term, market responds
- Once in a lifetime opportunity in cyclical stocks?

PERFORMANCE

The impact from COVID-19 resulted in a very challenging quarter for equity markets. The portfolio's value declined sharply during the March quarter as the coronavirus became a global pandemic, prompting the fastest bear market (classed as a fall of 20% or more) in the US market's history. All major equities markets declined heavily.

PORTFOLIO ACTIVITY

We entered the quarter approximately 80% net-invested and we used the volatility in the market to increase our net invested position to approximately 90% by the end of the quarter. We executed this through a combination of closing some of our short positions and adding to some of our long positions.

Our portfolio activity included:

• Closing our short position in Wendy's Company. Our initial thesis was that Wendy's operates in a highly competitive industry, struggles for growth, is highly indebted (both the firm and separately its franchisees), yet trades on a high valuation. While we could not have foreseen the coronavirus and its impact on restaurant operations across the United States, the company's poor fundamentals meant the stock was susceptible to economic disruption of any kind. We took advantage of Wendy's extreme price moves over February and March (the stock closed as high as $23.94 in late February and a low of $7.47 in mid-March) exiting our position at just over $8 a share. We similarly closed our short position in Dunkin's Brands which also suffered a huge price decline.

• Closing our short positions in US REITs, namely Equity Residential, Essex Property Trust and AvalonBay Communities (all US apartment REITs) as their stock prices tumbled. We originally shorted the US REITs as the market put them on multiples akin to high growth stocks, when in reality their growth was coming to an end either through higher interest rates or a slowing economy.

• Removing our short index position on the S&P500 (in hindsight too early).

• Reducing our positions in the alternative asset managers before the market falls, early in the quarter trimming our positions in KKR, ARES Management Corporation and Apollo Global Management.

• Adding to our existing positions in Howard Hughes Corporation, Oracle Corporation and Siemens.

The large fall in the value of the Australian Dollar (hitting a 17 year low over the quarter) facilitated us hedging a higher proportion of our portfolio back to Australian Dollars. The portfolio is now approximately 30% exposed to the Australian Dollar, up from 17% at the end of 2019.

OUTLOOK

Short term price action has been chaotic and excruciating to deal with, compounded by the fact that investments we have made in "cyclical" sectors of the market (where we see the most long term value) are those most impacted by the shutdown of "non-essential" parts of the economy. A good illustration has been Wynn Resorts, a premium global casino operator with casinos in Macau, Las Vegas and Boston. Gaming always recovers, and Wynn has enough cash and

Global Companies Fund

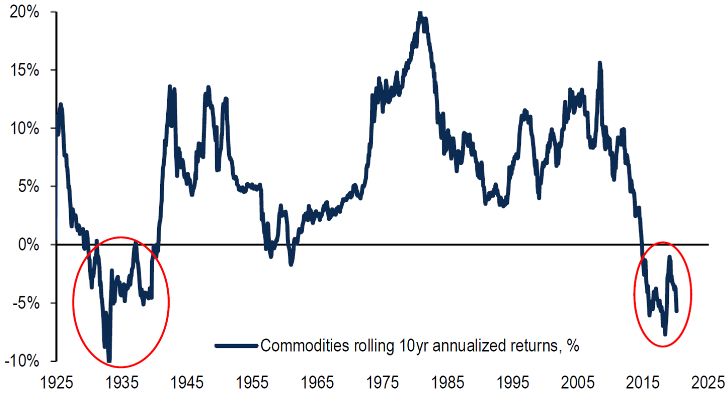
access to credit facilities to handle a 12 to 15 month shutdown on a worst-case scenario; I doubt that will occur. But with the temporary closure of its Boston and Vegas casinos, the stock fell from $140 to $35 (-75%) at the peak of the panic on March 18th. A week later it traded at $84 (+140%), a further week later and it was back to $46 (-46%) and most recently, another week later, it traded at $76 (+65%).

We suspect that the later weeks of March may in fact have been the lows for many stocks, with markets having responded to a do “whatever it takes” mentality from central banks (monetary) and governments (fiscal); they have clearly learnt from the GFC.

In saying this, the key unknown is the evolution of the virus and how severe the short term economic impact will be, and when do we see visibility on a path to recovery. This will only be known with the benefit of hindsight. What is clear is that when you look at valuations we have witnessed recently, it appears to be a once in a lifetime opportunity in cyclical stocks with the upside return possibility equal to or better than that seen during the global financial crisis. Markets always bottom well before the worst is seen in the economy, and it does not get much worse than the shutdown of non-essential services.

