PM Capital

QUARTERLY REPORT

MARCH 2021

Value most valued

Value stocks (and portfolios) have roared back to life.

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 situation one year on from the COVID-19 economic shutdown
- Why most financial or consensus forecasts should be treated with a great deal of scepticism
- The only tools found to be genuinely useful as an investor over time

Access the video **here.**

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

"Crowding has never been higher; most investors are standing on the same side of the ship and probably the most interesting insight I can give you at the moment is that the long term alpha opportunity has never been higher. That is great news for genuine investors..."

Total returns since inception[1]

Fund		Benchmark	
PM Capital Global Companies Fund	639.4%	MSCI World Net Total Return Index (AUD)	232.5%
PM Capital Asian Companies Fund	349.1%	MSCI AC Asia ex Japan Net (AUD)	202.5%
PM Capital Australian Companies Fund	773.5%	S&P / ASX 200 Accum. Index	425.5%
PM Capital Enhanced Yield Fund*	172.5%	RBA Cash Rate	97.0%

[1]Past performance is not a reliable indicator of future performance. See page 15 for Important Information. As at 31 March 2021.
*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 generally 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	$431.8 m as at 31 March 2021
Global equities FUM	$1,209.1 m as at 31 March 2021

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**	**4.0631**	**13.1%**	**40.6%**	**61.3%**	**11.9%**	**15.4%**	**14.3%**	**16.4%**	**11.4%**
Fund performance (net of actual fees)			**13.1%**	**40.6%**	**61.3%**	**11.5%**	**14.3%**	**12.6%**	**14.1%**	**9.3%**
MSCI World Net Total Return Index (AUD)			6.3%	12.5%	23.8%	13.1%	13.6%	12.9%	13.3%	5.5%
Outperformance (net of pro forma fees)[1]			**6.8%**	**28.1%**	**37.5%**	**-1.2%**	**1.8%**	**1.4%**	**3.1%**	**5.9%**

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

- Divergence in alternative asset manager share prices and M&A activity creates an opportunity to focus on Apollo Global Management
- Significant move in interest rates as inflation expectations rise materially

PERFORMANCE

The portfolio had a strong quarter. The major contributors were our banking positions in the US and Europe and our exposure to copper miner Freeport-McMoRan.

PORTFOLIO ACTIVITY

We exited our positions in alternative investment managers Ares and KKR and used the proceeds to increase our position in Apollo Global Management. In early March, Apollo announced its intention to merge with Athene, an insurance company in an all-stock transaction. Apollo already own 27% of Athene and the merger will result in Apollo increasing its share count by roughly 30% while adding circa 70% to earnings as it effectively buys Athene on 7 times earnings. Apollo also intends to complete a full conversion to a corporate (c-corp) with a one share, one vote structure.

The single share class structure combined with a higher market capitalisation and a newly installed fixed dividend policy should bolster Apollo's case for S&P 500 inclusion when the Athene transaction closes early next year. While we acknowledge that insurance is a lower quality business given its capital intensity and balance sheet risk, the merger creates full alignment between Athene and Apollo and allows Apollo to take full advantage of Athene's growth prospects with funds under management growing over 20% per annum over the last five years.

We decided to exit our investment in payment network Mastercard during the quarter. Since our original purchase in October 2014 Mastercard has been one of the portfolio's core positions and strongest performers. Mastercard remains an excellent business but we suspect earnings growth in the next five years may not be good as that over the past five. With interest rates inflecting upwards and Mastercard's valuation in the mid-30s price-to-earnings, we believe there are better opportunities elsewhere.

We also took advantage of volatility over the quarter to add to our positions in ING Groep and Teck Resources.

OUTLOOK

Our US and European banking positions had a very strong quarter. This was the result of expectations for higher interest rates in combination with central banks loosening their restrictions on dividends and buybacks and a recalibration of expected loan losses from the pandemic.

Firstly, interest rates moved materially higher in the March quarter. Rates are rising due to the sharp increase in inflation expectations which is being driven by huge fiscal stimulus, higher commodity prices and the likelihood of a sharp rebound in spending as consumers start to spend their excess savings over the pandemic period.

Secondly, during 2020, the pandemic created a very uncertain environment for banks which led them to allocate large amounts of provisions against their lending books. These provisions are becoming increasingly less likely to be required in full given the huge fiscal and monetary assistance.

