PM Capital Asian Companies Fund

April 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*

PM Capital

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

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

Different approach, Different results

PM Capital

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**	**9.0%**	**433.3%**
MSCI World Net Total Return Index ($A)		4.4%	130.0%
Asian Companies Fund	**07/2008**	**16.0%**	**325.6%**
MSCI AC Asia ex Japan Net Total Return Index ($A)		9.1%	132.7%
Australian Companies Fund	**01/2000**	**10.2%**	**489.5%**
S&P/ASX Accum. 200 Index		7.9%	298.6%
Enhanced Yield Fund	**02/2002**	**6.0%**	**153.7%**
RBA Cash Rate		4.1%	91.9%

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 31 March 2018

PM Capital

Recent awards

Finalist

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**

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**	**433.3%**	**325.6%**	**489.5%**	**153.7%**
Benchmark***	130.0%	132.7%	298.6%	91.9%
Excess after fees	**303.3%**	**192.9%**	**190.9%**	**61.8%**

Global Accountability

Collaboration

Peer Group Review

As at 31 March 2018.

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

PM Capital

Guiding principles

Investment returns are not in a straight line

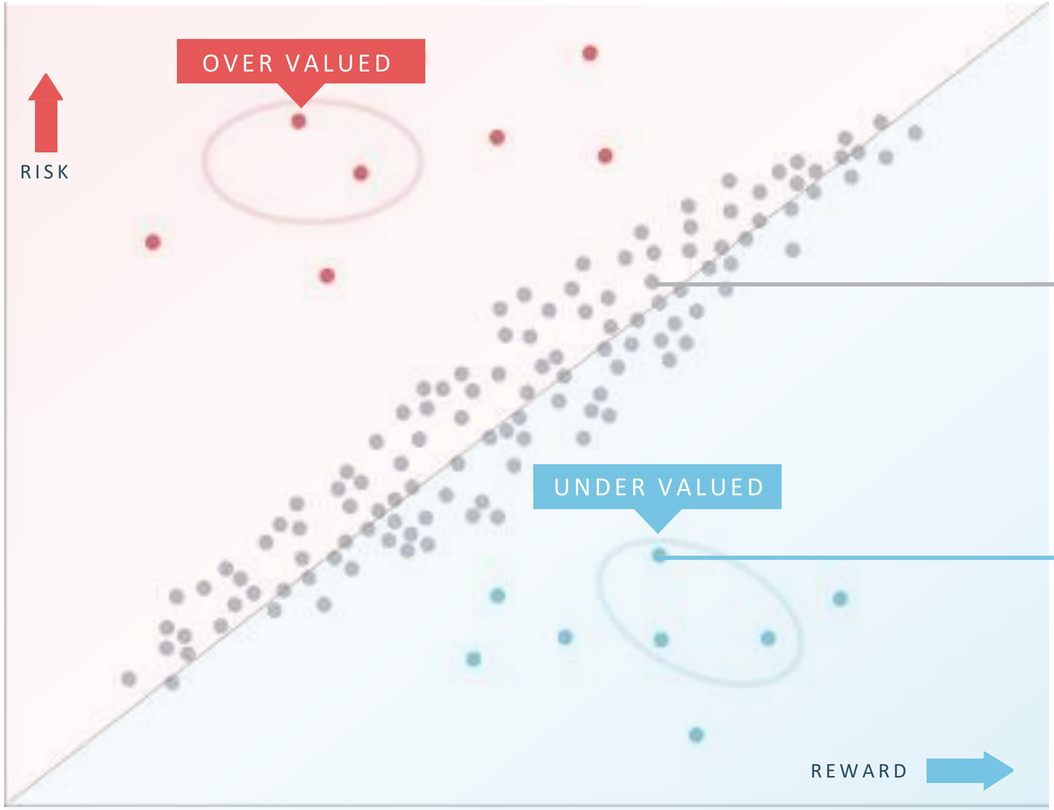
It is what's ahead, not behind, that matters

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

We focus on the anomalies



Risk vs reward: Identifying opportunities for investors

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.

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

Investment process
1. Idea generation

Most of the time good businesses trade at fair value or demand a premium due to their favourable attributes.

However, **there are occasions when they trade at significant discounts** due to events such as broad market corrections, industry change or company specific news.

Idea generation

Investment ideas can come via sources such as out-of-favour sectors, value-chain conversations, industry conferences, company management discussions, social trends, spending patterns, valuation observations etc

Filter

We focus our research resources only on investment anomalies.

Attributes of a good business

These include but are not limited to: dominant franchise, low-cost operator, monopoly/duopoly, strong balance sheet with acceptable gearing levels, predictable earnings and transparent capital requirements, strong free cash flow, management that respects shareholder capital.

- Priority number one for investment team
- Not one equation or model
- Experience / Intuition / understanding numbers
- Sector accountability – start of the filtering process
- Simple ideas Simple business

Investment process
2. Determine fair value

Intensive industry and company research

Fundamental research involves company visits, value-chain discussions, industry participant discussions, relevant third-party research.

Valuation approach

Various valuation models are considered depending on the industry sector or company, however the model applied needs to be justified as part of the research and approval process.

Investment summary

Research findings are consolidated into an investment report that includes a Business, Management, Valuation, Technical and Financial summary.

Investment process

PM Capital

3. Identify change required to remove mispricing

Identify the key issues

Identify why the business is mispriced, what it's true worth is under normal circumstances and what the catalyst will be to remove this mispricing.

Triggers for mispricing can include changes in industry structure, competitive landscape, low levels of coverage, bankruptcies, too great a focus on short-term earnings etc.

4. Entry / exit discipline

Approval

Once an investment has successfully proceeded through the peer group review and been endorsed by the PM, we wait for an opportunity at our preferred entry price. This may take place immediately or over a longer period of time.

BUY

SELL

Exit

Our conditions for exit are determined pre purchase, are reviewed regularly and are directly linked with our fundamental research and investment thesis. Given that we are focused on businesses that are trading at a significant discount, we often hold positions for 5 or more years.

One idea
Idea generation – Industry disruption

PM Capital

e-Commerce

Australia has some of world's best e-commerce businesses

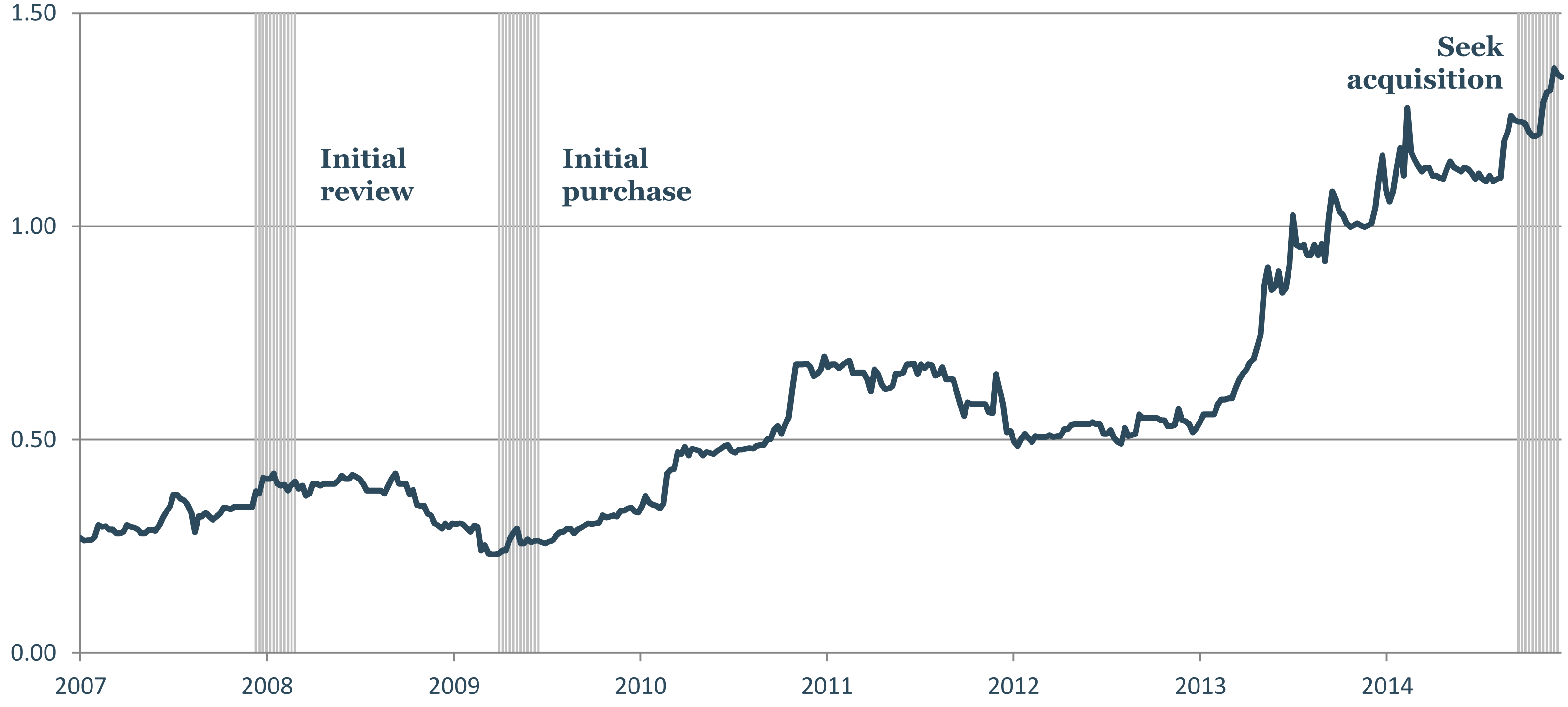
- Industry disrupters with superior economic benefits for customers
- Network effects create monopoly/ duopolies
- Concentrated categories with fragmented customer base = pricing power
- Limited reinvestment requirements = very high ROICs

Asked ourselves the simple questions – if these businesses have been successful in the United States, Australia etc. where are they being replicated in Asia?