For a more in-depth review of the stocks in our investment themes and the potential we see in them, please see our update on the website dated 26 March.

Rolling 10yr annualised price returns since 1924, commodities



Source: BofA Global Investment Strategy, Ibbotson, Bloomberg, Datastream.

Portfolio investments	Weighting
Housing - Ireland and Spain	8.1%
Global Domestic Banking	27.4%
Service Monopolies	12.6%
Gaming - Macau	7.4%
Alternative Investment Managers	13.5%
Industrial - Europe	6.0%
Materials	6.6%
Other	13.7%
Long Equity Position	**95.3%**
Short Equity Position	-4.6%
Net invested equities	90.7%
Total holdings	42

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

Currency exposure*	
USD	55.7%
AUD	30.5%
EUR	7.2%
GBP	5.1%
HKD	1.8%
CAD	-0.3%
Total exposure	100.0%

* Stated at effective value.

Paul Moore - Chief Investment Officer and Global Portfolio Manager

John Whelan - Contributing author

Asian Companies Fund

- **The Asian Companies Fund** aims to create long term wealth through a concentrated portfolio of 15-35 hand-picked companies within Asia ex-Japan that we believe are trading at prices different to their intrinsic values.

- **The objective of the Fund** is to provide long term capital growth and outperform the greater of the MSCI All Country Asia (ex-Japan) Net Index (AUD) or RBA cash rate over rolling seven year periods. The Fund is not intended to replicate the index.

Fund category	Asian (ex-Japan)[2] equities
Investment style	Fundamental, bottom-up research intensive approach
Number of stocks	As a guide, 15-35 stocks

Minimum investment	$20,000
Suggested investment time	7 years +
Inception date	1 July 2008
Unit trust FUM	$17.8m as at 31 March 2020
Asian equities FUM	$70.8m as at 31 March 2020

Asian Companies Fund

Kevin Bertoli
Asian Portfolio Manager

Fund performance[1] (net of fees)	Inception Date	Exit Price	3 Months	6 Months	1 Year	3 Years pa	5 Years pa	7 Years pa	10 Years pa	Since Inception pa
Asian Companies Fund	**7/2008**	**1.2526**	**-23.9%**	**-17.2%**	**-21.8%**	**-3.8%**	**-1.1%**	**6.0%**	**5.2%**	**10.1%**
MSCI AC Asia ex Japan Net Total Return Index[2]			-6.3%	0.5%	0.5%	8.8%	5.9%	11.0%	8.1%	7.7%
Outperformance by the Fund			-17.6%	-17.7%	-22.3%	-12.6%	-7.0%	-5.0%	-2.9%	2.4%

KEY POINTS

- Asian region caught up in the broader sell-down
- Casinos and internet-related stocks significantly affected
- New positions established, prompted by the broader opportunity set

The pace and severity of the moves witnessed over the quarter were unprecedented in Asia and globally, mirroring the coronavirus's evolution from a relatively isolated single region health crisis to a full-blown pandemic. This has required investors to contemplate a unique market environment where many of their holdings could realistically have zero or close to zero revenues for an extended period of time.

Our gaming holdings have been among the hardest-hit sectors in the portfolio and the broader economy (bracketed with cruise lines and lodging operators) as casinos around the globe were closed in an effort to help combat the spread of coronavirus. On 4 February Macau Chief Executive Ho Iat Seng announced a mandatory 14-day closure of the SAR's 41 casinos. Unfortunately, this was the beginning for the gaming sector. Wynn Resorts, our only Macau casino operator with properties outside Macau, announced the closure of its Boston and Las Vegas properties in mid-March.

Given the near term disruption to operations a negative share price reaction is not unwarranted as investors try to predict the duration of closures. However, we have been surprised at the severity of the moves, particularly in Wynn. Macau accounts for 70% of Wynn Resorts' consolidated EBITDA and the share price remained resilient after the announced closures in Macau. However, Wynn was significantly affected by the US closures, despite it only accounting for 30% consolidated EBITDA.