Lastly, central banks that severely limited dividends and buybacks post COVID are beginning to loosen these restrictions as the economic fallout from the pandemic

Global Companies Fund

becomes clearer. The Fed announced in March that as of 30 June it will end for most banks the temporary limits it had imposed on their ability to make dividend payments and buy back their own stock. As expected, the ECB will lag the Fed but it looks like it will also lift its restrictions on paying dividends in September. The Bank of England relaxed its restrictions back in December.

In relation to our exposure to copper, Freeport-McMoRan rose ~26% over the quarter. A sometimes overlooked aspect of our Freeport investment thesis (and that of peer miner First Quantum) is its rapidly improving balance sheet. For much of the past decade Freeport mixed its natural commodity price leverage with substantial financial leverage - a combination highly susceptible to market downturns. Freeport's deleveraging again continued in the quarter, and the balance sheet is heading towards net cash in the next few years. A cleaner balance sheet should drive Freeport's valuation multiple closer to that of peers Southern Copper and Antofagasta.

Siemens also performed strongly over the quarter, up ~22%, as preliminary earnings showed good revenue growth and expanding margins across most business units. Our investment thesis – that the true value of Siemens' high quality industrial business was obscured by its complicated conglomerate structure – is starting to play out post the Energy spin-off. Siemens re-rated upwards relative to other capital goods companies in the past quarter.

With regard to the market generally, while value-related stocks have already showed signs of momentum, we believe that this is part of a long-term rotation that will continue to benefit these stocks going forward.

Portfolio investments	Weighting
Housing - Ireland and Spain	8.6%
Global Domestic Banking	34.5%
Global Oligopolies	3.9%
Gaming - Macau	9.2%
Alternative Investment Managers	6.8%
Industrial - Europe	6.8%
Materials	21.6%
Energy	5.8%
Other	13.5%
Long Equity Position	**110.7%**
Short Equity Position	-21.1%
Net invested equities	89.6%
Total holdings	43

Current stock example
Cairn Homes
Bank of America
Visa
MGM China holdings
Apollo Global Management
Siemens
Freeport-McMoRan Copper
Royal Dutch Shell

Currency exposure*	
USD	40.3%
AUD	26.8%
EUR	19.9%
GBP	5.5%
CAD	2.9%
Other	4.6%
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	$22.8m as at 31 March 2021
Asian equities FUM	$87.1m as at 31 March 2021

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**	**1.7852**	**6.1%**	**23.5%**	**44.4%**	**1.8%**	**7.2%**	**6.4%**	**9.0%**	**12.5%**
MSCI AC Asia ex Japan Net Total Return Index[2]			4.0%	14.6%	26.4%	9.1%	14.0%	12.4%	10.0%	9.1%
Outperformance by the Fund			2.1%	8.9%	18.0%	-7.3%	-6.8%	-6.0%	-1.0%	3.4%

KEY POINTS

- Impressive performance from commodities sector
- iCar Asia slips back as takeover talk subsides
- Portfolio well positioned for rotation from expensive growth and momentum to cyclical and value stocks

PERFORMANCE & PORTFOLIO COMPOSITION

Over the past year we have spoken at length about the investment opportunities we believe have emerged across the commodities sector. This investment thesis has manifested itself in significant positions in commodity companies across all our global strategies, the strongest conviction amongst those being companies leveraged to copper.

We have witnessed a gradual but consistent shift in sentiment in favour of copper over the past year but this noticeably accelerated during the most recent quarter. During February the copper price reached a high of US$4.36/lbs, a price level not seen since 2011. This acted as a catalyst for our holdings. The key focal points today which have driven increased interest in copper and consequently copper producers, namely the emergence of new demand drivers in renewables and electric vehicles coupled with a tight supply environment, have been central tenets of our investment thesis from the outset. In aggregate, the portfolio's copper holdings rose by almost one third during the quarter, taking annual gains to over 300%.

Despite the impressive performance, market dynamics continue to suggest we are still in the early stages of a supportive cycle for copper companies (see the latest video detailing our thesis for copper). We also continue to see clear catalysts for a further re-rating for our holdings relative to the broader peer group.

Freeport-McMoRan, our largest holding, is poised to benefit from improving fundamentals as the underground mine at Grasberg in Indonesia transitions into production. Grasberg remains Freeport's flagship asset and will lead a material increase in cash flows in coming years, something which is starting to be acknowledged by investors.

Turquoise Hill Resources continues to trade at the largest discount to intrinsic value amongst our holdings and presents an attractive event driven opportunity. The company has lagged its peer group in recent years with its Oyu Tolgoi project plagued by development and governance issues which have caused growing tensions between management, independent minority shareholders, and mine operator and controlling shareholder Rio Tinto.