Idea generation – Industry disruption

All started with one idea – Jobstreet in 2009

Share Price History - Jobstreet



Many iterations

		JUN 10	JUN 11	JUN 12	JUN 13	JUN 14	JUN 15	JUN 16	JUN 17
CHINA									
Baidu	Search				5%	6%	2%	5%	5%
51Jobs	Employment classifieds					5%	5%	7%	2%
Zhaopin	Employment classifieds					1%	2%	4%	4%
Ctrip	Online travel agency			2%					
Autohome	Automotive classifieds							2%	5%
ASEAN									
Jobstreet	Employment classifieds	5%	6%	5%	7%	5%			
iProperty	Real estate classifieds		6%	7%	4%		2%		
iCar Asia	Automotive classifieds				1%				4%
OTHER ASIA									
104 Corp	Employment classifieds		4%	3%	2%	2%	2%	2%	2%
Naver	Search		3%						
TOTAL EXPOSURE		5%	19%	17%	19%	19%	14%	20%	22%

A. Acquired by Seek Ltd lead consortium B. Acquired by Seek Ltd C. Acquired by REA Group

One idea. 10 years. 10 iterations

Ecommerce & Classifieds

Evolution of the investment theme

Significant corporate activity allowing for rotation of capital overtime

Jobstreet	iProperty	Zhaopin
Online employment classified business acquired by SEEK Ltd. in 2014	Acquired by REA Group Feb2016	Seek Ltd. led proposal by Chinese P/E firm to acquire minority shares in company
A$580M consideration = 24x EBITDA	Consideration A$4 share (A$750M)	US$18.2 offer price = 35% premium to 2014 IPO price
Exited position for 187% gain + dividends	Exited position for 466% gain	

Ecommerce & Classifieds

Removing unintended portfolio risks

- All benefiting from the same structural dynamics from industry perspective
- Day-to-day operating environment vastly different = non correlated returns

1 Year Correlations

	Hong Kong	China A	Korea	Taiwan	India	104 Corp	51Jobs	Zhaopin	Autohome	iCar Asia	Baidu	ICBC	CCB
Hong Kong	1.00	0.39	0.65	0.64	0.50	0.23	0.14	0.09	0.20	0.07	0.26	0.84	0.79
China A	0.39	1.00	0.30	0.27	0.19	0.01	0.11	0.09	0.07	0.07	0.07	0.32	0.27
Korea	0.65	0.30	1.00	0.69	0.46	0.24	0.07	0.05	0.02	0.11	0.19	0.58	0.51
Taiwan	0.64	0.27	0.69	1.00	0.41	0.27	0.16	0.09	0.04	0.06	0.14	0.57	0.52
India	0.50	0.19	0.46	0.41	1.00	0.12	0.06	0.12	0.09	0.14	0.23	0.40	0.36
104 Corp	0.23	0.01	0.24	0.27	0.12	1.00	0.07	0.05	- 0.03	0.11	0.11	0.20	0.21
51Jobs	0.14	0.11	0.07	0.16	0.06	0.07	1.00	0.09	0.18	- 0.03	0.24	0.13	0.14
Zhaopin	0.09	0.09	0.05	0.09	0.12	0.05	0.09	1.00	0.06	- 0.05	0.09	0.06	0.01
Autohome	0.20	0.07	0.02	0.04	0.09	- 0.03	0.18	0.06	1.00	- 0.03	0.28	0.15	0.16
iCar Asia	0.07	0.07	0.11	0.06	0.14	0.11	- 0.03	- 0.05	- 0.03	1.00	- 0.11	0.01	0.03
Baidu	0.26	0.07	0.19	0.14	0.23	0.11	0.24	0.09	0.28	- 0.11	1.00	0.28	0.23
ICBC	0.84	0.32	0.58	0.57	0.40	0.20	0.13	0.06	0.15	0.01	0.28	1.00	0.83
CCB	0.79	0.27	0.51	0.52	0.36	0.21	0.14	0.01	0.16	0.03	0.23	0.83	1.00

Investment team - Guiding principles

PM Capital

Continuous learning

- Constantly strive to acquire and share knowledge/insights
- Evolution of accountability
- Consistency of philosophy and process

Global perspective

- Each member brings a specific area of expertise
- Collaborative: A sharing of ideas, with insights used across all our funds

A focused approach

- Benchmark unaware
  - Not required to model all companies in the index or broad-based company research meetings
- Impossible to know all things at all times
- Focused only on the significant mispricing anomalies

Information is a commodity, insight is where we add value

- Investment analysts that are prepared to look for ideas that others can't see
- Insight that extends beyond general market consensus, is expected and rewarded

Asian portfolio research approach

PM Capital

Kevin Bertoli
Portfolio Manager

Paul Moore
CIO

John Whelan
Analyst

Uday Cheruvu
Analyst

Jarod Dawson
Analyst

Clement Tseung
Analyst

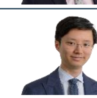
Chen Lin
Analyst

Annabelle Symons
Analyst

Global Accountability, Collaboration, Peer Group Review

We are all Analysts / Portfolio Managers

Asian Portfolio Accountability

Investment theme	Idea generation	Accountability
Online classifieds & e-commerce	Kevin Bertoli 	Kevin Bertoli 
Gaming	Kevin Bertoli 	Kevin Bertoli 
Consumer franchises	Kevin Bertoli 	Kevin Bertoli 
Banks		
• Korea	Kevin Bertoli 	Chen Lin 
• HSBC	Paul Moore / Kevin Bertoli  	
Technology	Uday Cheruvu 	Uday Cheruvu 
Infrastructure	Kevin Bertoli 	Kevin Bertoli 
Chinese FAI (short)*	Clement Tseung 	Clement Tseung 
Commodities / Capital Goods	Kevin Bertoli 	Kevin Bertoli 

Investment team
Research trips 2017

April 2017 UK & Spain

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

May 2017 UK & US

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 Hong Kong & Malaysia

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

June 2017 US

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

September 2017 Europe

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

November 2017 Europe / US

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

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

Focus | China – current and prospective holdings
Meetings Snapshot | TBD

June 2018
China

Experienced senior team

	Paul Moore CIO	Jarod Dawson Portfolio Manager	Kevin Bertoli Portfolio Manager	Uday Cheruvu Portfolio Manager	John Whelan Portfolio Manager
PMC Tenure	19	13	12	9	9
Experience	31	21	12	14	14

Average PM Capital Tenure

12 years

Average experience

18 years

CIO
+
Strong bench of portfolio managers with deep experience
=
Succession planning

As at 31 March 2018.

Team ownership & fund investment

PM Capital

PM Capital is 100% owned by staff

Greater than 15%, less than 30% held by staff other than the founder and growing in absolute and relative terms as a function of annual LTI awards

Investment in flagship strategy

Includes publicly disclosed substantial share holdings in PGF & PAF of $41m

Alignment of interest – conviction in process

Culture and retention

Culture

- Excited by the opportunity to find anomalies
- Value input and collaboration associated with flat structure, titles not important
- Enjoy economic exposure to a boutique and ability to more directly influence
- Performance first – business opportunities will then follow

Remuneration

Package Components	Illustrative % of Package
Base Salary	30%
+ Dividends (Equity ownership + fixed % of bonus pool)	32%
+ LTI (Redeemable equity, 3 yr. vesting) discretionary	38%
Total:	100%

Structure the same for all - greater the seniority, generally the greater % of remuneration from dividends

Equity

- All investment team members own equity - individual ownership is confidential
- Annual process of reducing founder ownership; Employee ownership increases annually with each granting of LTI; founder maintains voting control to ensure stability
- Process designed to reward long term commitment and value creation

Idea generation is <u>not</u> the constraint.

As investors we spend all of our time trying to source new ideas and we all have more ideas than we can physically work on at any one point in time.

The key is working efficiently to determine if an ideas represents a true opportunity that should be pursued.

PM Capital versus peers

Traditional idea generation process for your typical 'value manager'

Identify something as is trading cheaply using a computer screen with measures of statistical cheapness (P/E, P/B etc.)

Determine if the outliers are justifiably cheap or an opportunity exists

Downfalls of this approach

Market is more often than not correct. The majority of outliers are cheap for a reason therefore this approach tends to be an inefficient way to identify anomalies

A poor way to identify true mispricing or anomalies where the markets expectations for earnings are materially wrong. This tends to be the area where the biggest anomalies exit (in my experience)

Fails to identify long term structural change

PM Capital versus peers

PM Capital approach

Look at why a security is likely to be mispriced in a market.

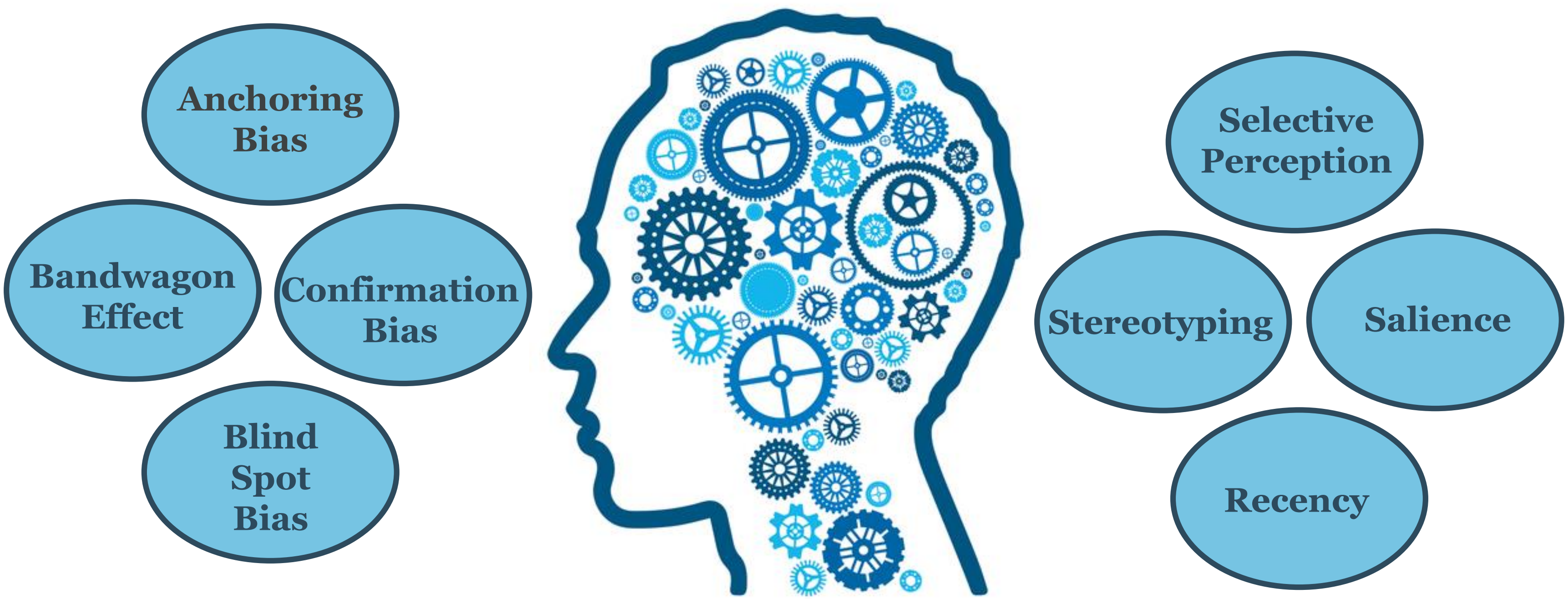
Identify and analyse to determine if securities in identified areas are actually cheap or expensive.

