PM Capital Global Companies Fund

May 2018

PM Capital product offering

Simple investment philosophy

"Building long term wealth together with our co-investors by finding and exploiting investment anomalies around the world"

All PM Capital strategies were conceived on the basis of how the investment team invest their own capital, clients were then invited to co-invest

Global Strategy

Unlisted

Global Companies Fund

Listed

PM Capital **Global** Opportunities Fund

Asian Strategy

Unlisted

Asian Companies Fund

Listed

PM Capital **Asian** Opportunities Fund

Australian Strategy

Unlisted

Australian Companies Fund

Yield Strategy

Unlisted

Enhanced Yield Fund – *Class A*

Enhanced Yield Fund – *Class B*

Why PM Capital?

A differentiated product offering

High conviction/ benchmark unaware
Genuine client diversification

Built on the integrity and consistency of philosophy and process

Alignment through co-investment

Investors not fund gatherers
We invest as we believe

Investing from an Australian investor's perspective

Tax and currency are part of the equation

A unique track record

All funds meaningfully exceeding long term benchmarks

Award winning high conviction manager applying consistent process to deliver excess long term returns

Diversification

Biggest single industry issue is crowded trades – owning same construct, manager and stocks

Perversely, majority think they are non consensus
– same tools, same results

Co-investment
A genuine differentiator

Significant co-investment – why is it critical?

- True alignment of interest with clients
- Ensures conviction in each investment
- Focus on returns, not index relativities
- Risk mitigation
- Focus on capital preservation

Not just something we talk about

- All strategies seeded with staff capital, clients then invited to co-invest
- Investment team invests via funds
- Percentage of net investable funds: Portfolio Managers 80%; Analysts 50%
- Public disclosure of fund investments (only part of the story): $45m (PGF and PAF)*

"The first time in 30 years I have been asked, what I consider to be the most important question that can be asked of a fund manager; excluding your house, what percentage of your net worth is invested in the funds you manage? The answer: **"It would be close to 100%".** – Paul Moore, 2017 Investor Forum

* As at 31 March 2018.

Different approach, Different results

All Funds meaningfully exceeding long term benchmarks

Performance (net of fees)	Inception Date	Since Inception p.a.	Total Return Since Inception
Global companies Fund	**10/1998**	**9.1%**	**445.2%**
MSCI World Net Total Return Index ($A)		4.5%	136.4%
Asian Companies Fund	**07/2008**	**16.4%**	**344.7%**
MSCI AC Asia ex Japan Net Total Return Index ($A)		9.2%	138.2%
Australian Companies Fund	**01/2000**	**10.3%**	**501.8%**
S&P/ASX Accum. 200 Index		8.1%	314.2%
Enhanced Yield Fund	**02/2002**	**6.0%**	**154.7%**
RBA Cash Rate		4.1%	92.1%

Built on the integrity and consistency of philosophy and process

Simple ideas, simple companies, multiple iterations

Patience and conviction

Performance calculated from Inception date for the Global Companies Fund, 28 October 1998 to 30 April 2018.

Recent awards

Winner

Lonsec / Money Management Global Long/Short Equities ***Fund of the year 2018***

Finalist

Zenith / Professional Planner International Equities (Alternative Strategies) ***Fund of the Year 2017***

Finalist

Zenith / Professional Planner International Equities (Emerging Markets and Regional) ***Fund of the Year 2016***

Winner

Zenith / Professional Planner International Equities (Alternative Strategies) ***Fund of the Year 2015***

Winner

Australian Fund Manager Foundation **Best Australian Based Global Equity Manager of the Year 2015**

Finalist

Morningstar Awards for **Best Undiscovered Manager** (Asian Companies Fund) 2014

Finalist

Australian Fund Manager Awards for Best Global Equity Fund 2013

Finalist

Zenith / Professional Planner **Best International Equities Alternative Strategies 2013**

It’s not easy

“Finally, I'd like to once again talk about investment management. That is a funny business because on a net basis, the whole investment management business together gives no value added to all buyers combined. That's the way it has to work.

Of course, that isn't true of plumbing and it isn't true of medicine. If you're going to make your careers in the investment management business, you face a very peculiar situation. And most investment managers handle it with psychological denial just like a chiropractor. That is the standard method of handling the limitations of the investment management process. But if you want to live the best sort of life, I would urge each of you not to use the psychological denial mode.

I think a select few—a small percentage of the investment managers—can deliver value added. But I don't think brilliance alone is enough to do it. I think that you have to have a little of this discipline of calling your shots and loading up—you want to maximize your chances of becoming one who provides above average real returns for clients over the long pull.

But I'm just talking about investment managers engaged in common stock picking. I am agnostic elsewhere. I think there may well be people who are so shrewd about currencies and this, that and the other thing that they can achieve good longterm records operating on a pretty big scale in that way. But that doesn't happen to be my milieu. I'm talking about stock picking in American stocks.

I think it's hard to provide a lot of value added to the investment management client, but it's not impossible. ”

- Charlie Munger, 1993

Same philosophy + same process = same results

PM Capital

				
	Global Companies Fund	Asian Companies Fund	Australian Companies Fund	Enhanced Yield Fund
Fund Inception	28 October 1998	1 July 2008	20 January 2000	1 March 2002
Portfolio Manager	Paul Moore Chief Investment Officer	Kevin Bertoli	Uday Cheruvu	Jarod Dawson
Date of commencement	28 October 1998	1 July 2008	1 June 2014	1 September 2004
# Years: Industry	31	11	14	21
# Years: PM Capital	19	11	9	13
Performance**	**445.2%**	**344.7%**	**501.8%**	**154.7%**
Benchmark***	136.4%	138.2%	314.2%	92.1%
Excess after fees	**308.8%**	**206.5%**	**187.6%**	**62.6%**

Deep experience

Long tenure

Breadth of outperformance

As at 30 April 2018.

30+ years, same philosophy, same process

The best way to preserve and enhance your wealth is to buy a good business at a good price

Understand how the **business works**

Understand **management's philosophy** in managing the business

Understand the **characteristics** of the business that determine its **intrinsic valuation**

What is the reasonable price a **rational business person** would pay for the business?

You can value only what you understand. It is illogical to try and know everything. It is far better to master a few areas and know when to take a substantial position

Avoid popular stocks. Value is seldom found in popular stocks

Do not follow the Noah's Ark approach to diversification: buy two of everything and end up with a zoo, not a portfolio.

Above all, we are at all times conscious of the fact that the stock market is far more volatile than the underlying businesses it represents.

The key to successful investing is good business judgement in combination with the ability to control your emotions

Guiding principles

Investment returns are not in a straight line

It is what's ahead, not behind, that matters

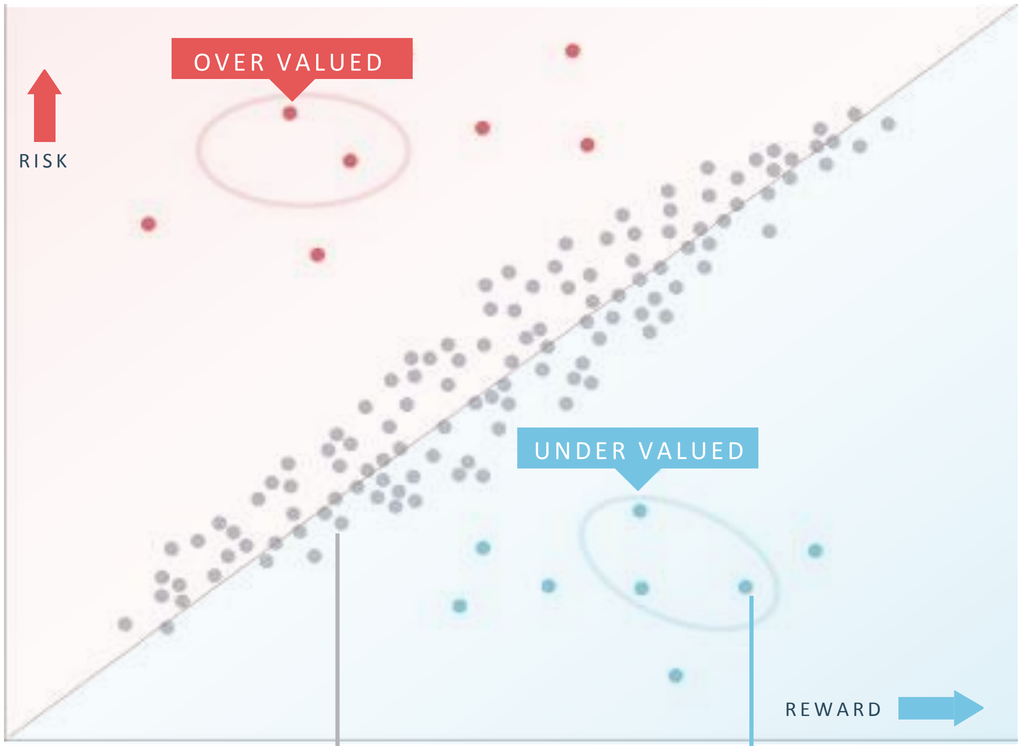
Most importantly, patience and conviction

"The day after the market crashed people began to worry that the market was going to crash" Peter Lynch

Information is a commodity idea generation is the IP

PM Capital

We focus on the anomalies



Risk vs reward:

Identifying opportunities for investors

Identified	Risk	Reward
1989	Bank One	Wells Fargo
2000	TMT	"Old" economy
2004	Budweiser	Heineken
2009	None	Exchanges
2009	Cash	Global credit
2010	Australian Dollar	Las Vegas property
2015	Australian banks	Global banks
2015	REITs	Macau casinos
2015	Traditional Asset Managers	Alternative Asset Managers
2016	Bondnado	None

The majority of the market is well researched and fairly valued.

Limited opportunities are available for investors.

The greatest investment anomalies present themselves where significant change or new information is misunderstood by the broader market.

That is where we concentrate our efforts.

Anomalies

Morningstar
May 2009

Moneyball
May 2017

Why invest in anomalies?
Portfolio Construction Forum
October 2017

Bondnado
February 2018

Paul Moore presented as the keynote speaker at the Morningstar Investment Conference held in Sydney on 8th May 2009.

What creates anomalies

Fear and the avoidance of pain – investors look backwards not forward when constructing their portfolios

Acting on perception and not fact

A short term focus, making it difficult to assess true risk/ reward when faced with severe cyclical downturns or structural change

Distraction - the most common being macro-economic

Conflict and misunderstanding

Good ideas are hard to find…

Wells Fargo & Company (WFC.NYSE)

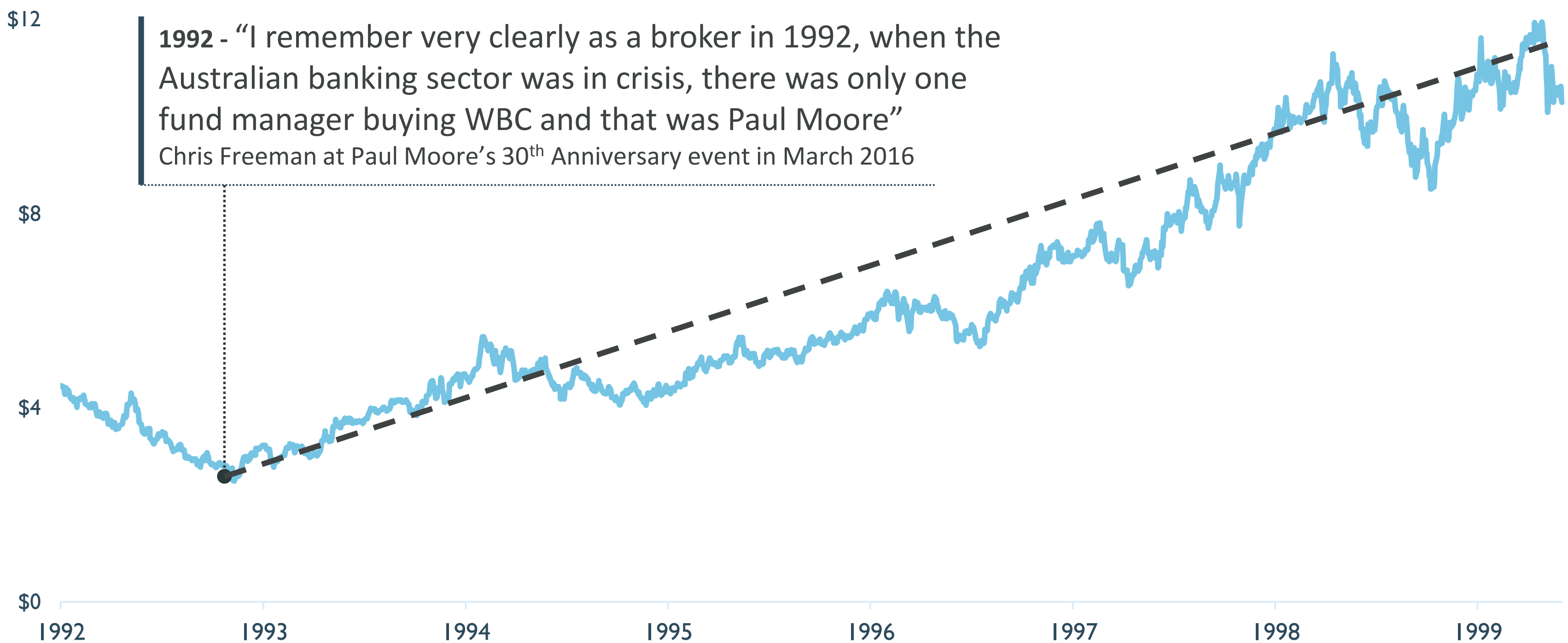
A 13%+ compound return + dividends over 26 years despite the greatest financial crisis since the Great Depression, not to mention the Gulf War, Twin Towers and other events.