Promisingly in early April, the company reached a binding agreement with Rio Tinto regarding project financing which represents a major milestone. The two parties have agreed to several financing objectives including limiting any equity offering to US$500 million. The prospect of a large dilutive equity issuance has been the biggest overhang for the share price with some analysts factoring in a capital raising up to US$1.5 billion. This agreement coupled with the strong rebound in commodity prices should result in a relatively modest equity offering, a welcome result for minority shareholders.

Oyu Tolgoi, scheduled to achieve sustainable first production in late 2022, is set to become one of the world's largest copper and gold mines once fully operational. Using current spot prices Turquoise Hill Resources trades at ~0.3x P/NAV (using 10% factor) which is the lowest amongst tier one copper producers. As development risks reduce and cashflow inflection nears, we believe the company will attract more investor interest.

Kunlun Energy was another standout contributor to performance. The company announced the sale of its 60% stake in PetroChina Beijing Gas Pipeline Co. to China's newly formed National Pipeline Company in the latter stages of 2020. The reform of gas pipeline

Asian Companies Fund

ownership within China had been a persistent and frustrating overhang for our oil and gas infrastructure holdings, Kunlun Energy and Sinopec Kantons, however this has now been removed with both companies disposing of their gas pipeline assets in the second half 2020. While both companies achieved higher valuations than the market had anticipated the subsequent performance has been a visible contrast with Kunlun rising 35% while Sinopec Kantons remains broadly flat. We put this down to capital management with Kunlun declaring a special dividend equal to 50% of the net sale proceeds, the equivalent of 34% dividend yield at its quarter-end share price. To the chagrin of minority shareholders, Sinopec Kantons has failed to communicate a coherent capital management strategy and this has dictated its share price performance.

iCar Asia was the largest detractor of performance. In October 2020, the company received a non-binding A$0.50 per share offer from Autohome Inc., the leading automotive classifieds company in China. The glacial speed of the negotiations between the two parties in progressing to a binding agreement has unsurprisingly led many investors to concluded that a transaction is unlikely. Given the limited commentary from either party this seems to be the most prudent view. The share price is now trading back at the levels witnessed before the original announcement despite continued improvement in the operating environment for the business.

OUTLOOK

A year on from the initial wave of COVID-19 and the vast majority of global equity markets are back above where they were in January 2020 with many at or near all-time highs. The phenomenal progress made developing the initial vaccines and now optimism around the distribution of those vaccines, coupled with unprecedented levels of fiscal and monetary policy support have been the primary catalysts responsible for the rapid turnaround.

While the historic level of monetary support injected into the economy played a vital role in the aftermath of the initial outbreak, it has also created areas of absolute and relative valuation distortion in markets which we do not view as justified by underlying fundamentals.

Underneath the surface we have seen a growing divergence in performance with many of the market darlings of 2020 experiencing significant share price declines. We have also witnessed several events which highlight the excesses caused by a rapid increase in leverage within the financial system and what happens when that liquidity starts to tighten. Most notably among them were the collapse of Greensill and Archegos as well as the Melvin Capital/ Gamestop short squeeze.

These events have occurred despite monetary conditions remaining very supportive. However, with treasury yields inflecting and experiencing a sharp rise during the quarter as economic growth and inflation expectations increase, the potential for further market disruption remains high.

As evidenced by the last two quarters the portfolio is well positioned to take advantage of the rotation from expensive growth and momentum to cyclical and value stocks.

Portfolio investments	Weighting
Gaming	15.3%
Online Classifieds & Ecommerce	15.0%
Infrastructure	12.7%
Materials (Copper)	12.4%
Consumer	7.9%
Financials	7.6%
Technology	7.1%
Energy	4.5%
Other	6.0%
Long Equities Position	**88.5%**
Net invested position	88.5%

Current stock example	
MGM China Holdings Ltd	
iCar Asia	
Sinopec Kantons	
Freeport-McMoRan Copper	
SABECO	
Shinhan Financial	
Travelsky	
CNOOC	
China Mobile	
Total Holdings	23

Currency exposure*	
USD	61.3%
AUD	20.2%
KRW	6.9%
INR	5.5%
Other	6.1%
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	$31.3m as at 31 March 2021
Australian equities FUM	$31.3m as at 31 March 2021