Ask ourselves why the opportunity exists and what edge we have over the market/ trade counterpart.

As investors we are essentially at the cross roads of investigating and understanding businesses and human behaviour. Understanding both is equally important when it comes to identifying anomalies.

Understand what creates opportunity

- Markets a function of human behaviour
- Humans are inherently biased – we endeavour to use the irrational behaviour of market participants to our advantage



Understand what creates opportunity

We concentrate on areas of the market where it is believed the greatest levels of mispricing or opportunity might exist – we don't try and cover everything;

Structural Change	➡	investors are generally proficient when valuing continuity but incorrectly price the outcomes of change
Wider macro concerns	➡	when investors focus on, and react to, macro events they typically liquidate positions regardless of the underlying fundamentals of a business.
Business specific events	➡	results downgrades, management change etc. which causes a severe share price corrections We are looking for transitory issues investors price as permanent
Cyclical inflection points	➡	commodities
Areas of information scarcity	➡	pre IPOs/ IPOs, capital events
Technical factors	➡	index inclusion, forced selling, capital events, spinoffs etc.
Under researched areas	➡	recent IPOs, spinoffs. Small cap, areas of lower liquidity

Why PM Capital Asian Equities?

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

Leading long term performance accretion vs. cash & MSCI Asia ex Japan Index	• +433% vs 130%*; Top decile
Built on the integrity and consistency of philosophy and process	• Simple ideas, simple businesses, multiple iterations • Deep experience • Same Portfolio Manager since inception
Differentiated approach to Asian investing = true diversification for clients	• Stock pickers portfolio – rigorous bottom up research, selective & concentrated positions centered around genuine long term opportunities • Global perspective & insights • Index unaware
Epicentre of global growth over next decade but…	• Changing economic structure requires investor to rethink approach • Benchmark investing less relevant • Australia less of a proxy
Tax and currency are part of the equation	
Alignment through co-investment	

* Calculated from Inception date for the Asian Companies Fund as at 1 July 2008 to 31 March 2018

Asian Companies Fund

Objective: Long-term performance accretion

Performance (net of fees) As at 31 March 2018	1 Year	3 Years p.a.	5 Years p.a.	Since Inception	Total return Since inception
PM Capital Asian Companies Fund	21.6%	9.1%	15.5%	16.0%	325.6%
MSCI AC Asia ex Japan Net Total Return Index ($A)	25.1%	9.1%	15.0%	9.1%	132.7%

Unit holders that have invested in the Asian Companies Fund since inception, have **193% more Capital** than if they had invested in the index.

Looking Back

Top portfolio contributors - As at 31 December 2017

1 Year

Top 5 Positive Equity Contributors	%
Autohome, Inc. Sponsored ADR Class A	6.26
Dali Foods Group	3.27
Wynn Macau	3.10
51job Inc Sponsored ADR	2.92
Sinopec Kantons Holdings	2.49
Top 5 Negative Equity Contributors	**%**
PAX Global Technology	-1.04
iCar Asia	-0.67
AMOREPACIFIC CORP Pfd	-0.32
Hengan International Group	-0.03
Tingyi Holding	-0.01

3 Year

Top 5 Positive Equity Contributors	%
Autohome, Inc. Sponsored ADR Class A	6.32
Wynn Macau	3.45
51job Inc Sponsored ADR	3.12
Dali Foods Group	2.81
Beijing Capital International Airport	2.65
Top 5 Negative Equity Contributors	**%**
Donaco International Ltd.	-3.40
iCar Asia Ltd.	-2.57
SJM Holdings Limited	-2.37
PAX Global Technology Limited	-2.09
Tingyi Holding	-1.91

Portfolio guidelines

Guidelines for the Asian Companies Fund

Description	Guidelines
Number of stocks	15-35 stock specific ideas
Individual stock positions	Max 10%
Total short positions	N/A – long only portfolio
Net equity exposure	0 – 100%
Max cash position	100%

High conviction | Flexible mandate | Focused on investing in market anomalies

Portfolio construction

Stock selection	Peer review, decision made by Portfolio Manager
Weighting	Determined by Portfolio Manager, sizing determined by relative and absolute risk/reward vs existing positions and long term return expectation of 10% p.a – subject to mandate limits
Buy / Sell approach	Valuation based
Short Positions	Determined by Portfolio Manager – price triggers to determine reassessment of position
Cash position	Output of existing opportunity set

Current portfolio
Asian Companies Fund

Holdings	% of portfolio
Consumer – Breweries	9.9%
Consumer – Other	9.8%
Financials	17.9%
Online Classifieds & Ecommerce	14.4%
Capital Goods & Commodities	9.5%
Oil & Gas Infrastructure	9.1%
Gaming – Macau	4.9%
Gaming – Other	4.5%
Other	5.4%

Long Equities Position	**85.4%**
Short Equities Position	0.0%
Net Invested Equities	**85.4%**

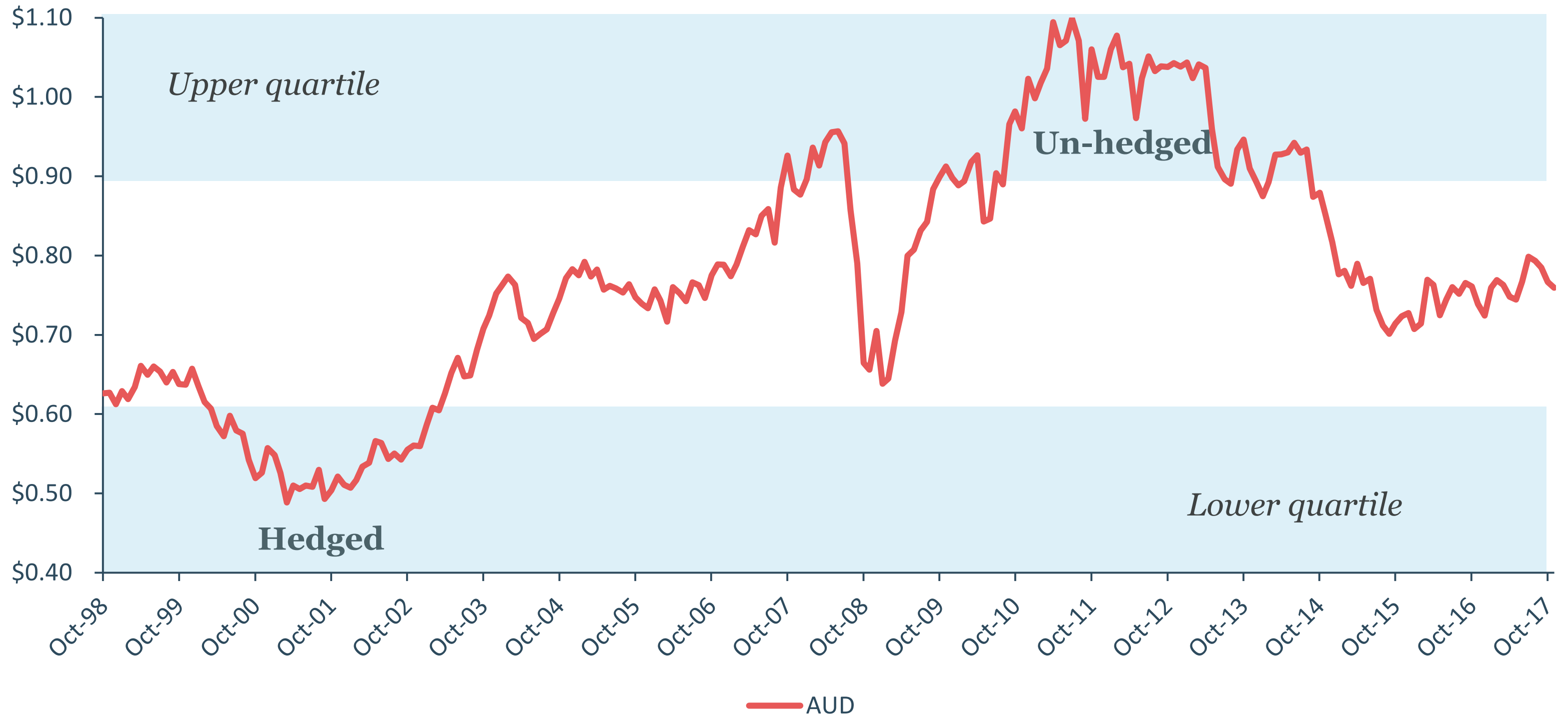
Traditional high conviction portfolio of equities

Simple ideas – genuine long term investment theses

A different subset of opportunities to the traditional benchmarked manager

Currency management

Hedged bottom quartile / unhedged top quartile



Our objective is to fully hedge the portfolio from the risk of currency appreciation when we believe the AUD is in the bottom quartile of it's valuation range and to be unhedged when it is in the top quartile or it's valuation range. Otherwise we are relatively inactive.

Cycles between the peak and trough typically last 10 years.

Source: Factset. Data to 30 November 2017. Mid-point price.

Why invest direct into Asia?

Epicentre of global growth over the next decade

- % global GDP growth today, expect this dominance to continue
  - Demographics dividend
  - Unlocking of the underleveraged consumer as significant wealth is create
- Structural growth with in high quality industries – opportunity reminisce of US and Australia 10-20 years ago.
- Quality of the opportunity subset improved considerably – no longer just low quality commodity industries and companies.
- Diversity exists – Asia is a group of unique and disparate economic jurisdictions with varying growth dynamics, not just a China play.