On a positive note, Macau has been one of the most successful in managing the spread of coronavirus, with less than 100 total cases reported. Furthermore, the casinos reopened after their initial 14-day closures thanks to strict monitoring measures put in place by both government (checks at customs) and the casino operators (checks at individual casino level). Activity in Macau remains well below pre-coronavirus levels, with catalysts for a more rapid improvement in visitation and consequently gross gaming revenue likely to be a reinstatement of tourist visas and the Individual Visitor Scheme.

Portfolio holdings in iCar Asia and Frontier Digital Ventures, two of the largest portfolio positions, were leading detractors to performance due to their position sizes and relative moves. Volatility in both names was heightened by each reaching multi-year highs at the start of the quarter (in the case of Frontier Digital Ventures all-time highs) - whereupon we began actively reducing our positions - only to sell off materially thereafter. iCar Asia was specifically impacted by a nationwide lockdown announced in its largest market of Malaysia, where a cluster of coronavirus cases linked to a religious festival in late February led the government to impose strict movement limitations. For online classifieds businesses the health of the underlying customer bases, property agents and automotive dealers, is of critical importance. Looking forward, we anticipate property agents will weather this period better than used car dealers given the absence of large inventory holdings.

While extremely painful in the short term, external shocks such as that caused by coronavirus can also improve the longer term competitive position of some businesses. During the GFC we saw an acceleration in the transition from traditional newspaper advertising to cheaper, more effective and measurable online advertising. While coronavirus is a different beast to the GFC and online classified advertising now dominates the bulk of real estate and automotive advertising for agents and dealers (hence migration is less of a tailwind) we still expect to see a flight to quality occur and also envision a highly probable scenario whereby smaller, poorly capitalised competitors will cease to exist. Given their position as listed businesses Frontier Digital Ventures and iCar Asia are well placed to benefit. Frontier Digital Ventures, after proactively managing its

Asian Companies Fund

portfolio over the past six months sits well placed - its balance sheet is at its healthiest since its 2016 IPO.

We continue to look for opportunities to upgrade the portfolio either by adding to existing holdings or initiating new positions in companies historically presenting as being expensive. We initiated a position in China Mobile in January then increased it in during March so that it is now a core position in the portfolio. The initial opportunity to establish a position in the company, the largest mobile and fixed line broadband provider in mainland China, came after the share price traded to near its 10-year lows on increasingly negative sentiment regarding average revenue per user growth as well as 5G capital expenditure overrun fears. We consider these risks fully reflected in the current share price.

We also initiated a position in Vietnamese brewer SABECO during the period. SABECO is the market share leader in the local market, with a dominant share of the mass market segment. The Vietnamese market has very strong underlying fundamentals, both from a competitive dynamic (largely a two player market with Heineken) and from a demographics perspective (a large, young population with estimates of ~1 million people entering the legal drinking age annually).

We have long held a watching brief on SABECO, but was reluctant to take a shareholding given its prohibitive valuation. Concerns around volume growth with the emergence of coronavirus as well as new drink-driving laws have caused a derating and brought valuations back to a more attractive level. From a technical perspective capital outflows from emerging markets has also impact SABECO along with all Vietnamese stocks.

Both China Mobile and SABECO are well placed to weather the current period of uncertainty with material net cash positions on their balance sheets (50% and 20% respectively as at 31 March).

Another by-product of the current environment has been the significant US Dollar appreciation against most currencies, with the Australian Dollar being one of the weakest cross rates. The portfolio's currency exposure is ~60% US Dollars, 30% Australian Dollars and ~10% other currencies. Consequently currency has provided an offset to some of the negative contribution stemming from our equity holdings. During the period we sold Australia Dollar put options representing 10% of the portfolio which would increase our Australian Dollar exposure below $A0.55.

As communicated in my portfolio update (please see the website) we continue to monitor daily infection rates in countries which have been dealing with coronavirus the longest with the view of better understanding the evolution of the virus, the most effective mitigation strategies and the pace of economic normalisation once the virus has been bought under control. Observing the pace of daily inflection rates suggests many countries in Asia have come to terms with how to manage the spread of the virus effectively. There are positive signs in countries such as China, Korea, Taiwan and Singapore to name a few and we are watching to see if the successes experienced to date are maintained.

In the short term balance sheet strength remains the key to weathering the current environment and being ready for the recovery. Looking across the portfolio ~40% of the businesses we own hold significant net cash positions, China Mobile and SABECO in particular. For the companies that do have debt, these are typically longer-dated maturities with manageable debt obligations over the forward 12-month period and they retain ample cash balances to meet any short term working capital or interest requirements. We are monitoring carefully the small tail of companies (one or two positions) that are likely to require capital in the next year, ensuring that we are in dialogue with their management teams as they address this issue.