It's just not possible to know everything about everything all the time. What is possible is to wait for investment opportunities to meet your criteria and when the odds are heavily in your favour, back your judgement and invest and let it play out to its fullest extent

...and typically play out in other markets

Westpac Banking Corporation (WBC.AX)

Divest from Aussie banks, says investment manager: ‘Speaking at a lunch in Sydney yesterday, PM Capital CIO Paul Moore said while SMSF trustees and even professional investors may be stuck with the habit of having a large allocation to bank stocks, major Australian banks are likely to be reaching the end of their rally’ - 5 May 2015



Investment process
Idea generation – Industry consolidation

Observations by CIO Paul Moore – Global Brewing

1

Anheuser Busch	Coca Cola	Heineken
20+ PE multiple	A global brand 20+ PE	A global brand 10 PE

2

- Historic poor use of capital
- Shareholder dilution due to market share acquisitions
- PM reads annual reports and clear that shareholders were putting pressure on management to reverse

3

- Premium brands emerging – globalisation – would allow for positive pricing
- Ambev – 90% of Brazilian market – wanting to diversify from Brazil – consolidation catalyst
- Experience / intuition / understanding numbers
- Simple idea simple business

4

- > 20 PE
- SAB/ABI merger

Investment process

Idea generation – Industry consolidation

	JUN 04	JUN 05	JUN 06	JUN 07	JUN 08	JUN 09	JUN 10	JUN 11	JUN 12	JUN 13	JUN 14	JUN 15	JUN 16	JUN 17	MAR 18
EUROPE															
Ambev	2%	A													
Interbrew/Inbev/ AB InBev	3%	3%	3%	3%	2%	3%	4%	5%	4%	3%	2%	2%	2%		
Carlsberg	5%	3%	2%												
Scottish & Newcastle PLC			3%	3%	C										
Heineken Holdings		2%	4%	6%	7%	5%	5%	5%	5%	3%	3%	3%	4%	3%	
SAB Miller									2%			G			
AMERICAS															
Anheuser Busch Cos Inc				3%	5%	D									
Molson Brewing	2%	B													
FEMSA					1%	E									
Grupo Modelo					4%	3%	2%	F							
ASIA															
Kirin Brewery	2%	3%		2%											
Asahi Breweries	2%	4%	4%	2%	2%	2%	2%								
HiteJinro					1%	1%	1%	1%	1%						
TOTAL EXPOSURE	16%	15%	16%	19%	22%	14%	14%	11%	12%	6%	5%	5%	6%	3%	0%

A. Merger with Interbrew
B. Merger with Coors
C. Acquired by Heineken & Carlsberg
D. Merger with InBev
E. Beer business sold to Heineken
F. Acquired by Anheuser Busch Inbev
G. Acquired by Anheuser-Busch InBev

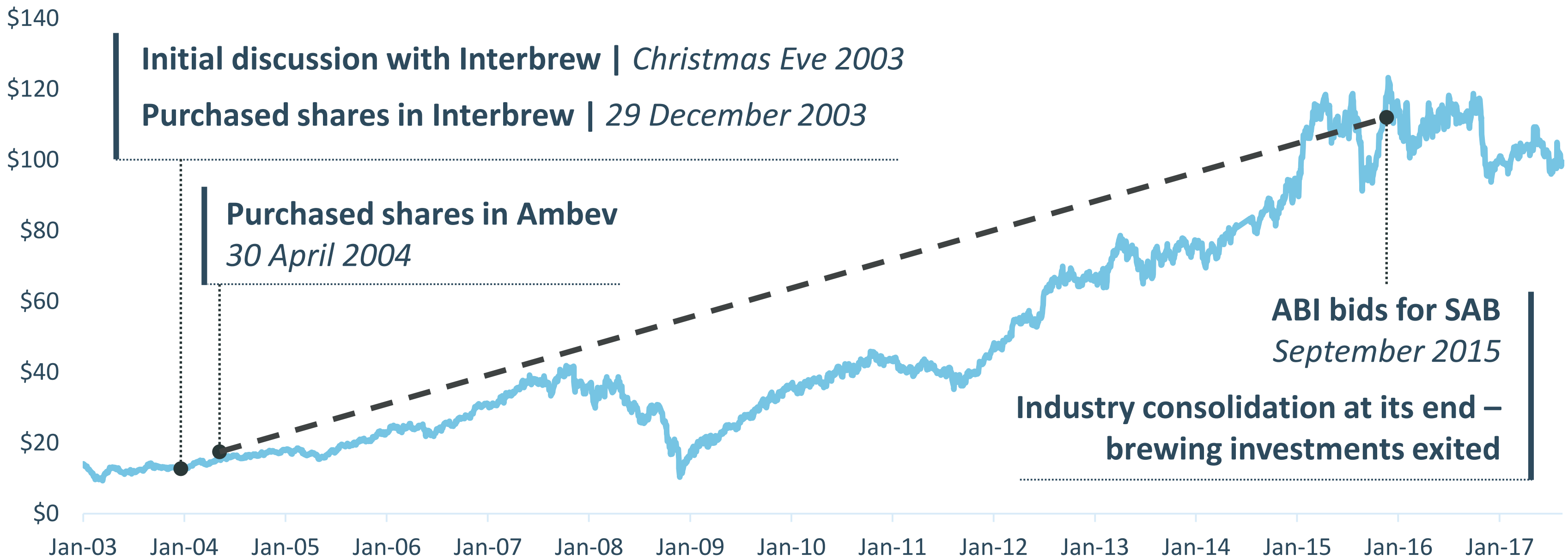
CIO Paul Moore and Staropramen-Brewery's Brew Master, part of Interbrew's Czech Business April 2004

ASX position: Fosters **Asia positions:** Carlsberg Malaysia and Heineken Malaysia

One idea. 14+ years. 16 iterations

Anheuser-Busch Inbev

Closing stock price



Business risk	Investment risk	Price action risk
HEIN - Simple business, great brand, 100+ years	*Double digit ungeared yield*	*Patience and conviction the only issue*

Price action is not investment or business risk – focusing on will preclude you from the very best investments

Investment process

Idea generation – severe cyclical downturn

Observations – Alternative investment managers

1

Fees fall in 2014/15 - but transitory	< 10 PE > 10% Yield	Inflows favouring alt. mgrs

2

- 2014/15: share prices declined as the performance fee cycle peaked.
- Significant valuation difference between traditional and alternative managers.
- Partnership structure acts as a barrier to institutional investors.

3

- Good businesses, easy to understand – sharpest minds on the Street.
- Secular demand for alternatives has risen.
- Conducive market environment for capital allocation, generation of performance fees.

4

- Generational ownership change likely
- Tax reform incentivises possible C Corp structure - facilitating index inclusion
- Sell >15PE Fully Taxed
- Sell >Traditional Fund Manager PE

Investment process
Severe cyclical downturn

Portfolio weightings as at end of period - *PM Capital Global Companies Fund.*	Dec 14	Jun 15	Sep 15	Dec 15	Mar 16	Jun 16	Sep 16	Dec 16	Mar 17*	Jun 17	Sep 17	Dec 17	Mar 18
KKR		1.9%	2.4%	2.6%	3.7%	3.4%	3.8%	4.2%	4.6%	4.4%	4.5%	4.1%	4.3%
Blackstone				1.7%	2.1%	2.0%	2.0%	2.0%	2.0%	2.1%	2.0%	2.3%	3.0%
Apollo			0.9%	1.5%	3.5%	3.5%	3.9%	4.0%	4.6%	4.7%	4.9%	3.8%	3.2%
Fortress									1.0%*				
Ares											0.9%	1.9%	3.0%
Total Exposure (%)	**0.0**	**1.9**	**3.3**	**5.8**	**9.3**	**8.9**	**9.7**	**10.2**	**12.2***	**11.2**	**12.3**	**12.1**	**13.4**

**Portfolio position initiated in Fortress Investment Group early Feb, 2017. Takeover offer accepted mid-February, providing an immediate 40% return.*

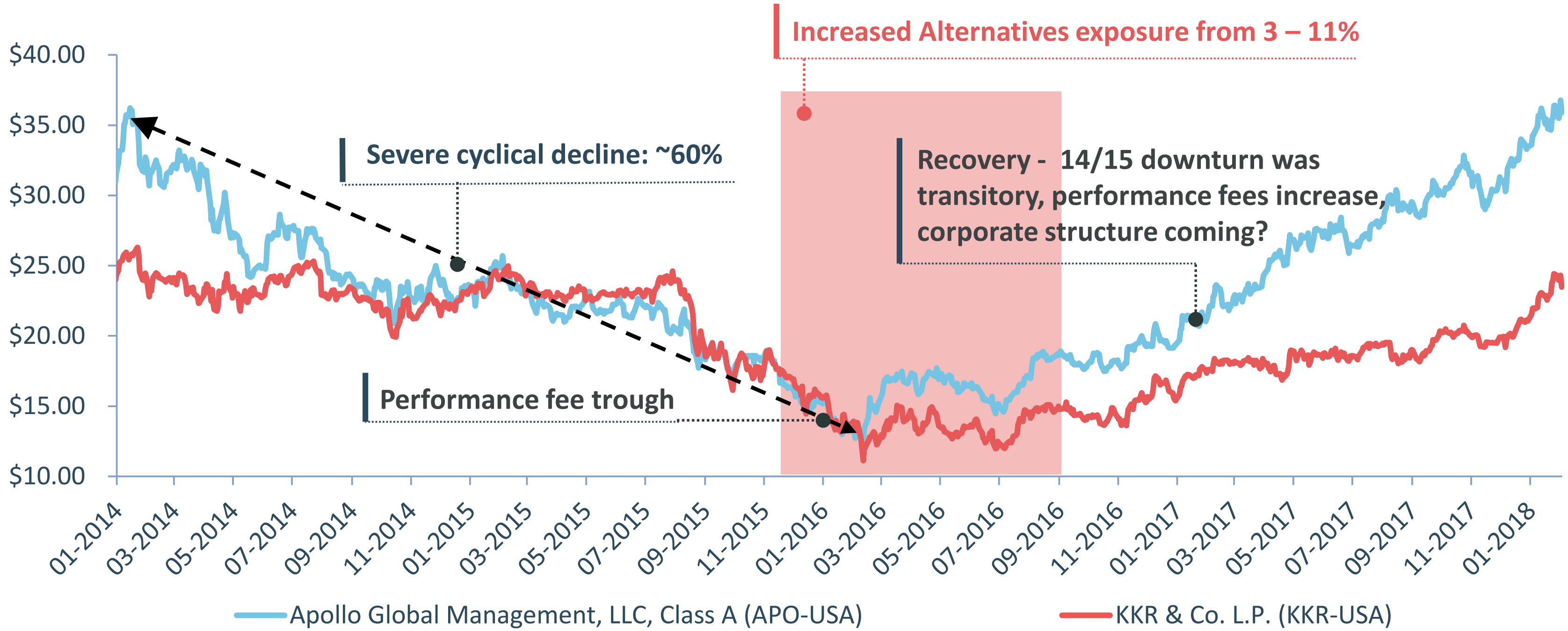
"Our model isn't just nimble – it's resilient and transcends the ups and downs of the market."

Stephen A. Schwarzman - Chairman, CEO and Co-Founder, Blackstone. Annual Chairman's Letter, 2016.

One simple idea. Many iterations.

Apollo; KKR

Closing stock price (USD)



Business risk	Investment risk	Price action risk
Sweet spot of industry – smartest management	>10% Yield	Patience and conviction the only issue

Price action is not investment or business risk – focusing on will preclude you from the very best investments

Where are we now?

Alternative manager valuations have risen, but remain below traditional managers

- Traditional managers: ~15x 2018 forecast earnings*
- Alternatives: ~11x 2018 forecast earnings*
- 5% yield on locked in management fee

Conversion to corporate structures more likely

- Corporate tax cuts make transition from partnership to corporate structure more attractive - **Ares, KKR converting to corporate structure**
- Allow introduction to indices; broader shareholder base

Fund flows continue to be strong

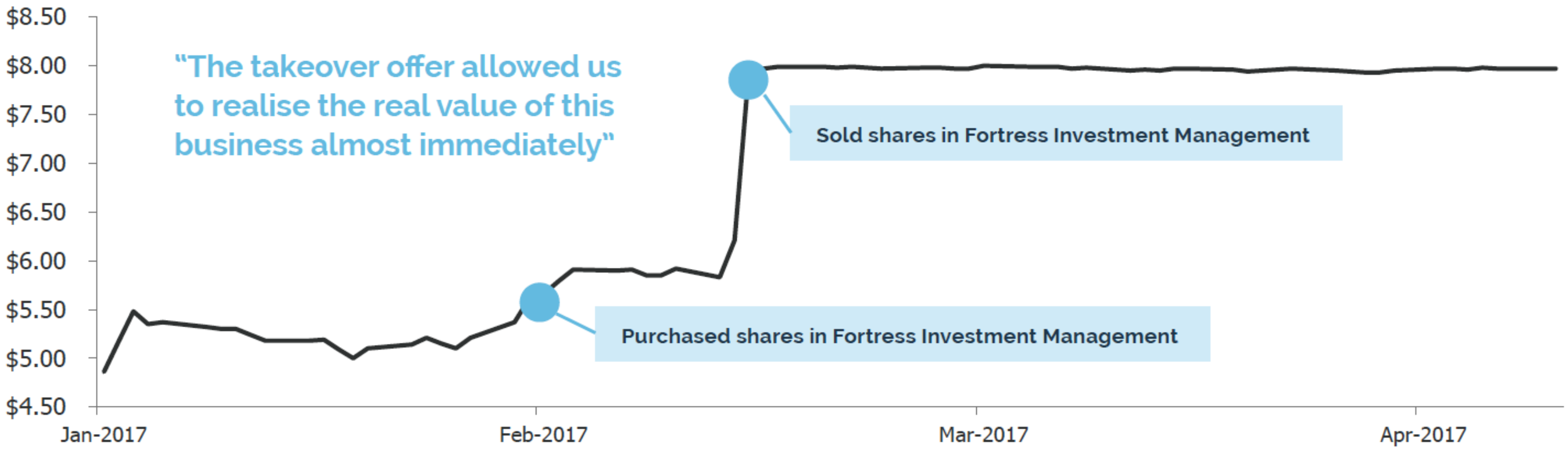
- Fund flows favouring alternative managers over Traditional Fund Managers
- Strategy to broaden their investor base

*Source FactSet. As at 02/2018. Consensus estimates.