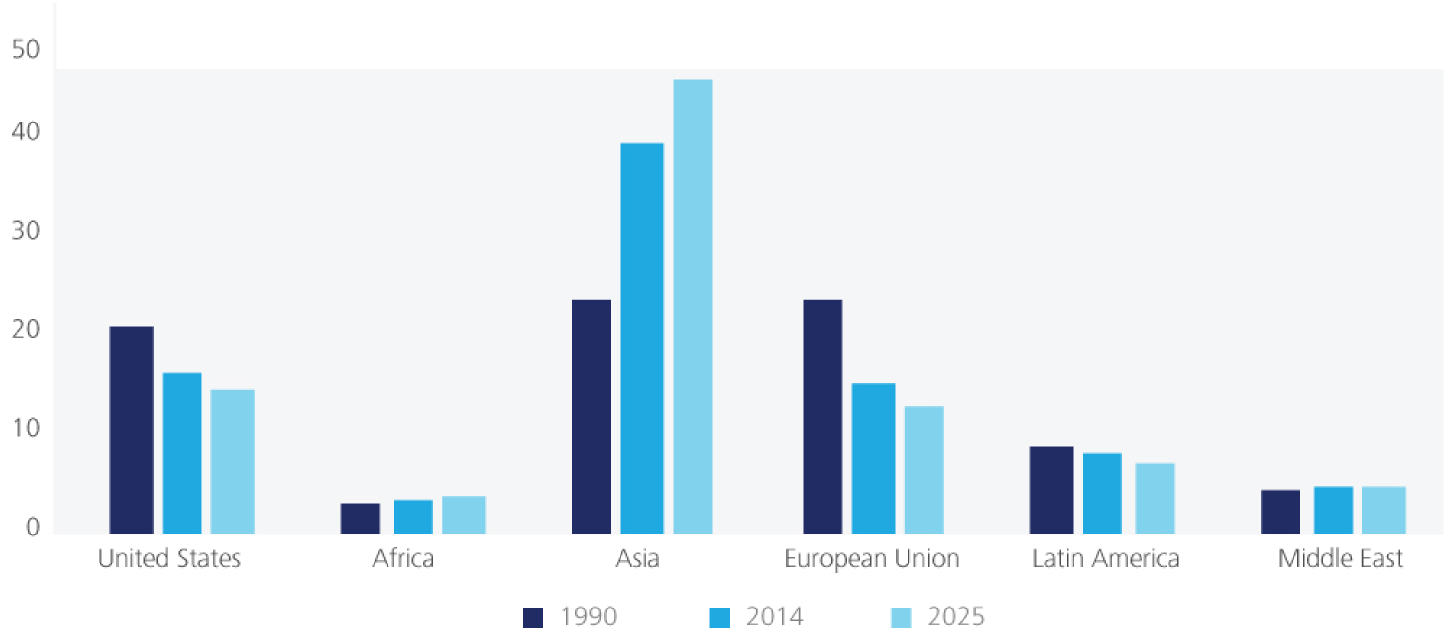
Traditional approach to gaining Asian exposure less relevant today

- Global equity indices overweight United States so 'passive' global investing does not provide adequate exposure.
- Regional benchmarks overweight of a handful of companies which are typically leveraged to the wrong sectors.
- Australia – the easy option – become less of a proxy as Asian economies shift to consumption.
- Buying global brand names is not the answer. Asia will create its own champions.

Asia the epicentre of global growth

Asia currently accounts for 40% of global GDP, almost double that of the United States

Contributors to global GDP
Share of global GDP

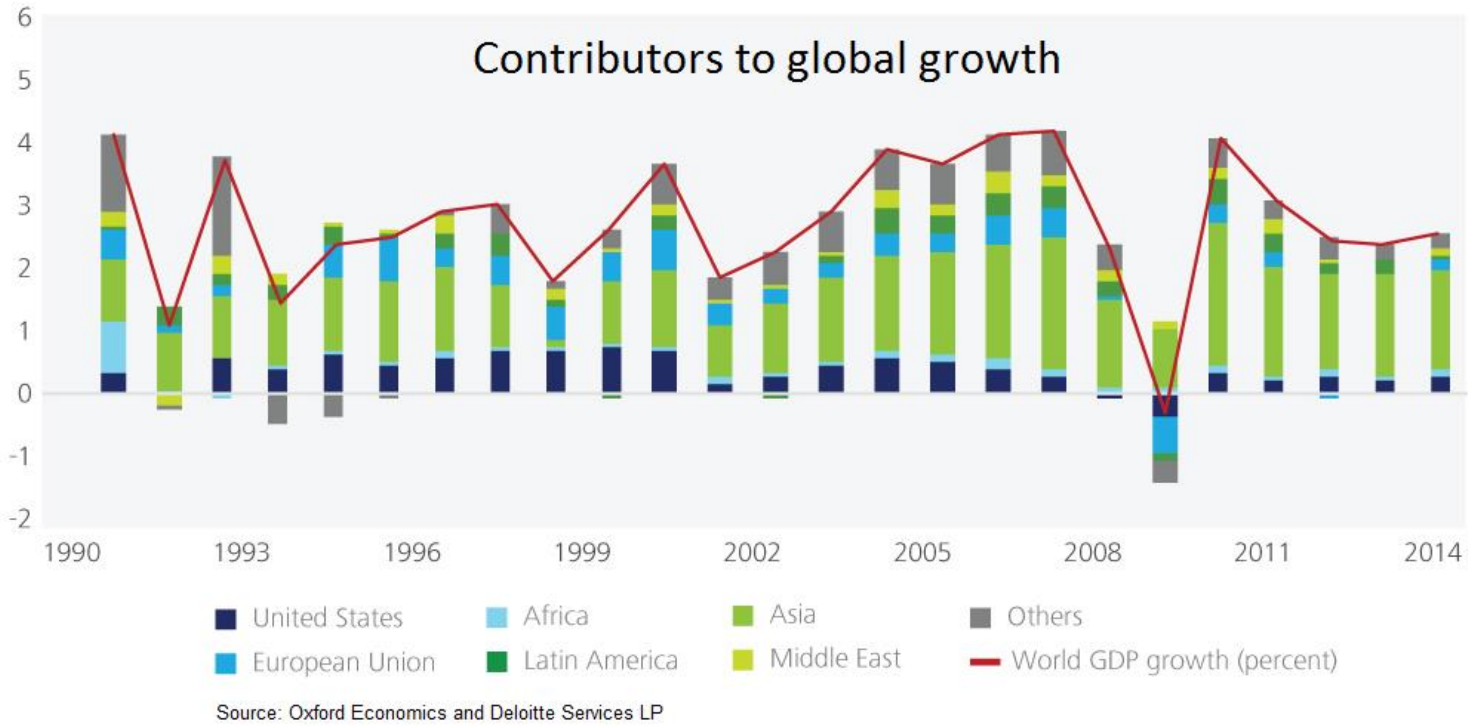


Source: Oxford Economics and Deloitte Services LP

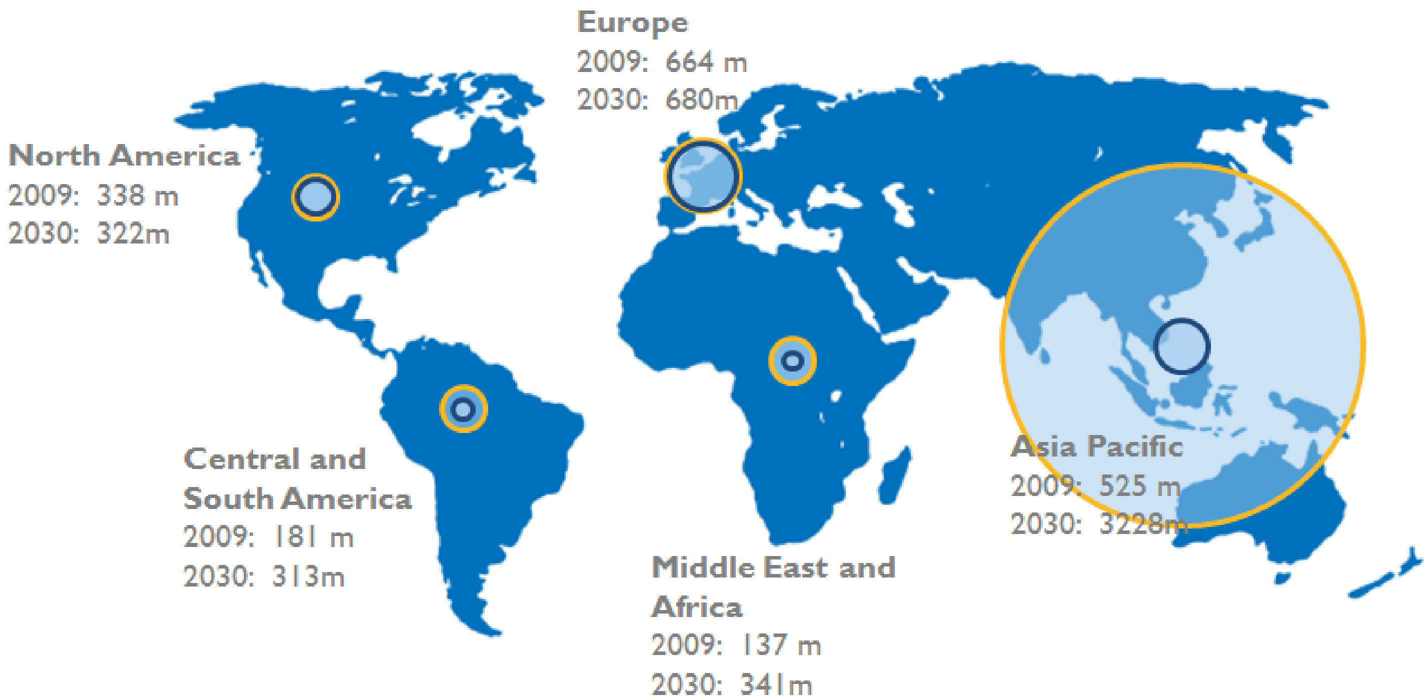
Asia the epicentre of global growth

Asia is the largest contributor to global GDP growth, consistently above 70% = expanding global GDP share

Contributors to global growth



Demographic dividend & wealth creation



Note: 'Middle class' is defined as those households with daily expenditures between US$10 and US $100 per person. The blue border circles and orange border circles depict the size of the middle-class population in 2009 and 2030 respectively.