Portfolio investments	Weighting
Infrastructure - Oil & Gas	14.4%
Infrastructure - Other	4.4%
Online Classifieds & Ecommerce	16.5%
Consumer	16.0%
Gaming	13.8%
Financials	9.9%
Materials (Copper)	7.3%
Other	9.7%
Long Equities Position	**92.0%**
Net invested position	92.0%

Current stock example	
Sinopec Kantons	
China Merchants Holdings International	
iCar Asia	
Dali Food Group	
MGM China Holdings Ltd	
Shinhan Financial	
Freeport-McMoRan Copper	
Total Holdings	26

Currency exposure*	
USD	69.6%
AUD	31.4%
INR	6.3%
HKD	-7.1%
Other	-0.2%
Total exposure	100.0%

* Stated as Effective Exposure.

Kevin Bertoli - Asian Portfolio Manager

Australian Companies Fund

- **The Australian Companies Fund** aims to create long term wealth through a hand-picked portfolio of 15-25 predominantly Australian companies that we believe are trading at prices different to their intrinsic values.
- **The Fund's objective** is to provide long term capital growth and outperform the greater of the S&P/ASX 200 Accumulation Index or the RBA cash rate over rolling seven year periods. The Fund is not intended to replicate the index.

Fund category	Australian equities
Investment style	Fundamental, bottom-up research intensive approach
Number of stocks	As a guide, 15-25 stocks

Minimum investment	$20,000
Suggested investment time	7 years +
Inception date	20 January 2000
Unit trust FUM	$21.6m as at 31 March 2020
Australian equities FUM	$21.6m as at 31 March 2020

Australian Companies Fund

Uday Cheruvu
Australian Portfolio Manager

Fund performance[1] (net of fees)	Inception Date	Exit Price ($, cum)	3 Months	6 Months	1 Year	3 Years pa	5 Years pa	7 Years pa	10 Years pa	Since Inception pa
Fund performance (net of pro forma fees)[1]	**01-2000**	**1.7861**	**-16.0%**	**-10.9%**	**-0.9%**	**-0.2%**	**3.2%**	**7.7%**	**7.8%**	**11.1%**
Fund performance (net of actual fees)			**-16.0%**	**-10.9%**	**-0.9%**	**-0.7%**	**2.5%**	**6.3%**	**6.5%**	**9.1%**
S&P/ASX 200 Accumulation Index			-23.1%	-22.6%	-14.4%	-0.6%	1.4%	4.8%	4.9%	6.9%
Outperformance (net of pro forma fees)[1]			**7.1%**	**11.7%**	**13.5%**	**0.4%**	**1.8%**	**2.9%**	**2.9%**	**4.2%**

1. Fund performance and Outperformance (net of pro forma fees) has been calculated based on the new fee structure (implemented 1 December 2018), assuming it had applied from the Fund's inception. These returns do not represent the actual net Fund performance and are included for illustrative purposes only.

KEY POINTS

- Pandemic triggers the worst quarter for the Australian market in over 30 years
- The Fund benefits from a relatively low invested position
- Rare opportunity to invest in quality companies at attractive levels

The onset of the global pandemic saw the Australian market experience its biggest one quarter fall since the 1987 market crash. Fortunately, the Fund's low net equity position: 57.2% at the start of the quarter and 35.5% at the end of February - meant it was able to better weather the market decline.

In addition to providing protection during the correction, the Fund's net cash position has allowed us to take advantage of the price declines and selectively invest in high quality companies at cheap valuations – a rare opportunity. As a result, we increased our net equity position to 48% as at the end of quarter.

For investors with at least a medium term horizon, without worries about liquidity, we believe this may prove to be a great time to start increasing their exposure to the domestic market. However, we are cognizant that although the return potential of investments is exceptional, the level of risk has become harder to ascertain.

In this uncertain economic environment, where the outcomes range from a slow, anemic recovery to a V-shaped one, instead of trying to guess how economic conditions will play out we are focusing on two particular qualities of every business:

1. The business's balance sheet and its capacity to stay solvent through a worst case deep recession.

2. The business's capacity to return to normal revenue and earnings levels as economic conditions improve.

We believe investing in high quality businesses that track well on these two aspects will be the key to delivering acceptable risk-adjusted returns. When we look at each individual position we have in our portfolio, we believe they track well on both these aspects (see below). Accordingly, we remain confident in the outlook for the portfolio even in the current uncertain times.