Fortress Investment Group

Immediate return, broader indicator

- Monitoring Fortress for a number of years.
- 2016/17: investors concentrating on Fortress's troubled private equity/ hedge funds. Discounting its top tier credit business, further private equity funds, returning capital to shareholders.
- In 2017 we decided to invest as the market became so bearish that it was valuing Fortress shares close to their liquidation value.
- Fortress received a takeover from SoftBank's Masayoshi Son in the middle of February 2017, soon after our investment. Provided a 40% return almost immediately. It illustrates the valuation misalignment in alternative asset managers.



Source: Factset

Genuine long term anomalies

Industry consolidation	• Brewing • (Exited March 2018)
From crisis comes opportunity	• Credit • Domestic Banking • Las Vegas
Severe cyclical downturns	• Exchanges • Macau • Alternatives
Perceived structural change	• Google • Visa
Secular change	• Bondnado

Global portfolio research approach

Paul Moore | PM Capital's founder, CIO, first investor in our Global Companies Fund and its portfolio manager since its inception in 1998

John Whelan
Portfolio Manager

Uday Cheruvu
Portfolio Manager

Kevin Bertoli
Portfolio Manager

Jarod Dawson
Portfolio Manager

Clement Tseung
Analyst

Chen Lin
Analyst

Annabelle Symons
Analyst

Global Accountability, Collaboration, Peer Group Review

We are all Analysts / Portfolio Managers

Investment team
Research trips 2017

PM Capital


Focus | European current and prospective holdings **Meetings Snapshot |** Hispania and Caixabank (Spain), Cairn Homes (Ireland), Lloyds, Rolls Royce, AIB, SARAB (Spain)

April 2017
UK & Spain


Focus | Technology, media and telco's **Meetings Snapshot |** ITV, Entertainment One, Vivendi, Orange SA, HSBC, WPP, Henderson Group, Sensata, Teradyne, Entegris, Xilinx, Monolithic Power Systems, Synopsis, Power Integration Systems, Fortinet, NVIDIA

May 2017
UK & US

Focus | Hong Kong/ China & Malaysia current and prospective holdings **Meetings Snapshot |** Macau gaming – MGM China, Wynn Macau. Nagacorp, Dali Foods, Sinopec Kantons, iCar Asia

May 2017
Hong Kong & Malaysia


Focus | US – Banks, Alternative Managers and US Property
Meetings Snapshot | JP Morgan, Wells Fargo, Apollo Global Management, KKR, Blackstone, Oak Tree, Carlyle Group, ARES, Howard Hughes, Tri Pointe

June 2017
US

Focus | European Infrastructure and Transport
Meetings Snapshot | Gatwick Airport, Eiffage, Aeroports de Paris, Eurotunnel, Aena, Fraport, Ferrovial, Seopan, Turkish Airlines, Easyjet, Etihad, Finnair, Lufthansa

September 2017
Europe

Focus | European current and prospective holdings
Meetings Snapshot | Irish banks – BOI, AIB, PTSB, Spanish – Hispania, NH Hotels

September 2017
Europe


Focus | US and European current and prospective holdings
Meetings Snapshot | US consumer (Kellogg's, Unilever, Colgate); Europe (luxury)

November 2017
Europe / US

Investment team
Research trips 2018

Focus | Macau and China current and prospective holdings
Meetings Snapshot | MGM China, Wynn Macau, IMAX China,

March 2018
Hong Kong / Macau

Focus | European current and prospective holdings
Meetings Snapshot | Spanish homebuilders – Neinor, AEDAS, Metrovacesa. Irish homebuilders – Cairn Homes, Glenveagh. Irish banks – BOI, AIB. Prospective – Autotrader, CRH plc

April 2018
Europe

Experienced senior team

	Paul Moore CIO	Jarod Dawson Portfolio Manager	Kevin Bertoli Portfolio Manager	Uday Cheruvu Portfolio Manager	John Whelan Portfolio Manager
PMC Tenure	20	14	12	10	9
Experience	31	21	12	14	14

Average PM Capital Tenure	Average experience
13 years	18 years

CIO

+

Strong bench of portfolio managers with deep experience

=

Succession planning

As at 30 April 2018.

Why PM Capital Global Equities?

Our proposition: To be one of your core global equities managers

A differentiated product offering

- Selective and concentrated long term investments
- Genuine diversification for the client

Built on the integrity and consistency of philosophy and process

- Simple ideas, simple businesses, multiple iterations
- 30+ years experience
- Same CIO/Portfolio Manager since inception

Alignment through co-investment

Investing from an Australian investor's perspective

- Tax and currency are part of the equation

Leading long term performance accretion versus cash and MSCI Index

- +445% vs 136%*; Top decile
- Ranked #1 over 1 / 3 / 5 / 7 years#
- Ranked #1 over 5 / 6 / 7 / 8 / 9 years^

Award winning high conviction manager applying consistent process to deliver excess long term returns

*As at 30 April 2018. # Strategy ranking in Morningstar peer group as at 30 June 2017. ^Strategy ranking in Morningstar peer group as at 31 Dec 2017.

Short term performance

Calendar Year	PM Capital Global Companies Fund	MSCI World Net Index (AUD)
2012	**41.63%**	14.38%
2013	**54.22%**	47.00%
2014	**14.39%**	14.72%
2015	**12.63%**	11.50%
2016	**3.13%**	8.02%
2017	**20.37%**	13.32%
2018 CYTD	**3.80%**	3.46%
2012 – 2018 CYTD	**262.5%**	172.4%

For every $100,000 investing in 2012: PM Capital $362,500; MSCI $272,400; ~$90,100 more

#1 performance in peer group over 1, 3, 5, 7 & 8 years to 30 June 2017

As at 30 April 2018.

Long term performance

Performance (net of fees) As at 30 April 2018	1 Year	3 Years p.a.	5 Years p.a.	7 Years p.a.	10 Years p.a.	Since Inception	Total return Since inception
PM Capital Global Companies Fund	**13.8%**	**9.8%**	**18.3%**	**16.0%**	**9.4%**	**9.1%**	**445.2%**
MSCI World Index (AUD)*	12.2%	9.1%	16.6%	14.1%	7.8%	4.5%	136.4%

A history of recognition

Winner

Lonsec / Money Management Global Long/Short Equities
Fund of the year 2018

Finalist

Zenith / Professional Planner International Equities (Alternative Strategies)
Fund of the Year 2017

Winner

Zenith / Professional Planner International Equities (Alternative Strategies)
Fund of the Year 2015

Winner

Australian Fund Manager Foundation **Best Australian Based Global Equity Manager of the Year 2015**

A unique track record

Understanding the return profile

Asymmetric returns – Heavily weighted in the positive

- 12 month rolling returns, sampled monthly, since inception of the fund in 1998 (i.e., 222 annual periods), **out performed the MSCI 60% of the time**.
  - Mean outperformance 13.3%
  - Mean underperformance 8.3%
- Calendar year returns:
  - **Fund outperformed 12 out of 19 times**
  - **Fund has had 5 negative years, whereas the index has had 7**

A long history of outperformance

Index tracking

Tracking Error is not applicable to the PM Capital Global Companies Fund. The Fund is benchmark unaware.

The PM Capital Global Companies Fund openly states in its PDS:

Benchmark unaware:

- "The Fund is not intended to replicate the index"
- "Portfolios are assembled according to the individual risk/return proposition of a specific business… as opposed to the common practice of being constructed according to the composition of market indices"
- "The Fund may be suitable for investors who seek to diversify their existing portfolio through exposure to a concentrated portfolio where each position has been subject to intensive research and internal peer group review"

Difference to the index, should be viewed as diversification

Analysing returns

Examining the facts:

- **Most peers simply haven't been around long enough to determine performance during significant market events.**
    - Avoided 2000 Tech Wreck

	GCF	MSCI
2001 Financial year	**20.5%**	-5.8%
2002 Financial year	**-11.5%**	-23.3%
2003 Financial year	**8.9%**	-18.3%
Cumulative Performance	**16.1%**	- 41.0%

    - Patience and conviction: FY2012 and FY2016.
        - Following year Global Companies Fund returns: +63% FY2013; +35% FY2017
- **MSCI a top quartile performer over the long run according to Morningstar**
    - MSCI's worst draw down:
        - 50%;
        - 14 years to recover (October 2000 to August 2014)
        - Over same period PM Capital investors doubled their money.
- **Drawdowns (what matters): a combination of magnitude and the time to recovery**

Contrarian rewards

2000 Tech Wreck

Old economy v new economy

	GCF	MSCI
2001 Financial year	20.5%	-5.8%
2002 Financial year	-11.5%	-23.3%
2003 Financial year	8.9%	-18.3%
Cumulative Performance	16.1%	- 41.0%

Post-GFC

Conviction v Market

	GCF	MSCI
8 year Cumulative Performance*	236.7%	126.5%

Bondnado (Negative rates)

Defensives v cyclicals

	GCF	MSCI
FY2017 Performance*	34.7%	14.7%

All great investments are questioned at the time of purchase

* Performance to 30 June 2017

By design, not circumstance

"Just as it did in Asia in 1993, the siren of growth has lured all and sundry into the "TMT" sectors of the market. … we are short technology. ..areas we find intriguing include commodities.. and "old economy" industrials ."

March 2000 Quarterly Report – Global Companies Fund

TMT – Old Economy versus New Economy

"Once in a lifetime opportunity in debt, Once in a generation opportunity for equities"

Paul Moore 2009 – Morningstar Conference

GFC – Cash versus Credit and Equities

"Long term interest rates are an all-time extreme event; negative rates and Brexit may in fact be the beginning of the end for lower rates."

PM Capital Global Opportunities Fund Limited Annual Report 2016

QE – Cyclical versus Bond Proxies

A unique track record

Top decile performance since inception

One of a handful, if not the only, fund which can lay claim to 19 years of:

- Same CIO / Portfolio manager
- Same Philosophy and Process

#1 performing manager in Morningstar peer group of 207 funds over 1, 3, 5 & 7 year compound returns (to 30 June 2017)

- Process and Philosophy also delivering top quartile Australian and Asian funds since their inception.

Documented evidence of identifying inflection points:

- 2000 TMT; 2009 GFC Opportunity; 2016 Cyclicals vs Defensives.

Reward for your investment risk – 5.3x your money vs 2.3x if invested in MSCI (Since inception to March 2017)

Alignment through substantial co-investment

Portfolio Investments

Global Brewing	Industry Consolidation; 2003 – March 2018	15 years
Credit	A once in a lifetime opportunity; 2009 - 2017	8 years
Post GFC Housing Recovery	From crisis comes opportunity; 2009+ Las Vegas + Ireland + Spain; 2009+	8 years+
Domestic Banking	From crisis comes opportunity; 2009+ Global CBA equivalents; yield	8 years+
Service Monopolies	A good business at a good price; 2011+ Google / Visa / Chicago Mercantile Exchange	6 years+
Macau	Severe Cyclical downturn; 2015+	2 years+
Alternative Investment Managers	Severe Cyclical downturn; 2015+	2 years+
Bondnado	2016 +	1 year+

Genuine long term opportunities

Simple ideas – Simple businesses – Multiple iterations

Current portfolio

PM Capital Global Companies Fund

Holdings	% of portfolio
Post GFC Housing Recovery – US	13.1%
Post GFC Housing Recovery – Europe	10.0%
Domestic Banking - US	15.5%
Domestic Banking - Europe	13.8%
Service Monopolies	18.9%
Pharmaceutical	3.7%
Gaming – Macau	3.9%
Alternative Investment Managers	13.5%
Other	9.7%
Long Equity Position	**102.1%**
Short Position	-11.0%
Net Invested Equities	**91.0%**

Traditional high conviction portfolio of equities

Simple ideas – genuine long term investment theses

A different subset of opportunities to the traditional benchmarked manager

Short positions : exposure management; tax management; exit discipline; anomaly exploitation

In a low return environment, value add through broad mandate and tax management become even more important.

As at 30 April 2018.

Managing risk within the Mandate

Despite the breadth of the mandate, seldom is the scope of the mandate fully utilised. The Portfolio Manager seeks to utilise the mandate in accordance with expectations of risk adjusted return opportunities.

Post-GFC - Feb 2009: Net equity exposure: 110%

"…a once in a life time opportunity to move out of cash and into debt instruments; and for those with a long term perspective straight into equities…"

Paul Moore, May 2009, Morningstar Conference

Post Trump – September 2017: Net equity exposure 92%.

"The absolute level of risk has clearly changed. Post-GFC, one wanted to be at the maximum invested limit levels. Post-Trump, it is more appropriate to be below those levels, and my expectation is that our net invested exposures in our equity funds will on average be 85-90%."

PM Capital Quarterly Report, 30 June 2017

It should also be noted that exposure limits have been formally reduced in the latest PDS.

Portfolio Management

Guidelines for Global Companies Fund

Description	Guidelines in Current Environment (vs PDS)
Number of stocks	25-45 stock specific ideas
Individual stock positions	Objective Minimum 3%, Maximum 7.5% (PDS 0% to 10%)
Individual short positions	Max 2% (PDS 3%)
Total short positions	30% excluding pairs/spread trades
Sector weighting	Greater of 35% or 3x MSCI WEI GICS sector weighting (ex-Financials where the above weighting applies by subsector)
Target net equity exposure	85% (+/- 10%)
Net equity exposure	Max 100% (long equity – short equity) (PDS 110%)
Gross exposure	Max 140% (long equity + short equity + credit) (PDS 170%)
Allocation to credit securities	N/A (PDS 30%)
Max net invested position	100% (net equity + credit securities) (PDS 130%)
Max cash position	100%

Post-GFC

> “A once in a lifetime opportunity to invest in credit and a once in a generation opportunity to invest in equities”

> “with record fiscal and monetary stimulus, the economy will recover, but will be characterised by a two steps forward one step back scenario”

Opportunity cost

Calendar Year	PM Capital Global Companies Fund	MSCI World Net Index (AUD)
2012	**41.63%**	14.38%
2013	**54.22%**	47.00%
2014	**14.39%**	14.72%
2015	**12.63%**	11.50%
2016	**3.13%**	8.02%
2017	**20.37%**	13.32%
2018 CYTD	**3.80%**	3.46%
2012 – 2018 CYTD	**262.5%**	172.4%

For every $100,000 investing in 2012:
PM Capital $362,500; MSCI $272,400; ~$90,100 more

Sources: PM Capital Internal and Morningstar as at 30 April 2018.