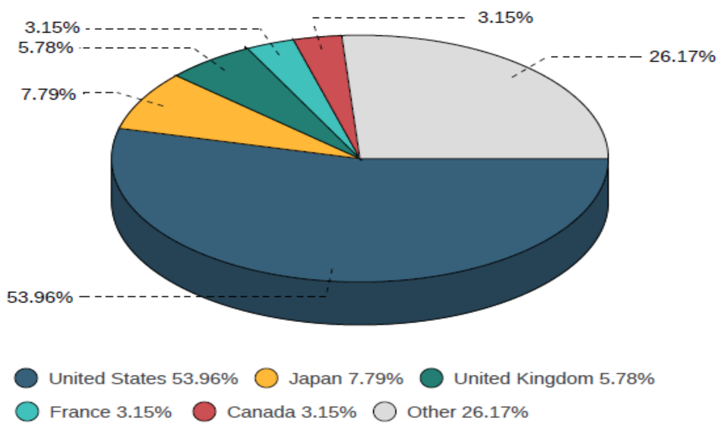
Asia is adding 2.5 billion+ middle income earners

Global benchmarks underweight in Asia

Global asset allocators are **not adequately positioned** for the Asian opportunity

When Asia is given meaningful representation in global allocations **will it be too late?**

COUNTRY WEIGHTS



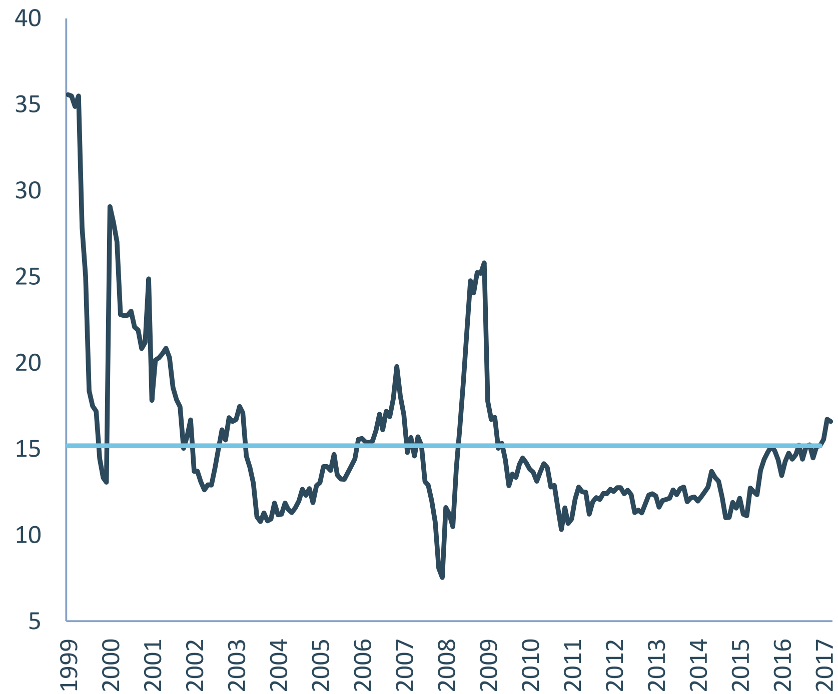
MSCI All Country World Index

TOP 10 CONSTITUENTS

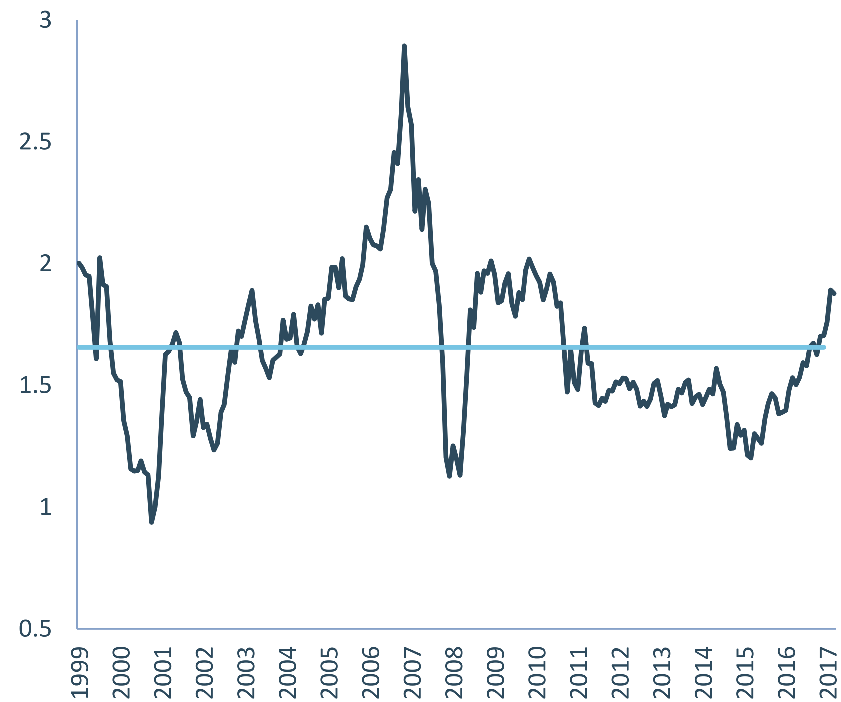
	Float Adj Mkt Cap (USD Billions)	Index Wt. (%)
APPLE	738.16	1.86
MICROSOFT CORP	473.64	1.19
AMAZON.COM	340.52	0.86
EXXON MOBIL CORP	337.21	0.85
JOHNSON & JOHNSON	334.35	0.84
JPMORGAN CHASE & CO	327.32	0.83
FACEBOOK A	314.85	0.79
WELLS FARGO & CO	277.43	0.70
GENERAL ELECTRIC CO	267.13	0.67
AT&T	257.09	0.65
Total	3,667.71	9.25

Regional valuations have normalised

MXASI Index PE



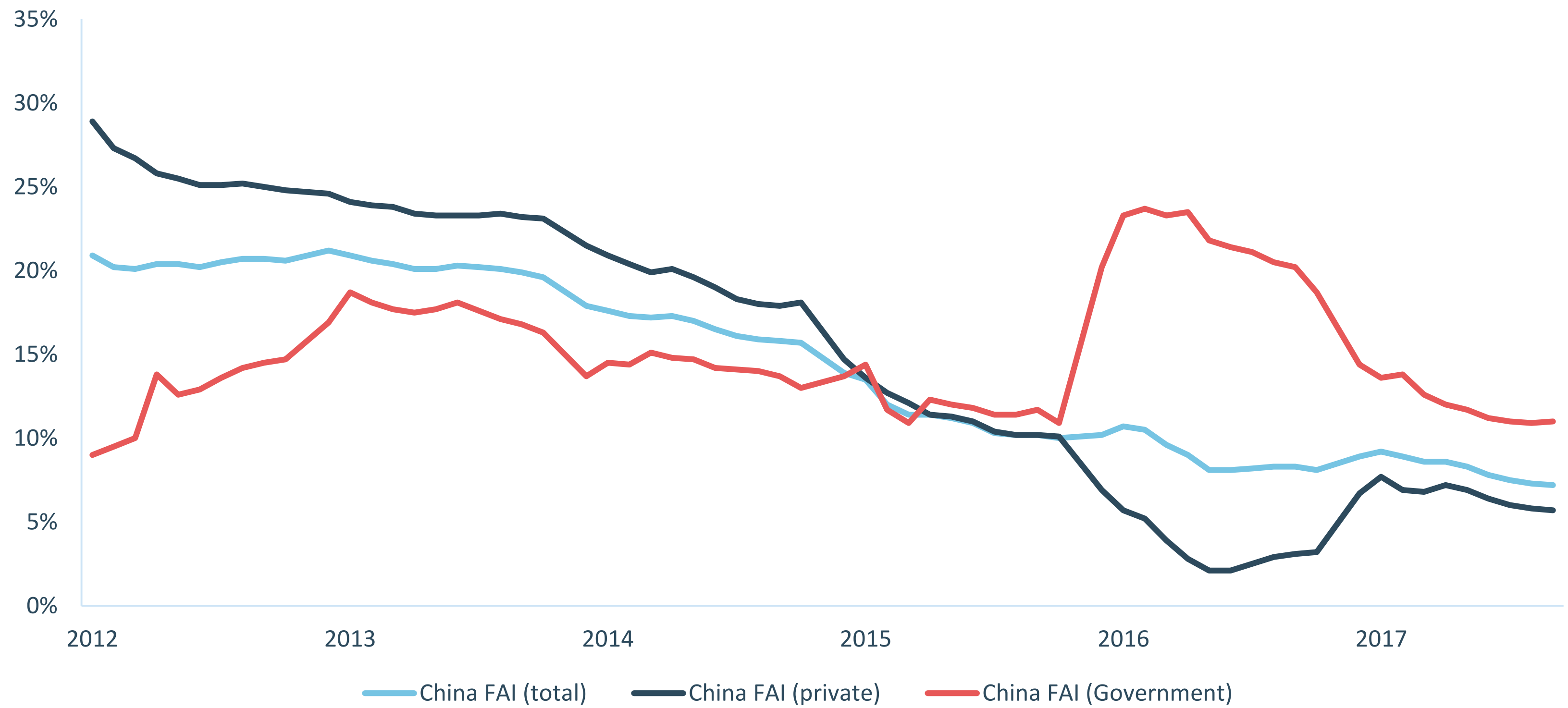
MXASI Index PB



Valuation recovered from near historic lows in Q1/16.
Further upside to come from positive earnings revisions