Australian Companies Fund

Kevin Bertoli
John Whelan
Australian Co-Portfolio Managers

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**	**2.6861**	**8.4%**	**29.5%**	**50.4%**	**14.1%**	**13.4%**	**11.3%**	**11.3%**	**12.7%**
Fund performance (net of actual fees)			**8.4%**	**29.5%**	**50.4%**	**14.0%**	**12.7%**	**10.3%**	**10.1%**	**10.8%**
S&P/ASX 200 Accumulation Index			4.3%	18.5%	37.5%	9.7%	10.2%	7.7%	8.0%	8.1%
Outperformance (net of pro forma fees)[1]			**4.1%**	**11.0%**	**12.9%**	**4.4%**	**3.2%**	**3.6%**	**3.3%**	**4.6%**

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

- Financials contribute a more than solid performance
- Portfolio holding Crown Resorts receives takeover offer at attractive premium
- We exit positions in EML Payments, Pact Group and Nufarm after they rise materially; we continue to identify several new areas of investment.

PERFORMANCE

Financials, the largest sector exposure in the portfolio, performed very strongly throughout the period. Both domestically and internationally banks have benefited from the rising optimism surrounding economic growth as well as the persistent rise in interest rates witnessed since the beginning of this year.

While all our banking positions contributed positively, it was our international bank holdings which performed the best. Of particular note were ING Groep and Wells Fargo which rose ~37% and ~30% respectively. The uncertain economic environment experienced during the initial stages of the COVID-19 pandemic led to banks allocating large amounts of provisions against their lending books. These provisions are becoming increasingly less likely to be required in full given the large fiscal and monetary assistance and gradual reopening of the global economy.

As conditions improve and the economic fallout from the pandemic becomes clearer it has also led to central banks loosening their restrictions on dividends and buybacks. The Fed Reserve announced in March that from the end of June this year it will end the temporary limits it had imposed on banks restricting their ability to make dividend payments and buy back stock. ING Groep also announced an attractive capital returns policy that includes dividends and buy backs.

Crown Resorts rose ~22% after receiving an A$11.85 unsolicited takeover offer from Blackstone Group. Our Crown position is one that we have gradually entered over the past year. While we have long admired Crown's world class casino assets backed by long dated exclusive licenses, these characteristics have been more than fully reflected in its valuation historically.

The COVID-19 pandemic and the Bergin Inquiry provided a unique opportunity to establish a position as investors viewed these events as potentially terminal for the business resulting in a material sell off. Despite the serious allegations at the center of the Bergin Inquiry we have consistently viewed the risk of license loss to be minimal. However, the foundation for our Crown position has always been based around the value of the underlying assets, which are world class.

Having invested heavily in the gaming industry globally we have observed the increased frequency at which ownership of casino operating rights are being uncoupled from the underlying properties. Furthermore, it has been Blackstone Group driving some of the largest transactions in the industry.

Crown's assets compare favorably to many of the assets being transacted on in the global market and based on comparable valuations it was always our belief that the property assets alone protected the downside in Crown. As it navigated the licensing issues over time and visitation recovers post COVID-19, we believed the business would return to its premium valuation or be the subject of a takeover approach.

While the Blackstone proposal for Crown is currently non-binding and subject to a long list of conditions including receiving regulatory approvals, it highlights the value of the underlying assets held within Crown.

iCar Asia was the largest detractor of performance. In October 2020, the company received a non-binding A$0.50 per share offer from Autohome Inc. the leading automotive classifieds company in China. The glacial speed of the negotiations between the two parties in progressing to a binding agreement has unsurprisingly led many investors to concluded that a transaction is unlikely. Given the limited commentary from either party this seems to be the most prudent view. The share price is now trading back at the levels witnessed before the original announcement despite continued improvement in the operating environment for the business.

PORTFOLIO COMPOSITION

The invested position increased over the period, in part due to the performance of the underlying portfolio but also the decision to increase several of our existing holdings. The portfolio's financial exposure was increased materially with additions to the Australian banking positions. We also increased positions in IMDEX Ltd. and Crown Resorts as conviction in our investment thesis grew.

We exited positions in EML Payments, Pact Group and Nufarm during the period. All three companies rose materially after releasing better than expected interim results during February and subsequently reached our target valuations.

EML Payments' performance was of particular importance given the size of the position. A strong rebound in business conditions saw revenues from its Gift & Incentive (G&I) business decline only 12% year-over-year despite COVID-19 impacting gift card issuance in the US and Europe. The strong revenue performance from the G&I business has a magnified impact at the EBIT level given it is the highest margin business driving a material earnings beat of market forecasts.