Post-Trump

Coincidentally, cyclical growth trends inflecting

Trump moving with the tide as pro-growth;

- Lower taxes, fiscal spending, lower regulation – the key brakes on growth that we have consistently alluded to

A different sub set of opportunities going forward

Bonds, Bond proxies – Property, Infrastructure, "Defensives" most at risk

Banks the primary beneficiary

Do not under-estimate the magnitude of change and the implications for portfolio /manager composition

First innings – post tax reform, now in the second innings

2016: Negative rates

"The reality is, that the future is always uncertain. Every year I comment that just when you think you have seen everything, something new comes along. The 1987 stock market crash, the 1990 "CNN" Gulf War, the TMT mania in 2000, Twin Towers, the Global Financial Crisis and now Brexit are the standouts (I am going to have to stop making that statement). So our ultimate objective as an investor is to find different businesses that we believe will provide us with a satisfactory long term return and remind ourselves that investment returns are not a straight line and that we are ultimately arbitraging short term investors' lack of patience. ""

Paul Moore | **2017 PM Capital Investor Forum**

+ Trump

+ Bitcoin

Record
Government Debt
Record low rates

Valuation

Risk Reward

Market behaviour

Post Trump Framework

Bondnado

Bondnado

The fundamentals

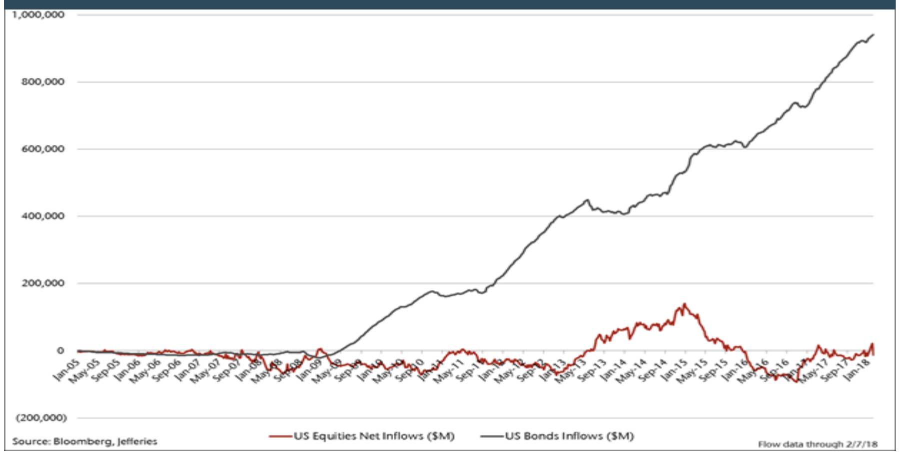
Quantitative

- **Absolute return makes no sense;** zero return - hard to make a positive return!
- **Real return;** inflation – priced as an impossibility!
- **Risk adjusted;** defaults – priced as an impossibility!

Qualitative

The bigger the crowd the bigger the risk

Cumulative inflows to US FI and Equity Mutual Funds and ETFs (SM): 2005 - 2017



Bottom line

Financial system does not work with negative rates – mis-allocation of capital - *It had become ridiculous*

Inflation 10%+
Interest Rates 20%+
Dan Aykroyd
Volcker

No wage growth
Negative Mortgage Rates
Inflation too low!

Ridiculousness

Opinions

" But our expectation was that growth would be stronger than most expected and that inflation, wages and interest rates would inflect."

" And investing's tough. It'll test your character. And you need patience and conviction. Why? Because all great investments at the time they're purchased are either questioned and, in some cases, ridiculed."

2018, now a fact?

Fed and ECB reducing their bond holdings (liquidity)

Trump tax reform
= fiscal stimulus

Rates are up – US 10 yr more than doubled

But no wage growth?

German union wins right to 28-hour working week and 4.3% pay rise

US 10-year yield jumps to new 4-year high of 2.92% after hot inflation report*

US inflation surprises to upside, pointing to faster pace of rate hikes

Surprised?

*CNBC, 14 February 2018

Bondnado (Sharknado) 2

1st liquidity rumbling

- Bitcoin / Short VIX funds

Market “scares” now about inflation (v economy)

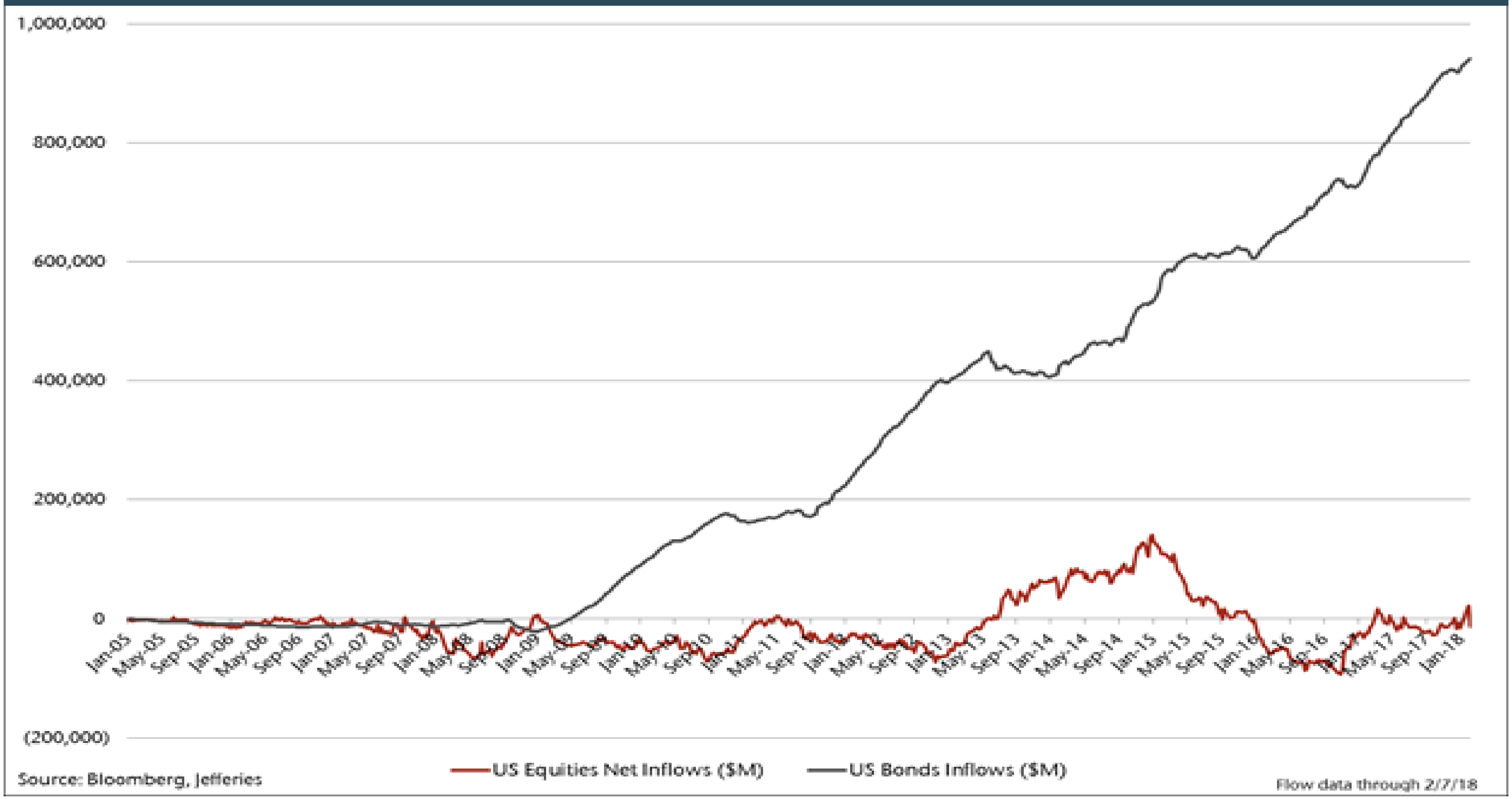
Bondnado (Sharknado) 3/4/5

Everyone now on board?

Have they acted?

The bigger the crowd the bigger the risk

Cumulative inflows to US FI and Equity Mutual Funds and ETFs (SM): 2005 - 2017



Why it's important?

Investors positioned for the past?

NPV: higher rates = lower valuation

It's a new phenomenon for virtually all in the industry

A different subset of opportunities

PM Capital

Generic return expectations

Cash	Bonds	Property	Equities
0-2%	0-3%	3-5%	5-6%

Blended portfolios will not meet objectives?

Neither will index funds?

High conviction (not benchmark aware) managers required?

Bonds can be high risk?

PM Capital

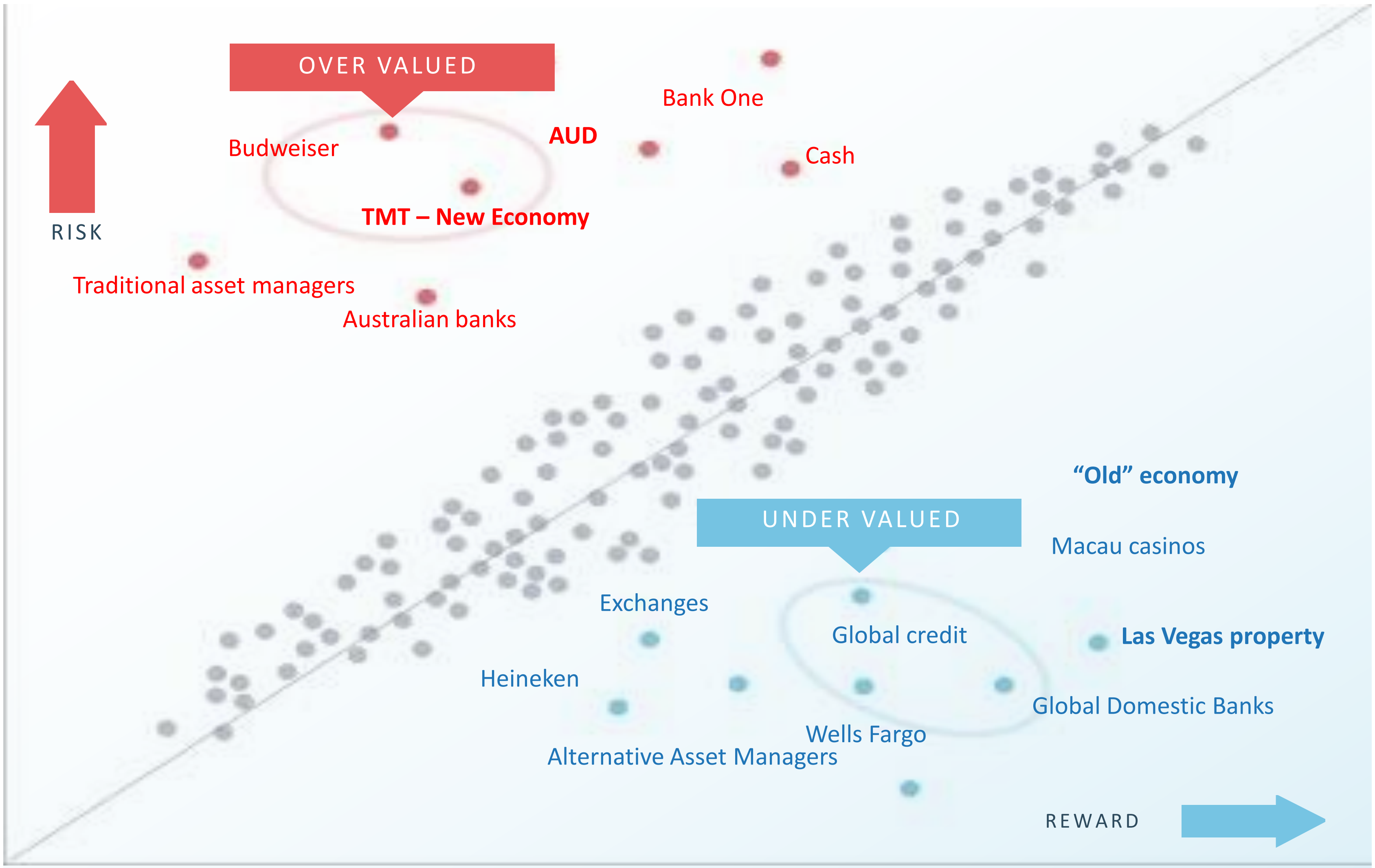
What does it mean?