Market insights

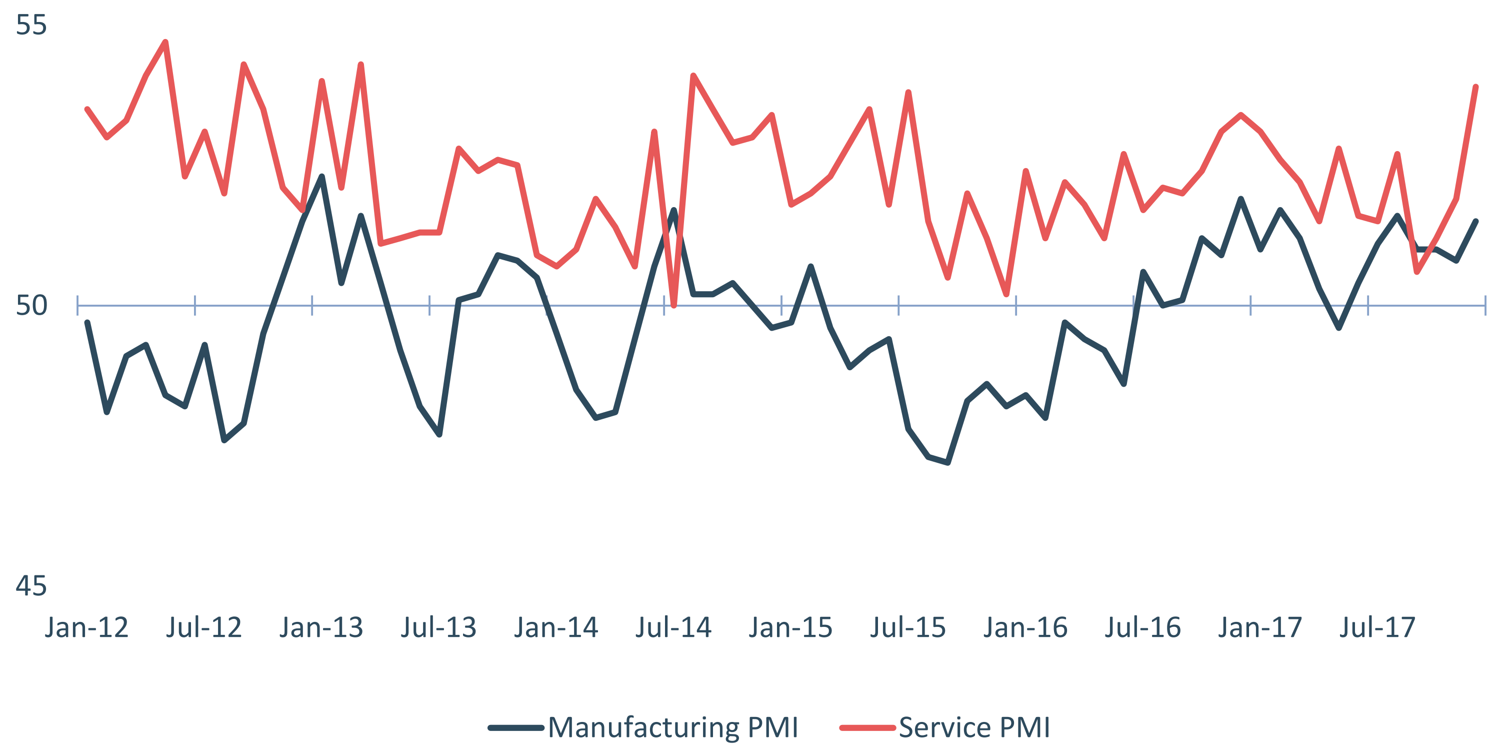
Chinese Fixed Asset Investment Growth



Central Government played an active hand in stabilising the economy in response to a continued slowing of private investment

Market insights

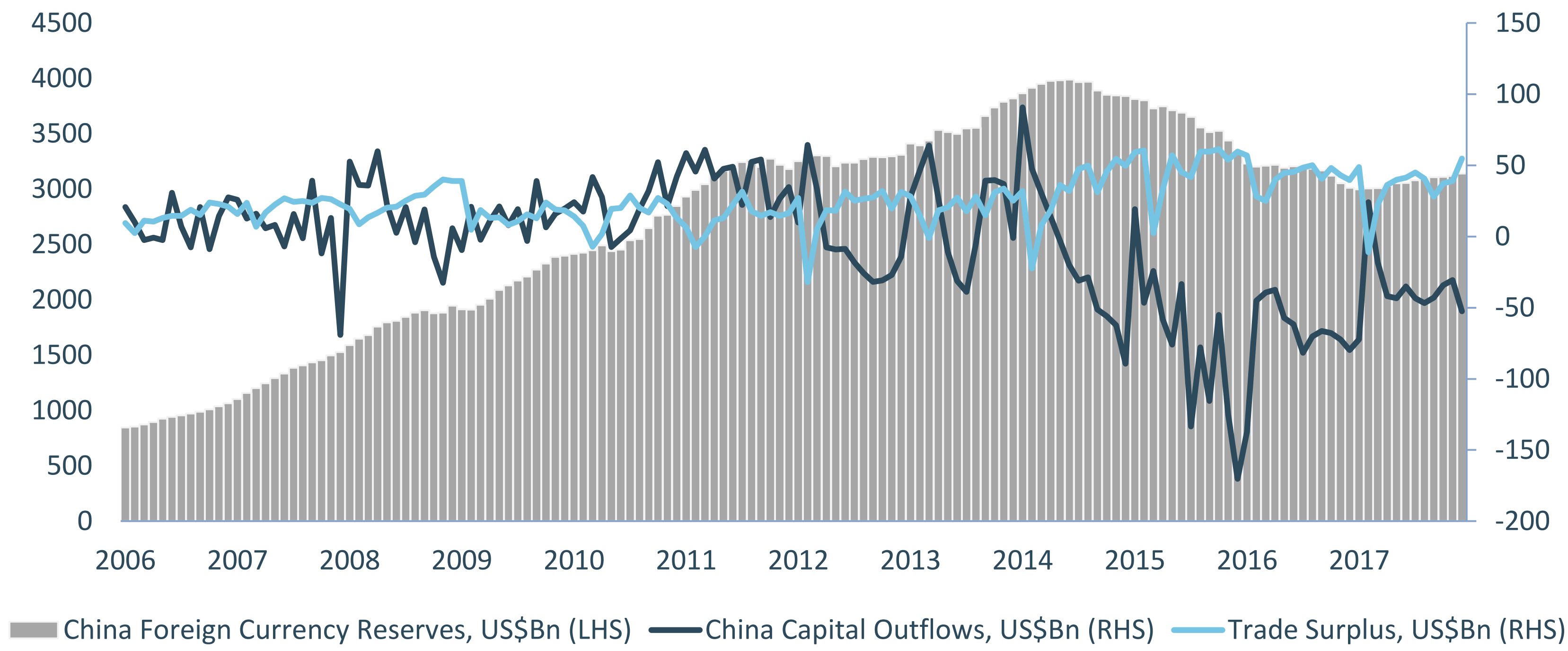
China Caixin PMI



Manufacturing PMI recovery coincides with Government stimulus

Market insights

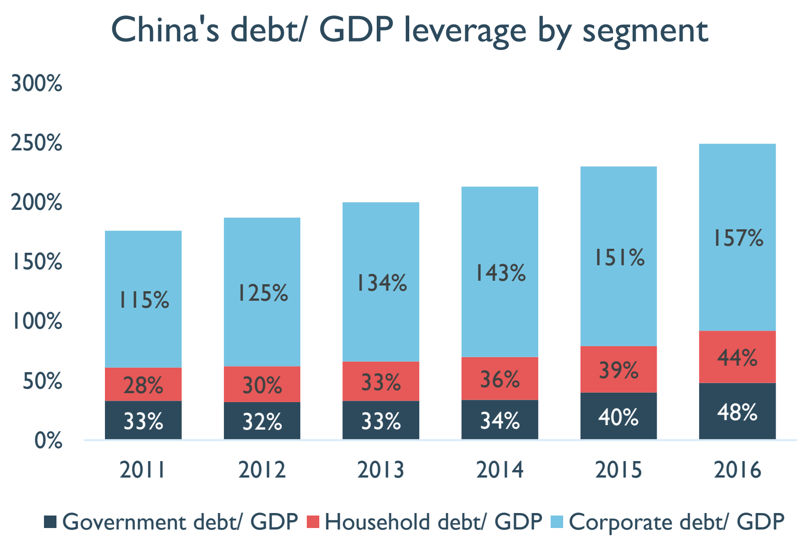
Chinese Capital Outflows vs. Foreign Reserves

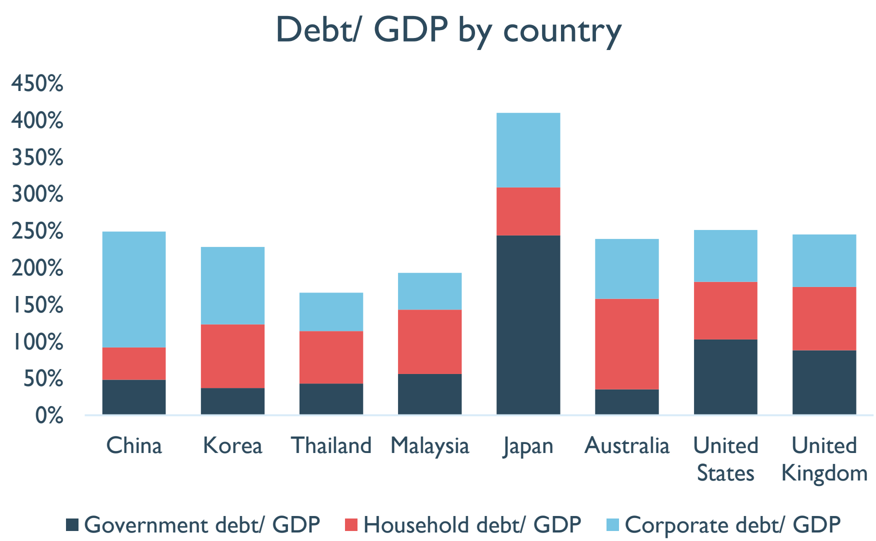


Persistent capital outflows in China contained in recent months BUT remains a concern and something we continue to watch closely