EML Payments has been a core portfolio holding and material contributor to performance over our holding period. Following a post COVID-19 share price recovery which culminated in a 20% gain post result EML trades close to 40x FY22 earnings which we believe fairly reflects the revenue growth outlook and margin improvement story.

OUTLOOK

Financials and commodities continue to be the largest sector exposures within the portfolio. Despite the impressive performance of both over the past year we continue to maintain a high level of conviction in these sectors and remain comfortable holding sizeable positions.

Both our Australian and global banking exposure remain well placed to benefit from the inflection witnessed in interest rates during the quarter. As investors become more comfortable with the economic outlook banks will become increasingly more attractive, not only for their earnings growth potential but also for their capital returns profile.

Dynamics in the commodities market continue to suggest we are still in the early stages of a supportive cycle for companies in the sector, in particular those leveraged to copper and gold which continue to be the largest component of our commodities position.

We continue to identify several new areas of investment. However, we remain patient, waiting for our entry catalyst to be fully reflected by the market before initiating positions.

Portfolio investments	Weighting
Resources	33.4%
Domestic Banks	23.1%
International Banks	10.2%
Internet	10.5%
Industrials	2.4%
Other	4.1%
Long Equities Position	**83.7%**
Short Equities Position	-0.6%
Net Invested Equities	83.1%
Total holdings	21

Current stock example
BHP
ANZ
Bank of America
iCar Asia
Brambles

Currency exposure*	
AUD	95.4%
CAD	2.5%
USD	1.7%
EUR	0.4%
Total exposure	100.0%

*Stated at effective value.

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

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	$497.7m as at 31 March 2021
Fixed Income FUM	$709.8m as at 31 March 2021

Enhanced Yield Fund

Jarod Dawson
Global Yield 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**	**1.1341**	**0.36%**	**0.67%**	**2.1%**	**6.2%**	**2.4%**	**3.5%**	**3.1%**	**3.8%**	**5.4%**
RBA cash rate			0.01%	0.02%	0.1%	0.2%	0.9%	1.2%	1.5%	2.1%	3.6%
Excess			**0.35%**	**0.65%**	**2.0%**	**6.0%**	**1.5%**	**2.3%**	**1.6%**	**1.7%**	**1.8%**
Enhanced Yield Fund (Class B units)**	**05-2017**	**1.1607**	**0.46%**	**0.84%**	**2.6%**	**6.7%**	**2.7%**				**3.0%**
RBA cash rate			0.01%	0.06%	0.1%	0.2%	0.9%				1.0%
Excess			**0.45%**	**0.78%**	**2.5%**	**6.5%**	**1.8%**				**2.0%**

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

KEY POINTS

- Capitalising on market volatility – the Enhanced Yield Fund returns 6.2% for the year
- Strong tail winds for our "Air Services" investment theme
- Significant pandemic investing means material value still to be realised from the portfolio

PERFORMANCE

It is now a full year since markets were in peak panic mode in response to what was then the emerging COVID-19 pandemic. Times were chaotic to say the least, as investors headed for the exits in droves – and the ensuing uncertainty that surrounded markets at the time was a test for any seasoned investor.

At PM Capital, we had held the view going into the end of 2019 that credit markets had started to get fairly expensive, and so we had been holding around 50% of the Enhanced Yield Fund in cash – looking for the next pocket of volatility to take advantage of.

This substantial cash position meant that, coming into the market chaos last year, we were well positioned to take advantage of some of the amazing opportunities to invest capital that came along – at yields that we suspect we will likely not see for some time to come.

As a result of our conservative positioning going into the pandemic, and the substantial amount of investing that we did during the pandemic – particularly in the early days – we are pleased to report that the Fund has returned **6.2%** over the past 12 months.

PORTFOLIO ACTIVITY

Our holdings in Brisbane, Melbourne and Auckland airports continued to add meaningfully to the Fund's performance over the quarter, as state borders continued to open up, and Australians and New Zealanders supported their local tourism industries en masse in the absence of the ability to travel internationally without quarantine.

Our holding in Brisbane Airport performed particularly well, as it generates significantly more of its revenues from domestic traffic relative to the other major Australian airports.

The Fund's UK investments in the senior secured bonds of supermarket giant Tesco and prolific pub owner and operator Enterprise Inns also performed well, on the success of the UK's vaccine rollout program, and improved economic data suggesting that the worst of the pandemic is well and truly over.