Industry may need to re-think it's accepted wisdoms – lazy AA

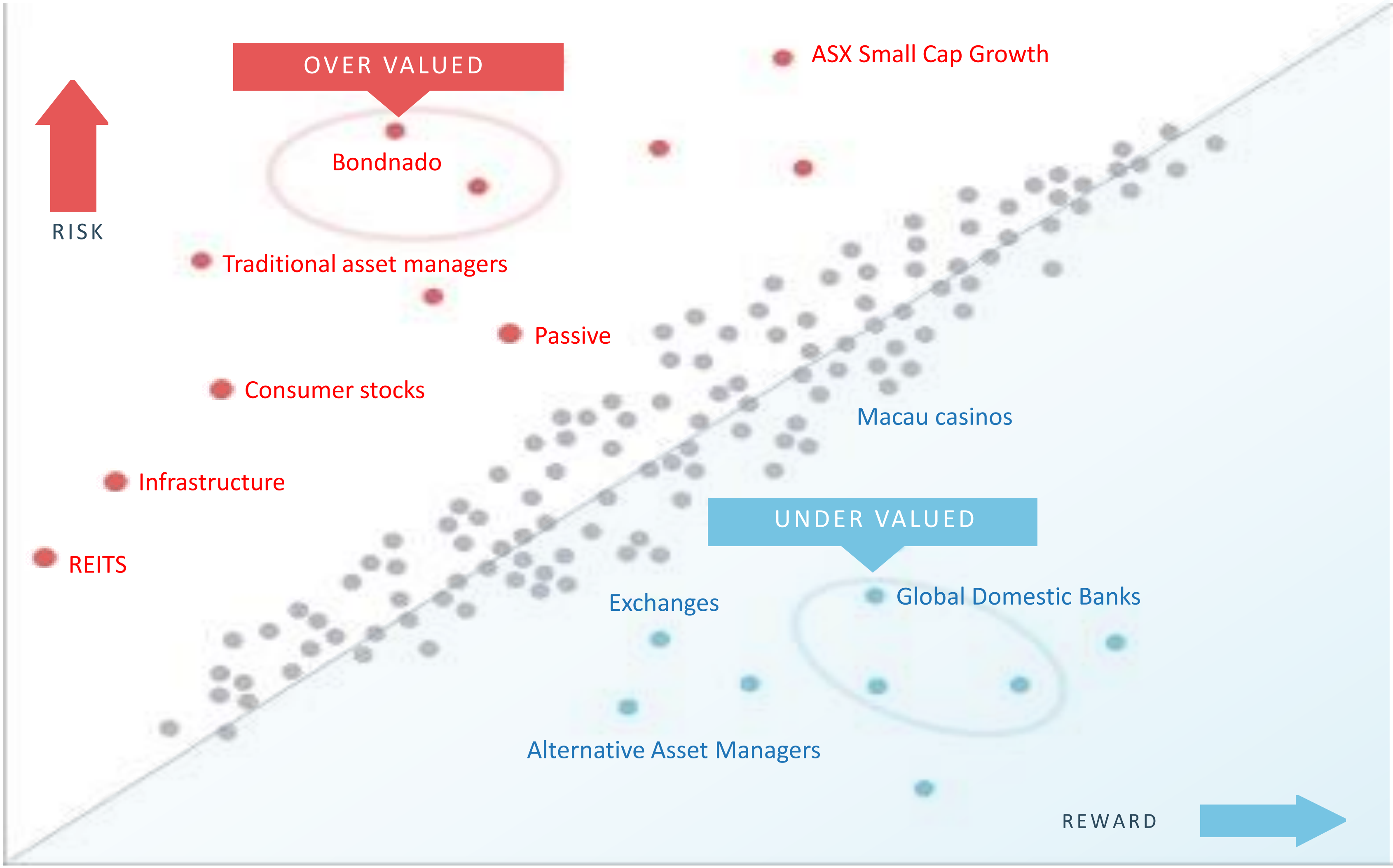
Not to be feared – if the tide has changed, ask the right questions and adapt

PM Capital - business as usual

Looking back



Looking forward

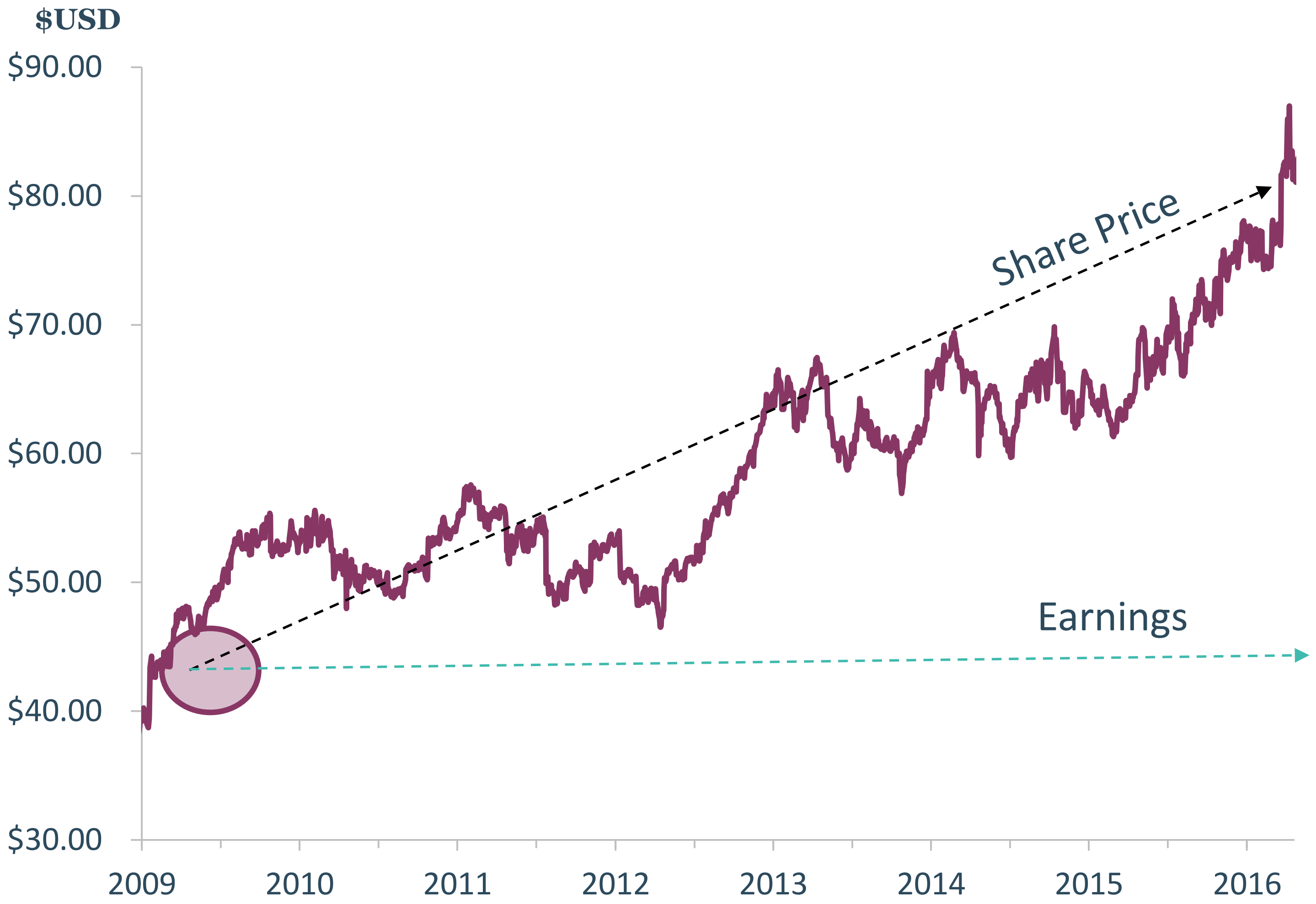


Consumer – perception vs fact

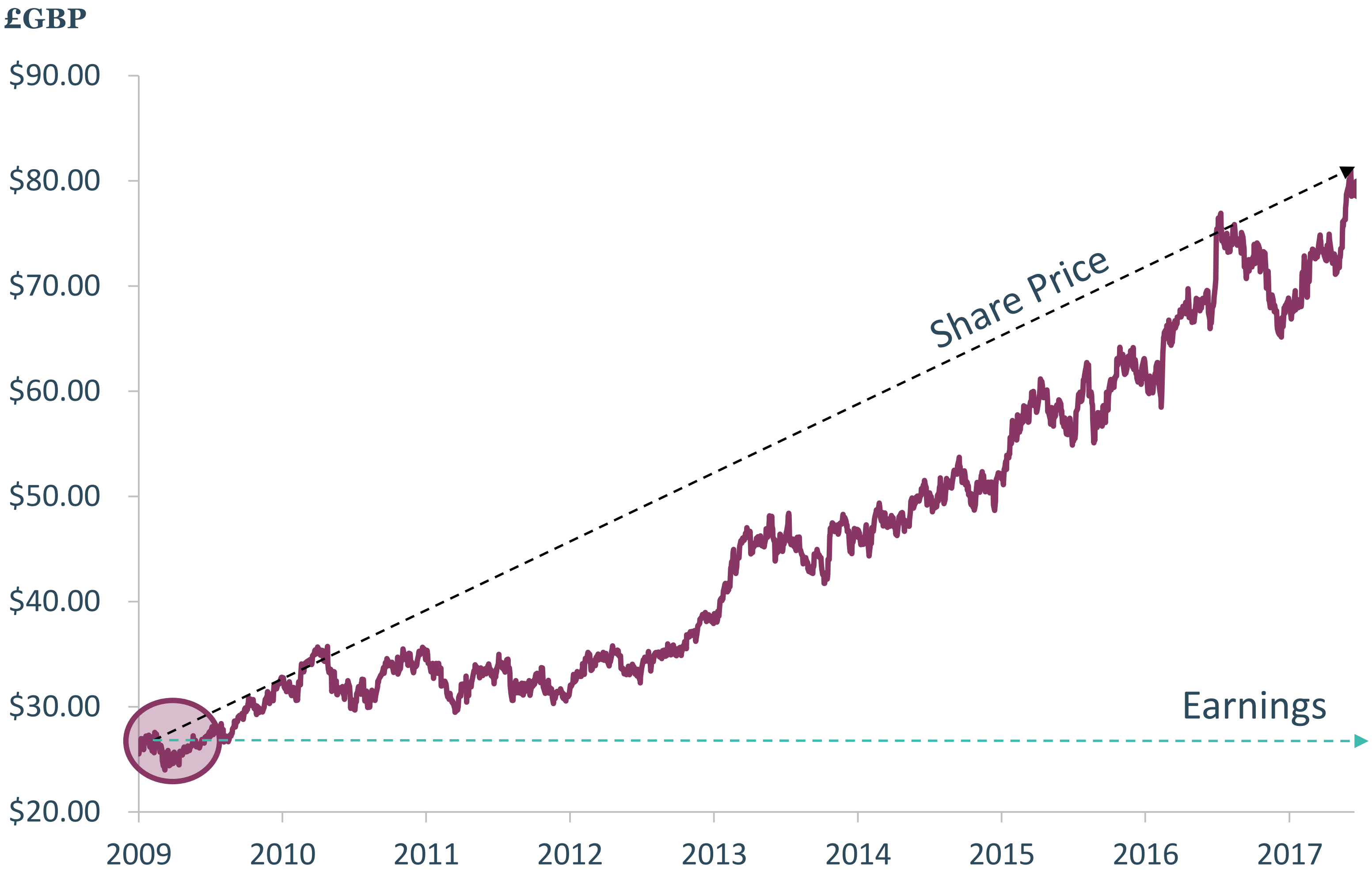
Company	EBIT / EPS 2009/10	EBIT / EPS 2017/18	
Campbell Soup	1360	1392	Canary in the coal mine
Kellogg	2000	1860	ZBB
Proctor and Gamble	?	?	M&A BB
Unilever	2004 – 2009	?	Euro
Danone	3.04	2.79	Steven Bradbury Euro
Nestle	3.3	3.3	M&A BB Euro
Coca Cola	2.01	1.8	M&A BB

Recurring non-recurring items / M&A / financials messy / upscaling

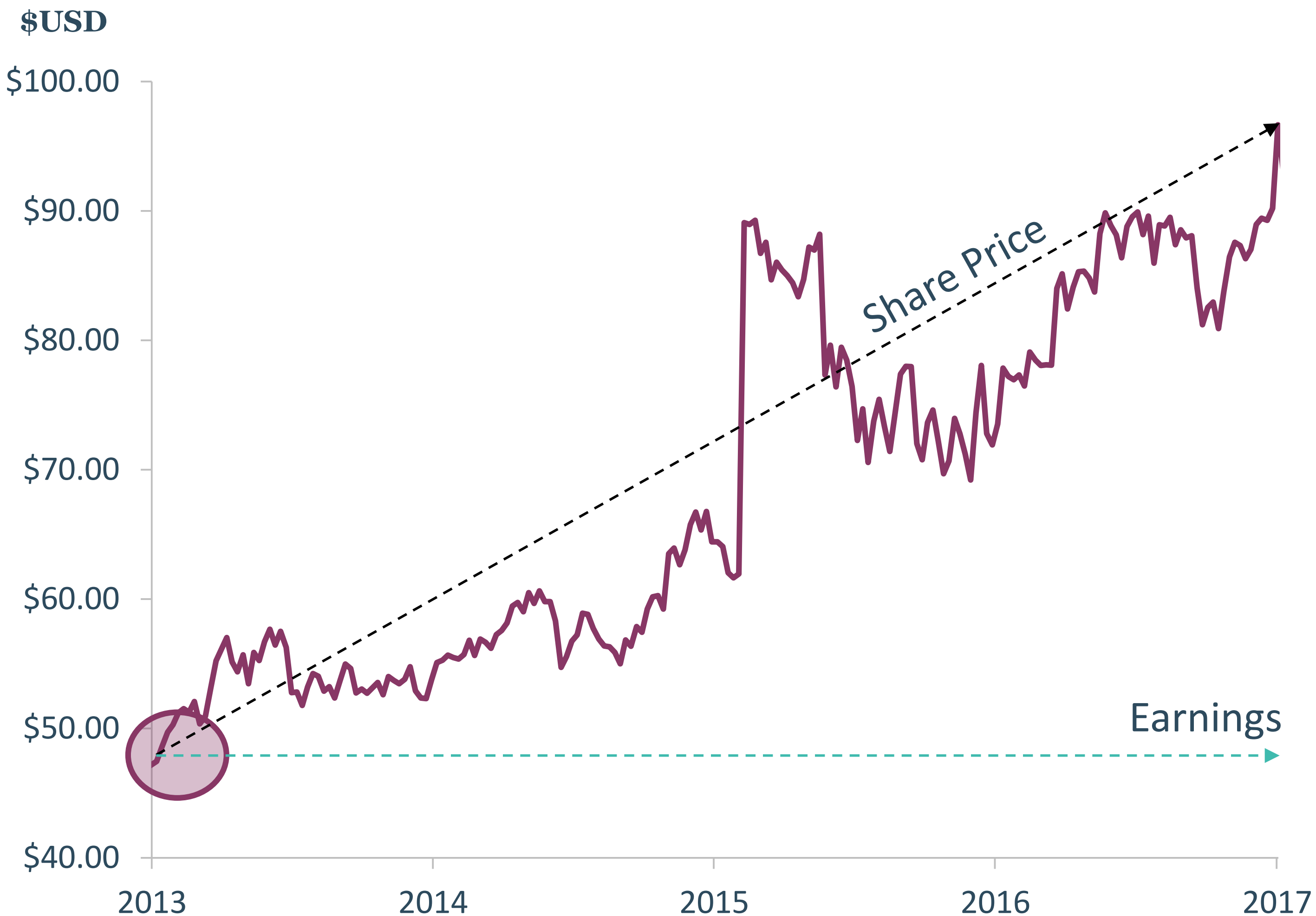
Kellogg


$USD
$90.00
$80.00
$70.00
$60.00
$50.00
$40.00
$30.00
2009
2010
2011
2012
2013
2014
2015
2016
Share Price
Earnings

Reckitt Benckiser



Kraft-Heinz



* **Source:** ABC News, 21 February 2018. Graph source: Factset

So why going up?