Market insights

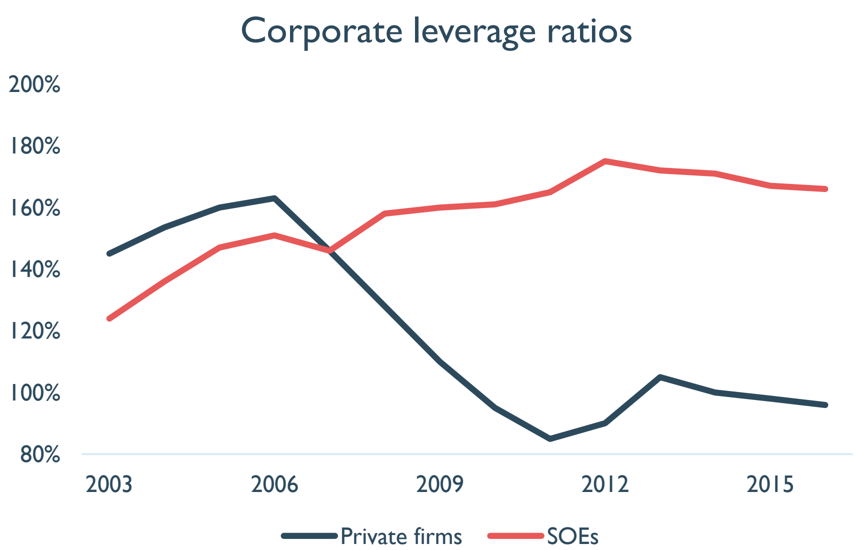
- Debt levels in China risen rapidly in recent years
- Level of total debt in line with global peers but composition of debt heavily skewed to corporates

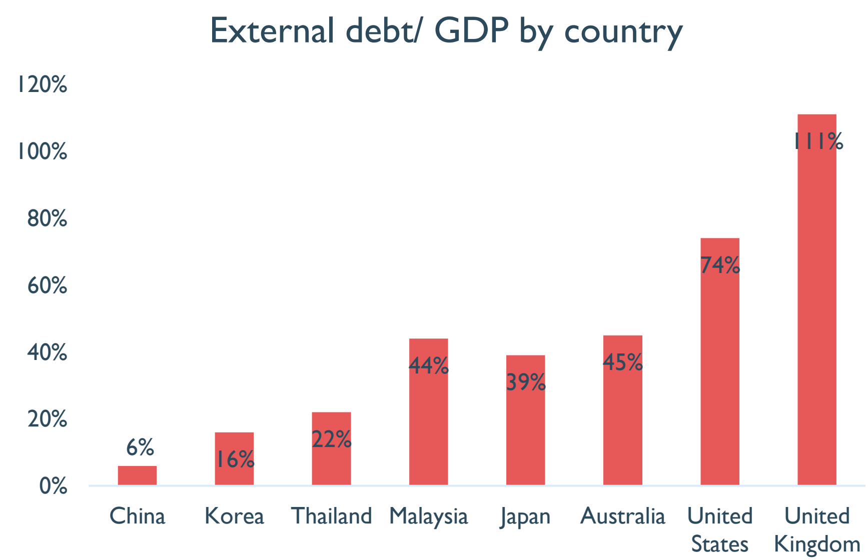




Market insights

- Headline data overstates risks in current debt metrics. Corporate debt is skewed to State Owned Entities which are quasi Government bodies
- Private corporate debt has come down substantially from its highs
- 90%+ China's debt is domestic which is much easier for government to control





PM Capital

Portfolio Investments

Financials	Cyclical inflection point, leveraged to normalisation of global rates. Depressed valuations.
Consumer	Rising affluence, increased distribution reach, premiumisation, market consolidation.
Online classifieds & e-commerce	Structural growth. Evolution in content delivery, consumer habits & advertising models.
Gaming	Severe cyclical correction. Long term structural growth driven by rising affluence & improved market accessibility.
Oil and gas infrastructure	Misunderstood stock specific opportunities.
Korean preference shares	Market perception meets governance catalyst

Korean Preferred Shares

Summary

Preferred shares

Essentially non-voting common stock

Originated out of the Asian financial crisis

Issued by 100+ companies

Trade at substantial discounts to voting common stock

Outside of no voting rights limited differences to common stock. Must pay a dividend equal to or greater than common stock

PM Capital's approach

View preferred share discounts as an anomaly BUT not looking at the discounts in isolation as risk the discount narrows overtime but common stock prices fall

Screened the preferred shares universe narrowing it down to handful of companies. Do we want to own the underlying business – attractive earnings prospects? Healthy balance sheet?

Valuation of the common stock at least needs to be fair

Engage management

Catalyst to narrow the discount

Improved corporate governance

Political pressure

NPS

Stewardship code

Increased recognition

Corporates ie Samsung

Broker community

Korean Preferred Shares

Samsung – 20% index weight

"Over the several past months, we had extensive discussions internally about the best course of the action to increase the return to our shareholders and to optimize capital management. Also, we have reached out to our shareholders and investment community, and have heard back from many of you… Considering the severely undervalued nature of the share price, we feel that a share buyback at these levels is the correct decision… **Over the years many shareholders have expressed a view that buying back and cancelling preferred shares, which are traded at a discount to common shares, is more efficient use of capital as we can buy and cancel more number of shares with the same amount of money, thus increasing the effectiveness of any future capital return to the remaining shareholders. The Company shares the same view. Therefore, we plan to increase the portion of preferred shares for repurchase and cancellation under this buyback program as long as the price discount to common share is greater than 10%.**"

	Date	Buyback Announced	Start	End	Class	# Shares Buyback (K)	Acquisition Cost (W bn)	% Buyback	% Shares Outstanding
3Q15 call	29/10/2015	W11.3tr	30/10/2015	12/01/2016	Common	2,230	2,876	68%	1.5%
					Preferred	1,240	1,376	32%	5.4%
4Q15 call	28/01/2016		29/01/2016	14/04/2016	Common	2,100	2,577	83%	1.4%
					Preferred	530	545	17%	2.5%
1Q16 call	28/04/2016		29/04/2016	12/07/2016	Common	1,300	1,772	83%	0.9%
					Preferred	320	358	17%	1.5%
2Q16 call	28/07/2016		29/07/2016	26/09/2016	Common	990	1,581	84%	0.7%
					Preferred	230	304	16%	1.1%
4Q16 call	24/01/2017	W9.3tr	25/01/2017	10/04/2017	Common	1,020	2,050	84%	0.7%
					Preferred	255	402	16%	1.2%
1Q17 call	27/04/2017		28/04/2017	20/07/2017	Common	900	2,109	84%	0.6%
					Preferred	225	415	16%	1.1%
2Q17 call	27/07/2017		28/07/2017	23/10/2017	Common	670	1,678	83%	0.5%
					Preferred	168	341	17%	0.9%
3Q17 call	31/10/2017		1/11/2017	31/01/2018	Common	712	1,924	84%	0.5%
					Preferred	178	380	16%	1.0%
	Total - Common					9,922	16,568	80%	7%
	Total - Preferred					3,146	4,122	20%	15%

Source: Q3-2015 earnings conference call [Oct 29, 2015]

Ecommerce & Classifieds

Initial investment thesis

- Structural growth driven by evolution in content delivery, consumer habits & advertising models
- Industry disrupters with superior economic benefits for customers
- Very high quality business models
  - Network effects create monopoly/ duopolies
  - Concentrated categories with fragmented customer base = pricing power
  - Limited reinvestment requirements = very high ROICs

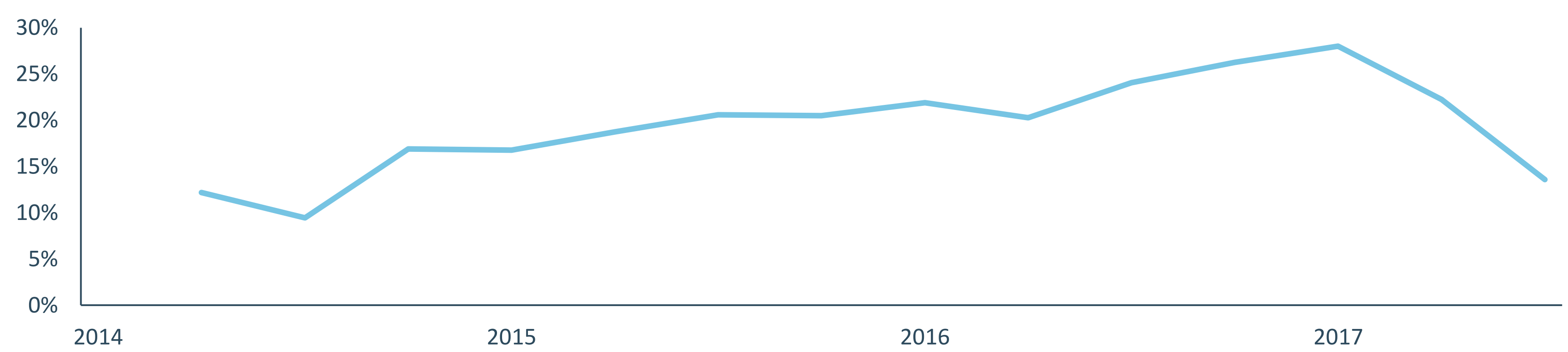
Strong performance + M&A activities = reduced exposure.

Continue to hold favourable view of sector but anomalies no longer present.

Current holdings

- Baidu – Hong Kong
- 104 Corp. – Taiwan
- iCar Asia - ASEAN

Asian Companies Fund Exposure



Ecommerce & Classifieds

iCar Asia – the latest iteration

A great example of the types of situations that create anomalies and the areas we look for potential opportunities