NUFARM

• The balance sheet is clean with minimal net debt and high inventory levels. The lack of near term cash inflows will not stop the business from functioning.

• Revenues are exposed to the agricultural cycle which is currently at a bottom and has a low correlation to global economic conditions. Revenues and earnings should grow even if current economic down-drafts persist.

BRAMBLES

• The business has large untapped debt lines and is net cash neutral. It has plenty of balance sheet capacity to run its business even when cash inflows are under pressure. Management is confident enough of its balance sheet position to continue its buy-back plan.

• Brambles provides essential equipment for the smooth operation of supply chains and a large portion of revenues are exposed to fast moving consumer goods. So revenues are highly defensive but also provide exposure to global growth.

PACT GROUP

• Taken at face value, the financial leverage in the business is too high. But the business is exposed to packaging materials for consumer goods which are in high demand even in severe recession. So cashflows should remain sufficient to manage debt in the medium term.

• Packaging material provided by Pact is not replaceable and being the industry leader, it will pick up market share during in the current environment and thus grow its eventual earnings power.

BIG TIN CAN

• The business has cash on hand to support operations for two years even if it receives minimal revenues during this time.

• The pandemic is causing more companies to accept remote working and sales operations business models. Addressable markets for BTH's sales force mobility software will grow faster.

ICAR

• Has a net cash position and untapped debt lines. It can support its business operations for 18 months with minimal disruption.

• Online marketplaces will become even more appealing to consumers and speed up a change in consumer acceptance of online portals in Asia. Competitors to iCar are decreasing their operations as their balance sheets are stretched, increasing iCar's opportunity to grow its market position.

In March we bought into BHP, Freeport McMoRan and First Quantum. These represent the start of our positions in the commodity space. Each of these companies has a clean balance sheet (minimal net debt or substantial cashflow backing) and represent the lowest cost producers in the base materials (BHP – iron ore; Freeport and First Quantum – copper) in which they specialise.

The decline in economic conditions has led to a substantial de-rating of the share prices for these stocks to the point where we think the share prices reflect a perpetually lower commodity price outlook that is decoupled from the long term supply/ demands of the markets these companies operate in. In the near term, we expect short term economic news to drive their share prices, but over the longer term we expect the supply/ demand reality will push the underlying commodity price upwards and cause the share price of these companies to re-rate.

During the quarter we sold out of our position in Aedas Homes as we believed the risk/ reward for this business stacked up poorly compared to the international commodity companies. LatAm Auto's management is now taking the business off the ASX to reduce costs and bring in new shareholders to provide more capital for the business.

The domestic and global economies are operating in difficult conditions. We do not expect these conditions to improve quickly. The Fund's cash position has acted as a buffer to protect investors to a reasonable extent in the current climate. In the shorter term we expect our net invested position to increase as we cautiously take advantage of the larger opportunity set in front of us.

Portfolio investments	Weighting
International Banks	10.2%
Domestic Banks	6.2%
Non Bank Financials	5.1%
Industrials	10.3%
Internet	8.9%
Resources	6.9%
Long Equities Position	**47.6%**
Net Invested Equities	47.6%
Total holdings	21

Current stock example
Bank of America
ANZ
EML
Brambles
iCar Asia
Freeport-McMoRan Copper

Currency exposure*	
AUD	106.6%
CAD	1.3%
EUR	-3.3%
USD	-4.6%
Total exposure	100.0%

*Stated at effective value.

Uday Cheruvu - Australian Equities Portfolio Manager

Enhanced Yield Fund

- **The Enhanced Yield Fund** aims to create long term wealth through identifying and profiting from market anomalies predominately in debt, corporate bond and hybrid security markets around the world. Originally developed to invest the portion of PM Capital's own money which would otherwise sit in cash, the Fund was opened to co-investors as we realised our problem – how to produce regular income and attractive returns with low volatility – was shared by many other investors.

- **The objective of the Fund** is to provide investors a return in excess of the Reserve Bank of Australia's (RBA) cash rate. The Fund aims to outperform the RBA cash rate with a low degree of volatility and minimal risk of capital loss.