Perception - defensive

Financial engineering - buybacks

Technical – ETFs

Corporate – Kraft Heinz – zero based budgeting

Interest rates?

But what is really going on?

- **Saturated markets, changing demographic and consumer behaviour, disruption**
  - AMZN, ice-cream (halo top)
- **Nestlé sales growth weakens to slowest in decades**
- **Proctor and Gamble – first price decline in 7 years**
  - Unable to pass on rising commodity prices
  - Margins lower

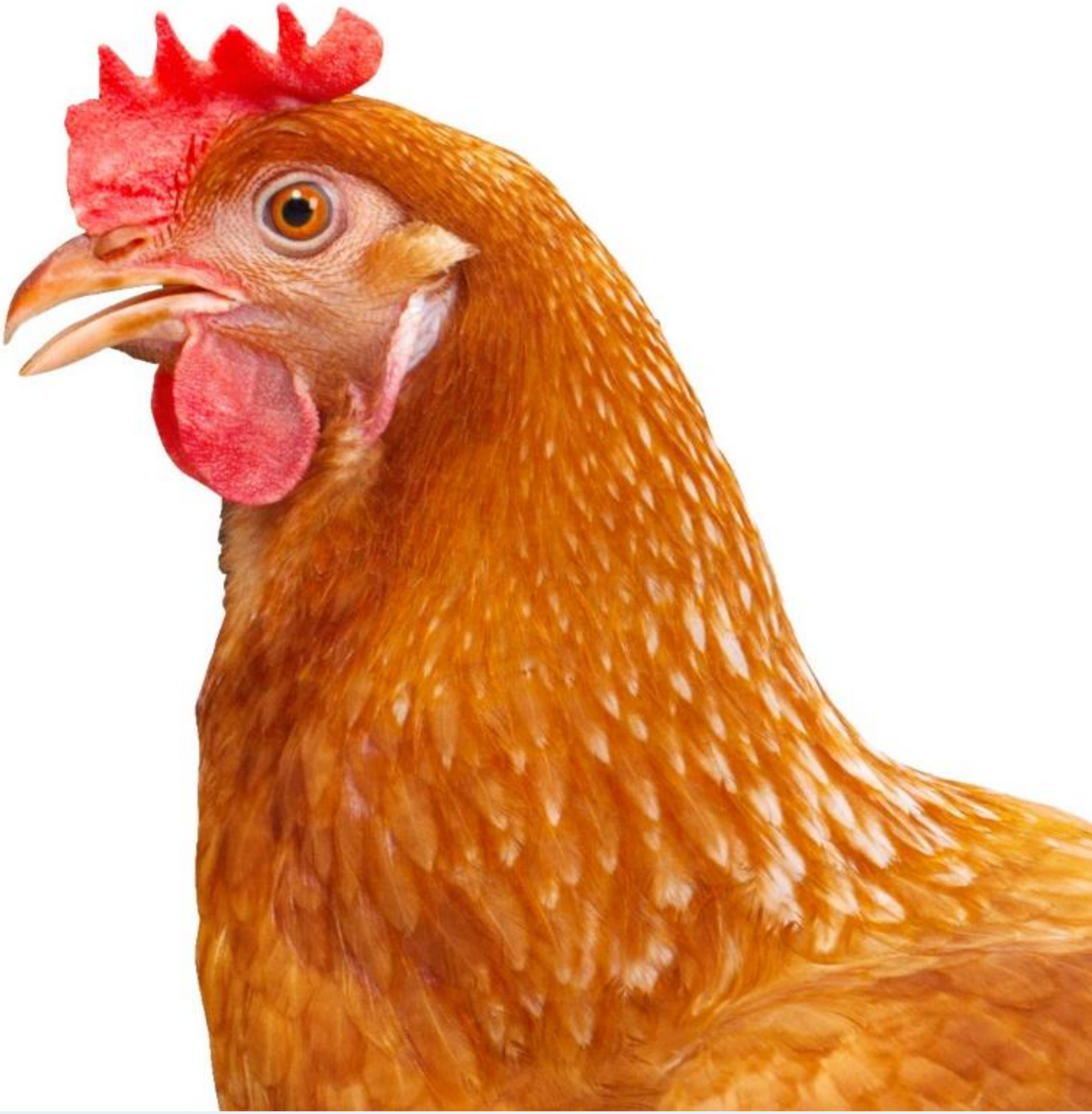
"Productivity improvement will be critical to fund investments for sales and market share growth while continuing to expand profit margins." *

Source: Jon R. Moeller, Vice Chairman & Chief Financial Officer, Procter & Gamble Co.

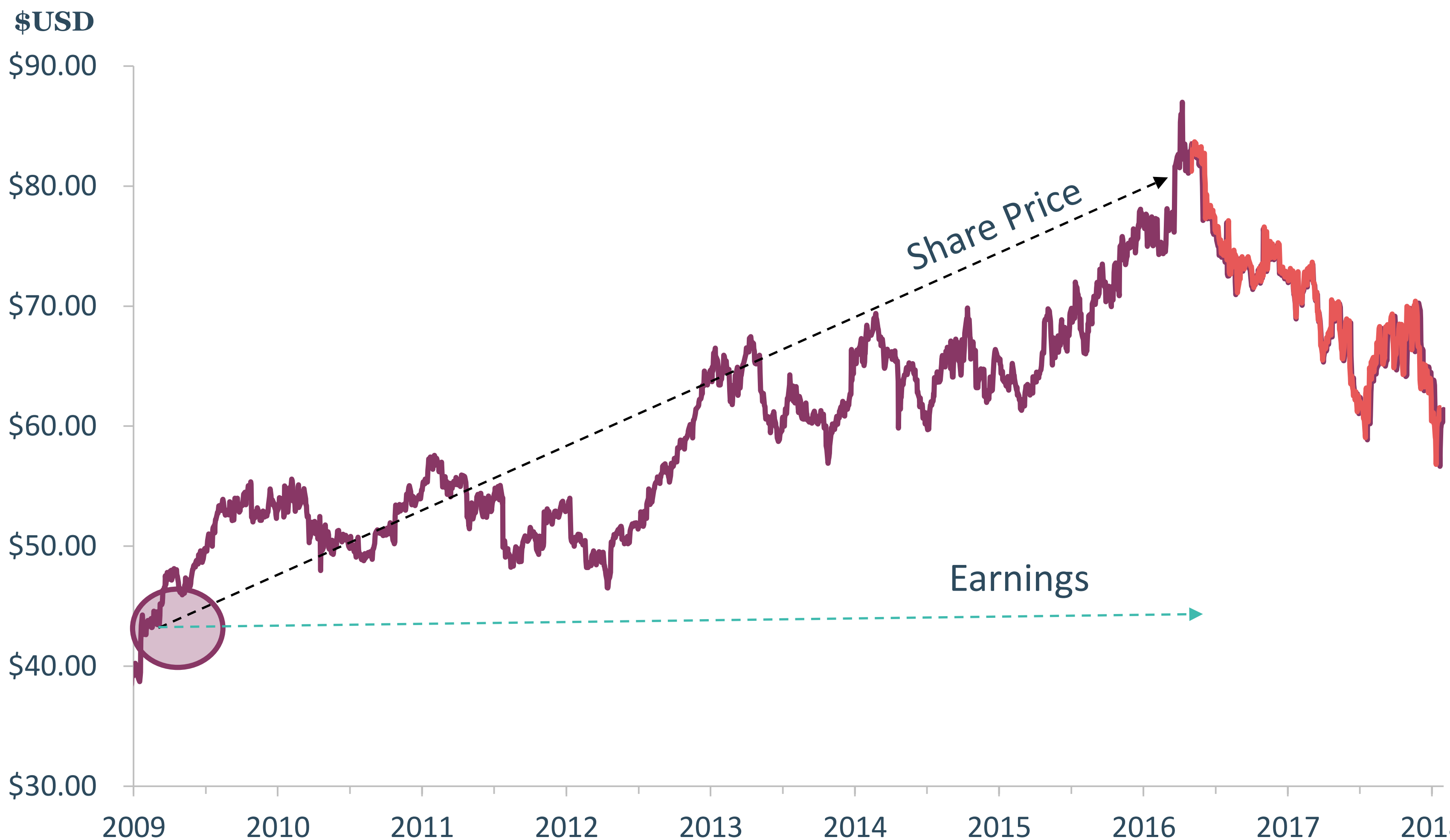
An omen?