We continued to find new market anomalies worthy of investor capital during the first quarter of calendar 2021.

The Fund initiated a new investment in the 7 year bonds of major rail haulage business Aurizon Operations Ltd – the largest rail freight business in Australia by tonnes hauled. Aurizon's revenues are predominately derived from long term contracts to move commodities from where they are mined to port for export around the world. They have a solid asset base, owning over 500 locomotives and over 10,000 wagons. The bonds were purchased at a spread of ~1.80% over cash.

We also increased our position in Australian major bank subordinated bonds during the quarter, with the Australian Dollar bonds at one point trading at six to seven times their senior bond counterparts. Typically, these bonds will trade at one to two times the credit spreads on senior debt. This theme now represents ~10% of the portfolio's investments, and has already

Enhanced Yield Fund

added meaningfully to performance – although we think there is still a lot of value to be realised here.

(For more information on this theme, please refer to our insight piece on the website).

In addition to the many new investments that we have made over the past 12 months, we have also had some good wins from our existing portfolio of investments. None of these were better than our position in NAB's long dated income securities – the ASX-listed NABHA's.

As many of you would have read in our recent insight piece, in early 2021 NAB formally redeemed the NABHA's at their par value of $100. This is an investment that we have held for some time. It was originally bought at a large discount to par, and over its holding period we generated a return well in excess of 30%. Not bad for a bank bond!

Another investment that we have built over the past couple of years - along a similar line to our investment in NABHA - is our position in the long dated USD subordinated debt of ANZ and Westpac. Like the NABHA, under new Basel III guidelines these bonds will lose their ability to be counted as subordinated capital on bank balance sheets at the end of this year – and thus we think there is a good chance that they too will be redeemed. These bonds have rallied significantly in the March quarter, but they still trade at a large discount to par and we believe there is still a lot of upside to be generated from them.

Now, our corporate bond investments are obviously an important part of the makeup of the Enhanced Yield Fund, however it would be remiss of us to not also highlight the importance of the Fund's interest rate positioning.

In light of the huge amount of stimulus that has been injected not only by the federal government, but also by the Reserve Bank of Australia coming into 2021, we have been holding effectively no interest rate duration in the portfolio. This positioning helped to completely insulate the Fund from the sharp rise in long term interest rates that we witnessed in February this year.

To put the importance of this positioning into context, the yield on 10 year Australian government bonds rose by ~0.80% during the quarter. Owners of this bond were treated to a loss of over 7% in just three months - not exactly the low risk defensive investment that we suspect many investors thought they were!

OUTLOOK

With the backdrop of significant liquidity and stimulus still remaining, and the Reserve Bank's epic quest to get inflation back into their 2-3% target band, we think that holding long term interest rate risk in a fixed income portfolio is still fraught with danger, and that over the longer term, interest rates are likely to rise further – potentially significantly.

In light of this view, we intend to maintain our effectively zero interest rate duration for the time being.

Additionally, we strongly believe that with the valuation dispersions currently being witnessed across a multitude of sectors within credit markets, an emphasis on individual stock picking is vital in order to navigate markets over the next couple of years.

Looking forward into 2021 and 2022, we are still finding new anomalies in which to invest the Fund's capital, while we believe there is still a lot of value to be realised from our existing portfolio of investments.

Regional allocation	
Australia	56.3%
North America	17.5%
Europe	11.6%
Asia	3.8%
Other	4.6%
Cash	6.2%

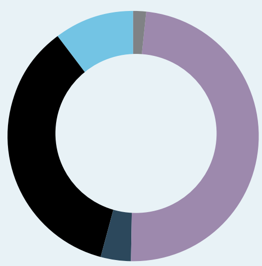
Yield security maturity profile	
0-1 Year	50.0%
1-2 Years	11.8%
2-3 Years	10.4%
3-4 Years	2.6%
4 Years +	25.2%

Portfolio Investments^	Spreads
Cash**	0.13%
Core Corporate Bonds	2.01%

Duration^	
Interest rate	0.16
Average term to maturity	2.80

**Cash spread includes short dated bonds <12 months.

Actual exposure (see investor not above)^



Cash/Cash Equivalents	6.2%
Senior investment grade (<12mnths) *	37.2%
Government Bonds	4.4%
Core Corporate Bonds	50.2%
Equity Income Strategies	2.0%

^ These numbers are indicative and provided as a guide only
* Senior investment grade securities with maturities of 12 months or less.

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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 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).

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