Fund category	Fixed Income
Investment style	Fundamental, bottom-up research intensive approach
Investor profile	The Fund may be suitable for investors who seek a steady source of income, with a low degree of volatility, and an emphasis on capital preservation

Minimum investment	$20,000
Suggested investment time	2 years +
Inception date	1 March 2002
Unit trust FUM	$500.4m as at 31 March 2020
Fixed Income FUM	$752.2m as at 31 March 2020

Enhanced Yield Fund

Jarod Dawson
Global Yield Portfolio Manager

Awarded the *Money* Magazine Best of the Best Award 2020 for Best Income Fund – High Yield and Credit.

"The award recognises the consistent achievement of two of our key strategic objectives - generating attractive returns, and doing so with a low degree of volatility."

Jarod Dawson - Portfolio Manager

Fund performance (net of fees)	Inception Date	Exit Price	1 Month	3 Months	6 Months	1 Year	3 Years pa	5 Years pa	7 Years pa	10 Years pa	Since Inception pa
Enhanced Yield Fund*	**02-2002**	**1.0797**	**-3.2%**	**-3.2%**	**-2.4%**	**-1.3%**	**1.7%**	**2.4%**	**2.9%**	**3.9%**	**5.3%**
RBA cash rate			0.0%	0.1%	0.3%	0.9%	1.3%	1.5%	1.8%	2.5%	3.8%
Excess			-3.2%	-3.3%	-2.7%	-2.2%	0.4%	0.9%	1.1%	1.4%	1.5%
Enhanced Yield Fund (Class B units)**	**05-2017**	**1.0989**	**-3.2%**	**-3.2%**	**-2.3%**	**-1.1%**					**1.6%**
RBA cash rate			0.0%	0.1%	0.3%	0.9%					1.3%
Excess			-3.2%	-3.3%	-2.6%	-2.0%					0.3%

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

KEY POINTS

- Cash is king in a buyers market
- Central banks and governments have done a lot of heavy lifting – but the environment is still evolving.
- We strongly advocate measured, methodical stock picking from here on in.

This quarter we are simply reinforcing some of the messages and themes that we noted in our update at the end of March, as well as providing detail around our recent investment activities.

PERFORMANCE

March was the most volatile month I have witnessed in over 20 years in financial markets. Uncertainty around the longer term impacts of shutting down large sections of the global economy saw investors devalue risk assets rather indiscriminately, as forced sellers had no choice but to offload assets to raise cash. The reality is that certain sectors within the economy will be impacted more than others – some will thrive. Our intention is to focus on businesses in these sectors.

At the end of January (broadly when virus cases began ramping up), the Fund was ~49% cash -close to the highest that it has ever been.

Even with our large cash balance, the extreme nature of market moves late in the quarter saw the Fund's assets broadly devalued by ~3%. While we never like reporting a negative month, we are confident that our investments will be valued back up as markets normalise. Most importantly, we expect to add considerable additional value from new investments now that the risk/ reward equation is far more in favour of the investor.

PORTFOLIO ACTIVITY

With substantial cash at hand, we are in the enviable position of being a net buyer, rather than a forced seller like many funds in the market. We have begun capitalising on this position and have reduced the Fund's cash holdings from ~49% to ~39% (as at 6 April 2020).

Enhanced Yield Fund

We initiated a new position in the 5-year senior bonds of global payments powerhouse Visa during the quarter. Adjusted for the cash on their balance sheet Visa has no net debt, still generates considerable revenue in the current environment, and will benefit from the huge bounce in activity once the pandemic subsides. As a result of the considerable dislocation in credit markets, Visa's yield premium above cash increased five-fold from ~+0.40% to over +2.00% (where we bought it) - a AA-rated business priced like a BBB – you don't see that very often!

We also purchased the 4-year senior bonds of French industrial services company SPIE during the quarter. With market leading operations concentrated in France and Germany, SPIE installs electrical networks/ lighting, heating and ventilation, Telecoms and IT into office buildings, factories, data centres and hospitals to name a few. They operate on long term contracts, and have considerable market share in their areas of expertise. Prior to the virus outbreak, their risk premium above cash was approximately +1.5%. We bought their bonds in March at ~4.5% above cash.