KFC closes across the UK due to a shortage of chicken*

KFC reports gravy shortage, following chicken crisis

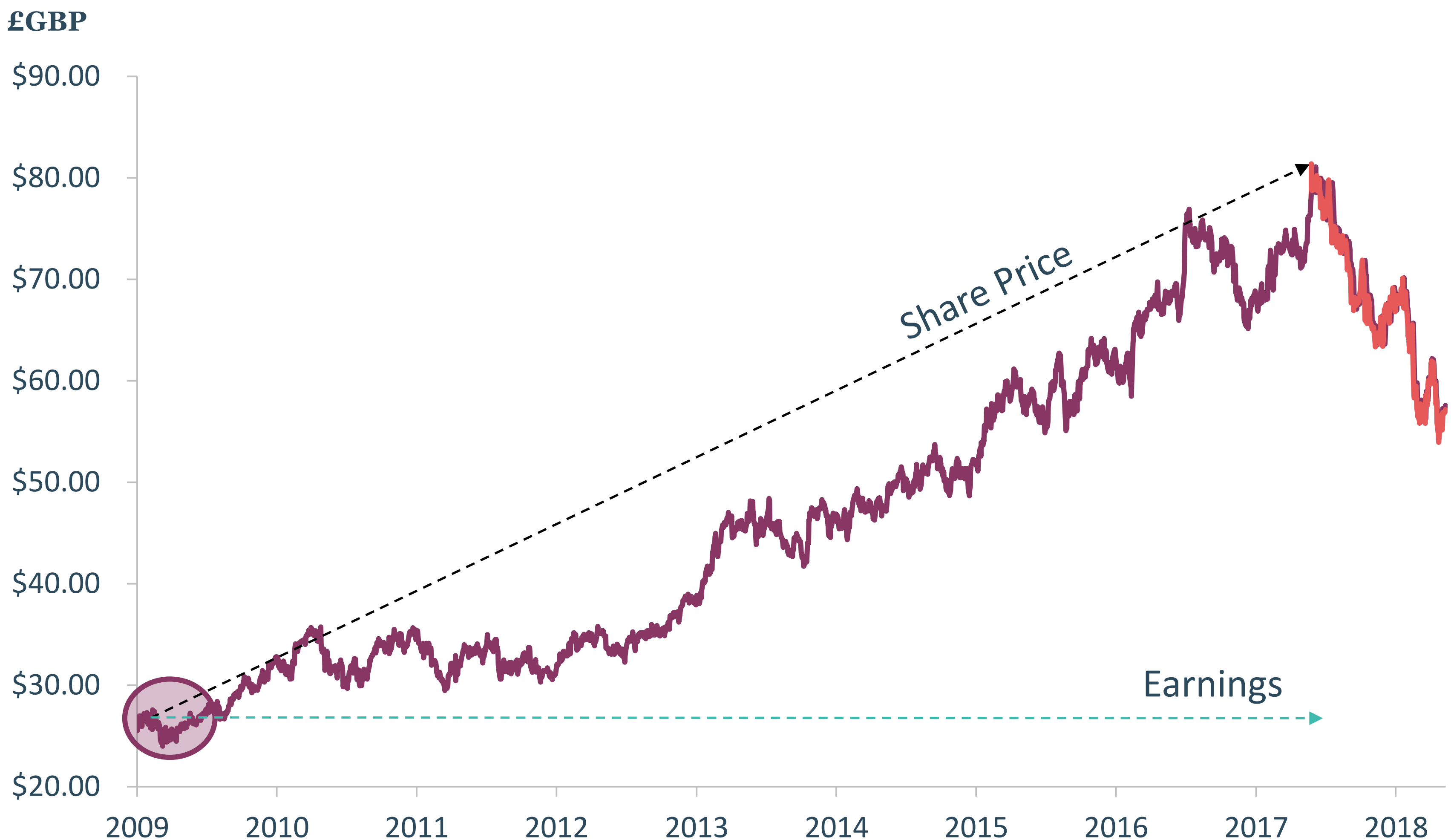


Kellogg

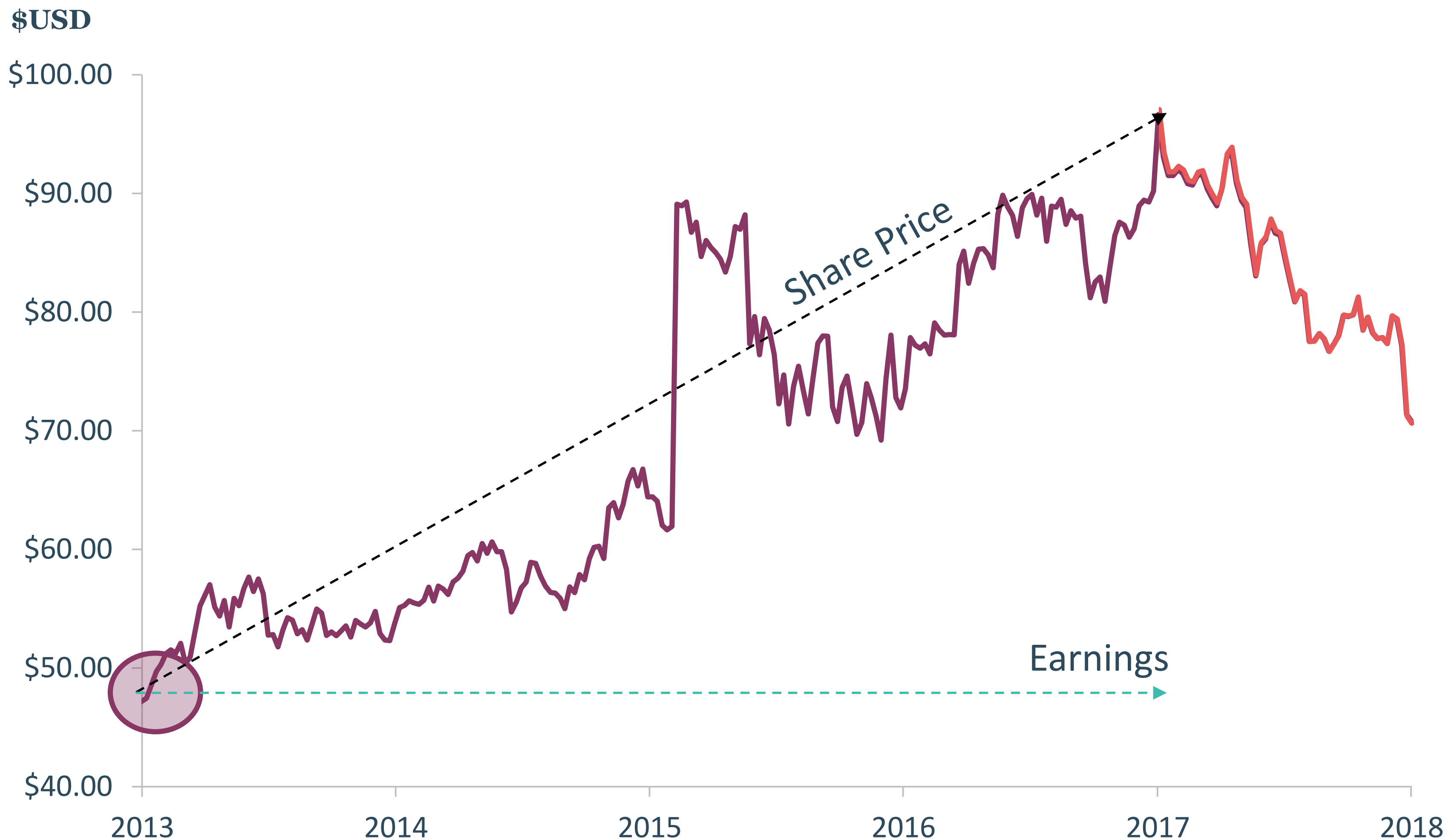


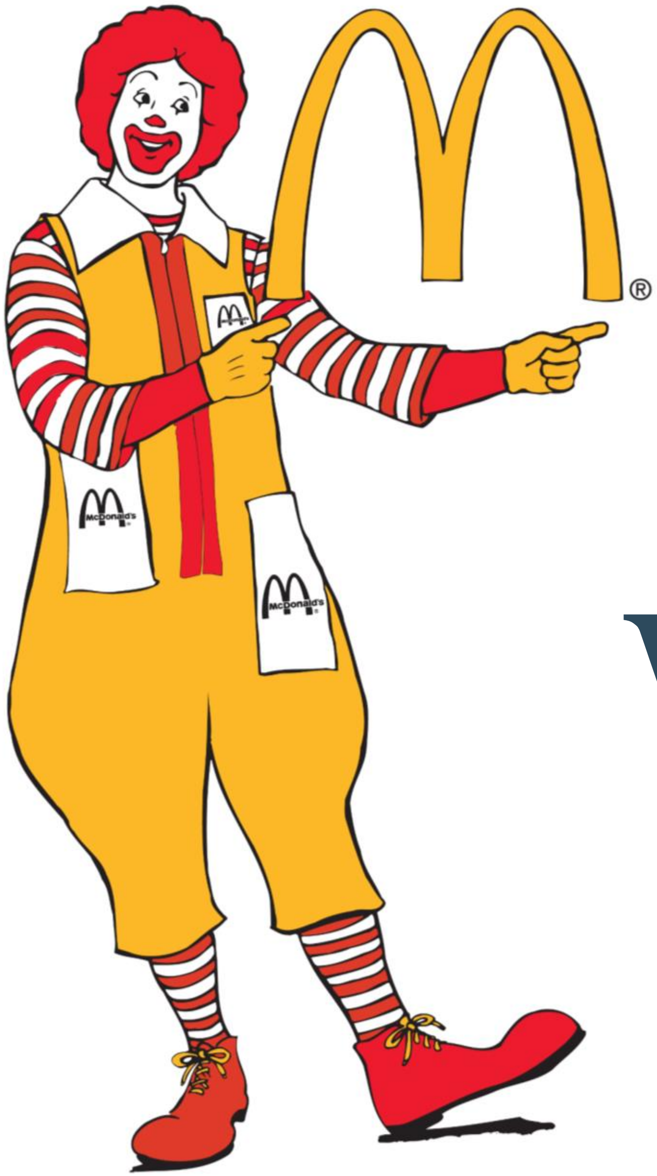
Source: Factset

Reckitt Benckiser



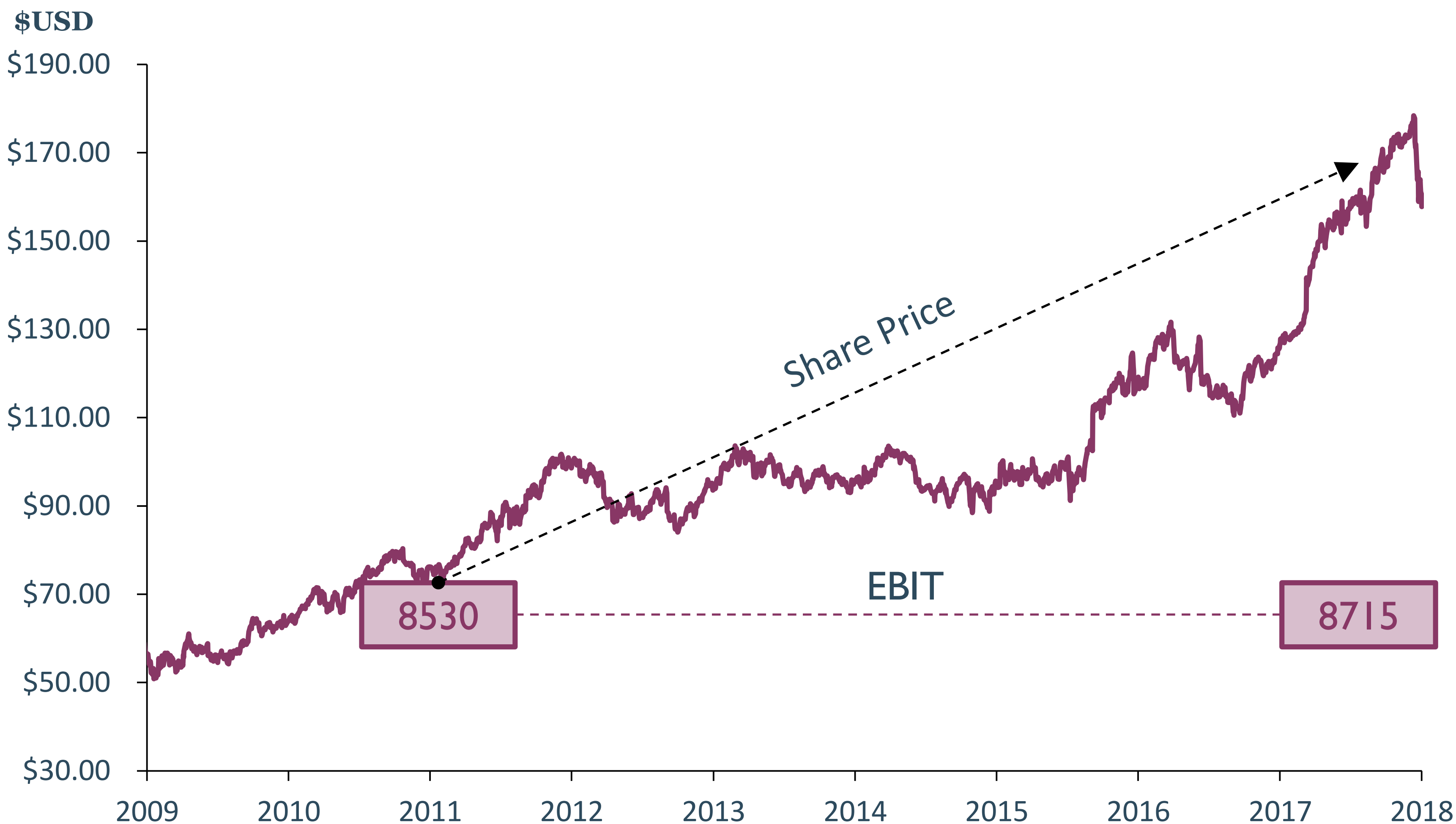
Kraft-Heinz


$USD
$100.00
$90.00
$80.00
$70.00
$60.00
$50.00
$40.00
2013
2014
2015
2016
2017
2018
Share Price
Earnings



Where else?

McDonald's



Source: Factset

Original business model
Own and operate

Real Estate

Revenue

Costs
Labour
Food
Other

Profit

What type of business are we?

Fixed Assets	
Land & Building	21,258
OA	1,056
Total	**22,314**
Funded by:	
Debt	**24,732**

“We are not technically in the food business. We are in the real estate business. The only reason we sell fifteen cent hamburgers is because they are the greatest producer of revenue, from which our tenants can pay us our rent.” *

* Source: Former McDonald’s CFO, Harry J. Sonneborn

New business model
Control and others operate?

1 **Franchisor sells property and right to run the restaurant – receives royalties**

- Capital released / + debt / buy back stock

2 **Franchisee runs the business**

- Borrows to by franchise
- Royalty
- Rent
- Labour, food and other costs
- Interest expense

3 **Franchisee sells the real estate to an investor**

4 **Real estate investor borrows to purchase real estate**

Interest Rates facilitated maximum gearing at the point of inflection?

Industry dynamics

McDonald's 35% of a saturated industry

> "It's a market share fight. We don't see really any significant broader market growth this year…"

Stephen J. Easterbrook
*President, Chief Executive Officer & Director, McDonald's Corp.**

Where are the real anomalies?

1. Observation

2. Confirm thesis

Review Restaurant ecosystem

- **Franchisors**: Burger King, Dunkin Donuts, Restaurant Brands, Wendy's, etc
- **Franchisees**: Carrols, Meritage, etc

Never black or white

It’s not easy

A lot of work

Simplifying the complex

Last 10% makes the difference

What are the risks?

Absolute risk has changed

Business risk

Emotion

- Short term headlines / macro and political distraction
- Slogans - Value Growth GARP Quantamental

Size

- Passive / ETFs reduce liquidity

Inflation

But biggest risk is…………

A short term horizon

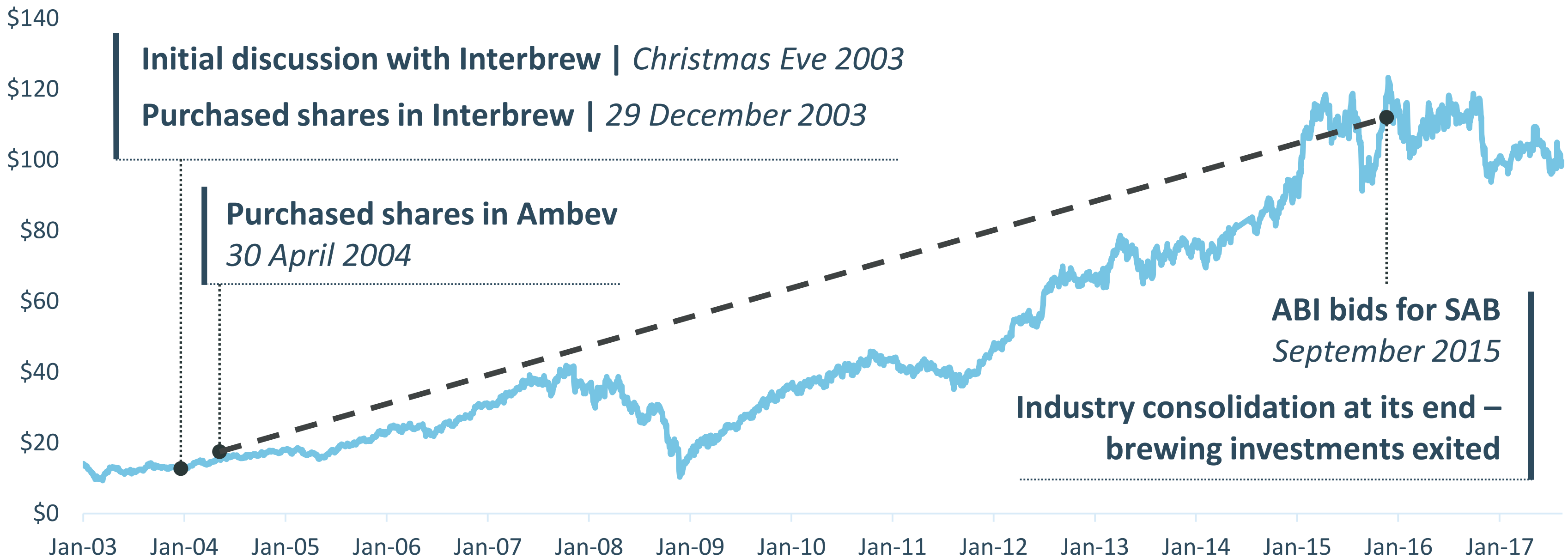
Risk is ultimately a function of time and objectives