We recently purchased a position in BHP's 4-year senior bonds. With market concern around global demand for iron ore (mostly from China) plus Saudi Arabia and Russia quarreling over oil production, BHP's risk premium above cash increased markedly from ~+50bp to ~+220bp (where we bought it). This valuation is close to where the senior bonds traded in late 2015/early 2016 when iron ore prices fell to around $40 / tonne (currently ~$80 / tonne) and the oil price fell below $30 / tonne (where it is now). BHP owns some of the best low cost mines in the world and has almost no net debt. We think they are in a good position to handle the current environment, and come out strong on the other side, particularly now that China has started to ramp up production again.

We added to our holding in the senior debt of Allied Irish bank (AIB) during the quarter. We think of AIB as effectively the CBA of Ireland. It is a well capitalised retail bank, has a strong market position, and longer term will benefit from supportive housing market dynamics. Prior to the pandemic, AIB was trading at a risk premium of ~+1.4% over cash. We purchased their bonds at ~+2.65% above cash.

Another area of market dislocation we identified during the quarter was the fact that the Australian market was pricing in an average 10 year inflation rate of ~0.25% (ie almost zero!). While near term inflation is likely to be subdued as a result of global shutdowns etc., longer term we think all the government and central bank stimulus may well turn out to be quite inflationary – as will the weaker $A. We purchased 10-year Australian Government inflation linked bonds to take advantage of this, and used bond futures to remove any interest rate exposure. i.e., so we are just exposed to movements in inflation. Every 1% increase in inflation expectations above 0.25% = a ~+10% return on the bond. Given the RBA's explicit goal of returning inflation to their mandated 2-3% band, we think this has the potential to be a fruitful investment longer term.

OUTLOOK

Historically, the absence of clarity as to when the worst of a certain environment (e.g. the global financial crisis) is likely to pass has seen markets gravitate towards factoring in a worst case scenario. We think markets are a fair way down this path.

In terms of a true turning point for markets, having seen significant monetary and fiscal stimulus from central banks and governments around the world, the last port of call is likely to be when the number of instances of the virus around the world starts to fall notably - as this will be when fear starts to subside. Conversely, the best time to invest capital is generally where fear and panic are at their greatest.

We suspect that we are pretty close to that point now so, as is illustrated above, we have been investing capital – slowly and methodically. It would not surprise us to see further meaningful market volatility over the next few months (in both directions) and hence our desire to deploy the Fund's capital gradually.

Central banks and governments in most cases have demonstrated a desire to, implicitly or explicitly, do whatever is necessary to get their respective economies through this period of dislocation. Whether it be cutting interest rates to almost zero, utilising various quantitative easing mechanisms, or injecting trillions of dollars of spending and restricting social interaction. We are encouraged by the degree of heavy lifting that has been done to date around the world.

Jarod Dawson - Global Yield Portfolio Manager

Enhanced Yield Fund

Portfolio Investments	Weighting**	Average yield	Average spread to RBA
Cash	**43.6%**	**0.88%***	**0.63%***
Corporate bonds	**49.4%**	**3.49%***	**3.24%***
Fixed	0.0%*		
Floating	100.0%*		
Hybrids	**5.4%**	**4.77%***	**4.52%***
Fixed	0.0%*		
Floating	100.0%*		
Equity income strategies	**1.4%**		
Total exposure	100.0%		

Regional allocation	
Australia	30.1%
Europe	10.8%
United Kingdom	6.6%
North America	6.2%
Asia	2.7%
Cash	43.6%

Yield security maturity profile	
0-1 Year	49.5%
1-2 Years	18.8%
2-3 Years	8.2%
3-4 Years	7.7%
4 Years +	15.8%

Jarod Dawson - Global Yield 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 March 2020 and represent the combined income and capital return. The investment objective is expressed after the deduction of fees and before taxation. The objective is not a forecast, and is only an indication of what the investment strategy aims to achieve over the medium to long term. While we aim to achieve the objective, the objective and returns may not be achieved and are not guaranteed. Past performance is not a reliable guide to future performance and the capital and income of any investment may go down as well as up due to various factors, including market forces.

The Index for the Global Companies Fund is the MSCI World Net Total Return Index in Australian dollars, net dividends reinvested. The Index for the Asian Companies Fund is the MSCI AC Asia ex Japan Net Total Return Index in Australian dollars, net dividends reinvested. See www.msci.com for further information on the MSCI indices. The Index for the Australian Companies Fund is the S&P/ASX 200 Accumulation Index. See www.asx.com.au for further information. The Index for the Enhanced Yield Fund is RBA Cash Rate. See www.rba.gov.au for further information.

1. Past performance is not a reliable indicator of future performance.

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

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