Anheuser-Busch Inbev

Apollo

Anheuser-Busch Inbev

Closing stock price

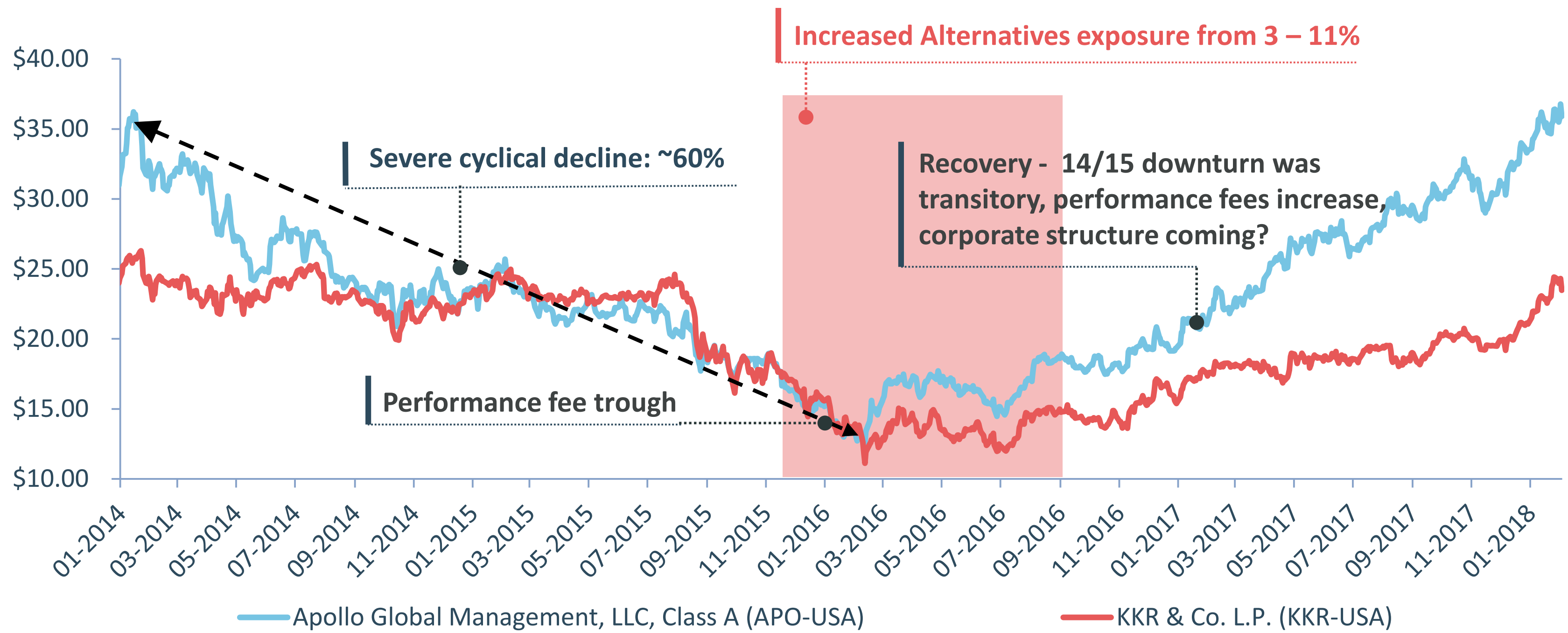


Business risk	Investment risk	Price action risk
HEIN - Simple business, great brand, 100+ years	*Double digit ungeared yield*	*Patience and conviction the only issue*

Price action is not investment or business risk – focusing on will preclude you from the very best investments

Apollo; KKR

Closing stock price (USD)



Business risk	Investment risk	Price action risk
Sweet spot of industry – smartest management	>10% Yield	Patience and conviction the only issue

Price action is not investment or business risk – focusing on will preclude you from the very best investments

The good news is…

Equity & Strategy Focus Point

The ETF-ization of the S&P 500, Part I

Bank of America Merrill Lynch

02 July 2017

Is the S&P 500 as liquid as it seems?

The percentage of US domiciled equity fund assets that are passively managed has nearly doubled since the crisis, from 19% in 2009 to 37% today. The percentage of S&P 500 market cap held by Vanguard alone has doubled since 2010, to 6.8% today. Vanguard currently is a 5%+ shareholder of 491 stocks in the S&P 500, up from just 116 in 2010. The actual shares available, or "true float" (float shares less shares held by passive funds) for S&P 500 stocks, may be grossly overestimated. This, and other structural changes, are playing out in the market with implications for US investors.

How big can passive get? Apparently a lot bigger

We are often asked how much further this active to passive rotation can go before markets become dysfunctional. In Japan, nearly 70% of the assets under management (AUM) of Japan-focused equity funds is passive (granted, the BoJ has been buying ETFs) and their markets are still functioning. This is almost double the proportion of US passive. The victim in Japan has been active equity managers. Over the past three years of extreme ETF inflows, Japan-focused active funds suffered benchmark outperformance rates 12ppt lower than prior decade's average. As the ETF-ization of US stocks is likely to continue, we highlight four implications.

1. Avoid crowded stocks (especially right now)

Over the short-term, positioning matters more than anything: buying under-owned stocks has led to stronger three-month returns than investing in low P/E, high growth or high ROE stocks. Crowded stocks have generally underperformed neglected stocks as mutual funds are net sellers and passive funds are net buyers. Crowding risk is particularly acute at quarter-end when allocators tend to rebalance: in the first 15 days of the quarter, positioning alpha is 10x higher than average.

2. ETF fads can drive massive PE distortions

The meteoric rise in Low Volatility ETFs (150% annual asset growth since 2009) was a key driver of the 200%+ surge in relative valuations of low beta stocks to never before seen premia. Where might the next fad be? Our work suggests that the next ETF influx may be into Value ETFs, ESG strategies and short-term quant strategies.

3. Know your risk: a screen for stocks with low "true float"

Stocks most held by passive investors have seen higher volatility than the market, measured by both price declines and standard deviations. And the average price volatility of stocks with low "true float" (i.e. those with a high proportion of float held by passive) tripled in the last 12 months. But the earnings multiples of these stocks have generally been in-line to higher than that of the market, not necessarily reflecting heightened liquidity risk, in our view. (See inside for a screen of stocks with the lowest "true float".)

4. Time horizon arbitrage

Our analysis shows that fundamental signals have significantly improved in efficacy over longer time horizons, whereas algorithm-driven signals perform well in the short term, but the decay rate is extreme. Valuations explain almost 90% of the S&P 500's returns variability over a 10-year time horizon — we have yet to find any signal with even close to that level of predictive power over the short-term. And ironically, what should be an increasingly efficient market has shown signs of becoming less efficient over the long term — alpha opportunities, measured by the range of market prices, have shrunk on a short-term basis, but have demonstrably risen on a long-term basis.

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Refer to important disclosures on page 11 to 13. **11761906**

Timestamp: 02 July 2017 01:24PM EDT

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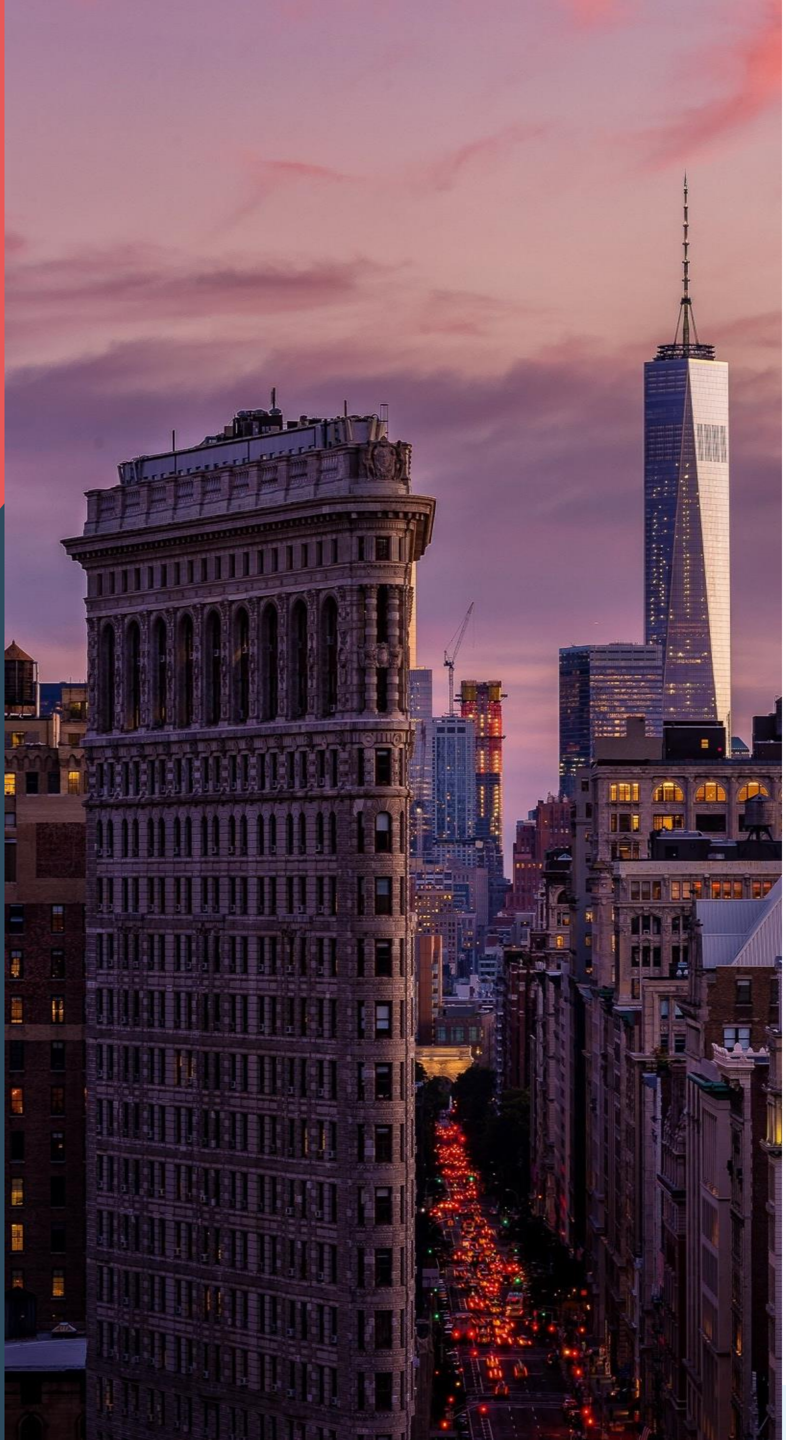
Source: Equity & Strategy Focus Point, The ETF-ization of the S&P 500, Part 1, Bank of America Merrill Lynch, 02 July 2017.

PM Capital's core competency

- Genuine long term valuation anomalies
- Exhibited over 30+ years
- Simple ideas, simple businesses, many iterations
- Our credentials as a core international equities manager



Summary

PM Capital

Proven investment philosophy and process

Stable, tenured and experienced team

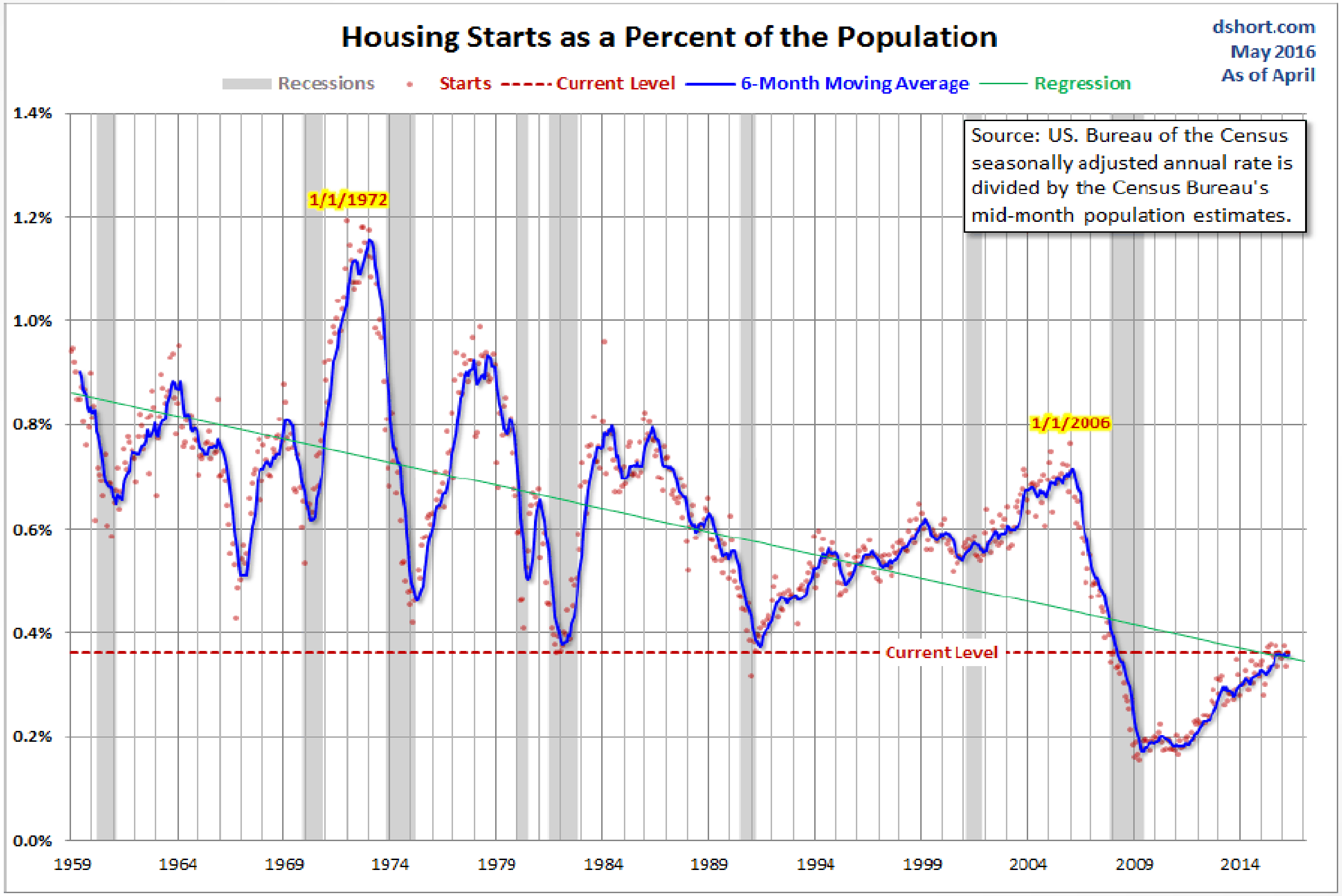
Industry leading performance

Transition from Post GFC to Post Trump in portfolio positioning

Differentiated investment proposition for client portfolios

PM Capital

U.S. Housing Starts As A Percent of the Population



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Source: 'Inland Empire Housing Market Overview and Forecast', p. 13, Real Estate Economics, June 2016