Timeline

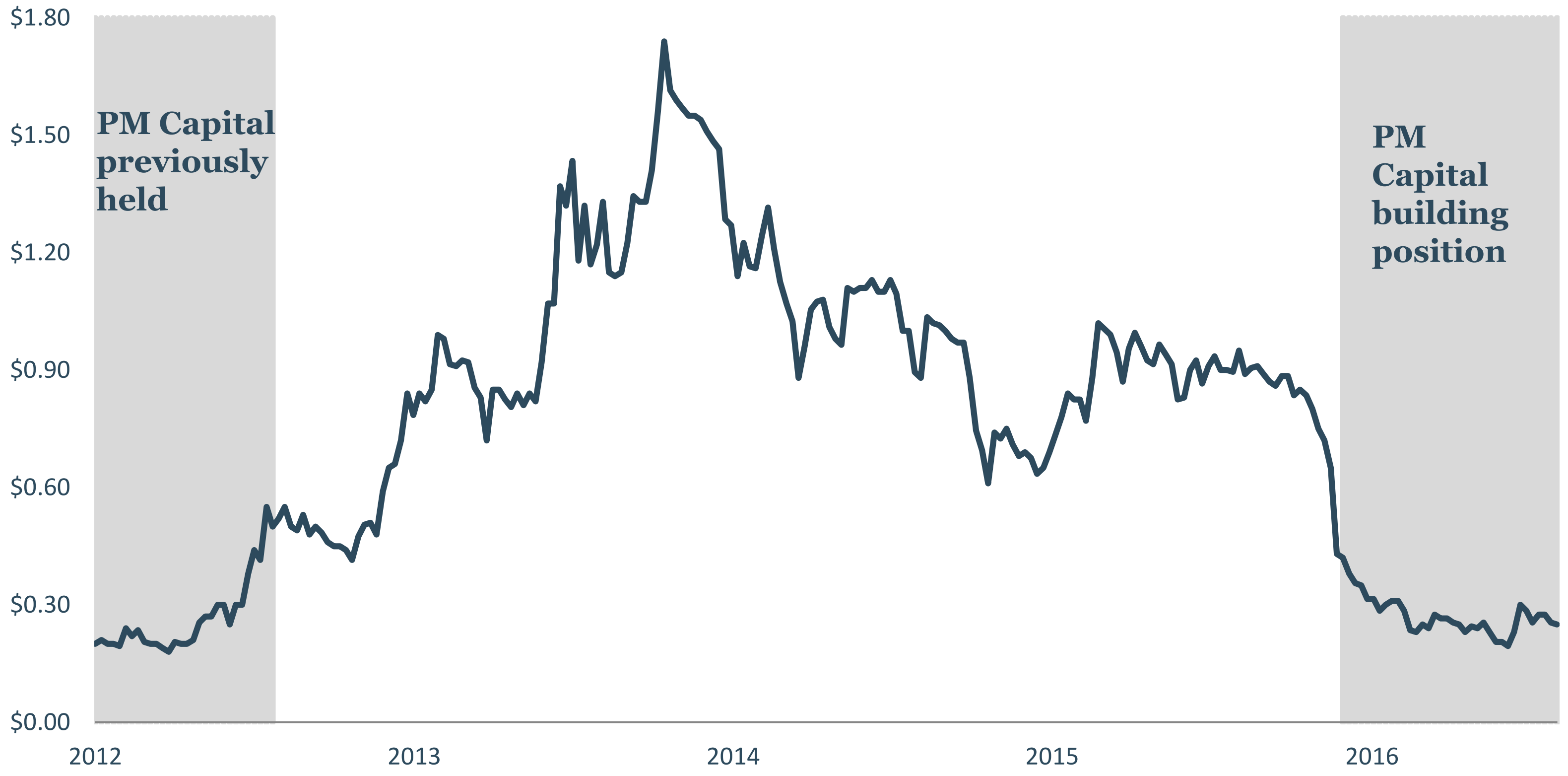
- Jan16 – Share price = 96c
- June16 – New CEO. Share price = 85c
- Aug16 – Strategic review & guidance downgrade. Share price = 70c
  - Radio silence, market assumes capital raising needed resulting in a significant sell off
- Sept16 – Capital raising announced. Share price = 32c
  - PM Capital participates in institutional placement
- Sept16 – Carsales fails to take up dilutive rights entitlement. Share price = 30c
- Oct16 – Brokerage coverage dropped
- Nov16 – Carsales representatives step down from the board. Share price = 20c
- End of 2016 share price = 25c

Share price down 75% over a 12 month period

Ecommerce & Classifieds

iCar Asia – the latest iteration

Share Price History – iCar Asia



Gaming

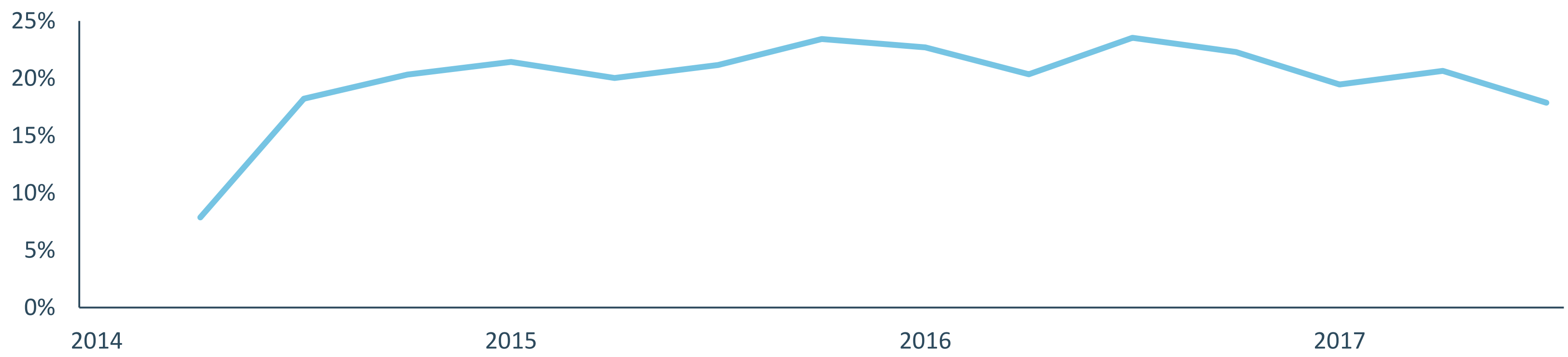
Original investment thesis (Macau holdings)

- Recovery from severe cyclical correction – industry hit by a perfect storm driving substantial revenue correction short term
- Asia's Las Vegas – despite short term concerns, long term structural growth dynamic unchanged i.e. growth of China's mass market consumer, improved accessibility
- Industry going ex-CAPEX – significant free cash flow available to be returned to shareholders

Current holdings

- MGM China – Hong Kong
- Donaco International – Aust.
- Nagacorp – Hong Kong

Asian Companies Fund exposure

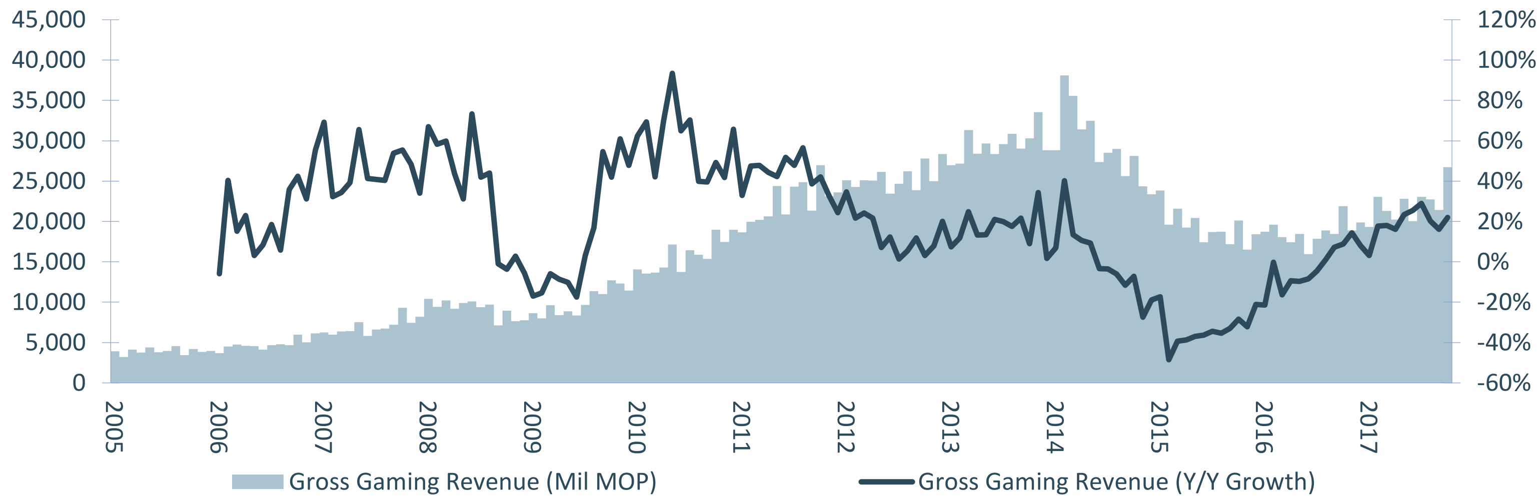


Gaming

Where are we today? Playing out as expected

- New capacity additions gradually coming online
- Infrastructure improvements taking effect from 2H/17
- VIP stronger than most expected. Buoyed by mainland property market and commodities
- Current NTM valuation expensive, issue is earnings estimates are still too conservative
- A lot of noise to react to (Crown VIP, Union Pay restrictions) BUT does it change our investment thesis?

Macau Monthly Gaming Revenues



Financials

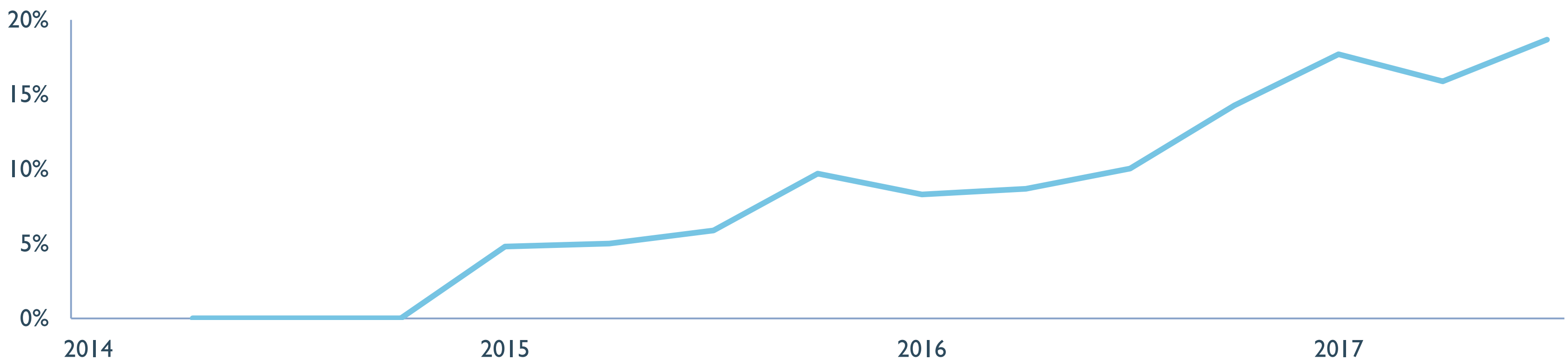
- Biggest addition to the Fund over the past year. Minimal exposure to banks prior to recent additions
- Investment thesis
  - Excess capital, ability to return capital overtime
  - Highly leverage to US rate rises, NIM trough
  - Unwarranted concern over asset quality

Structural growth in ROE flowing through to valuations

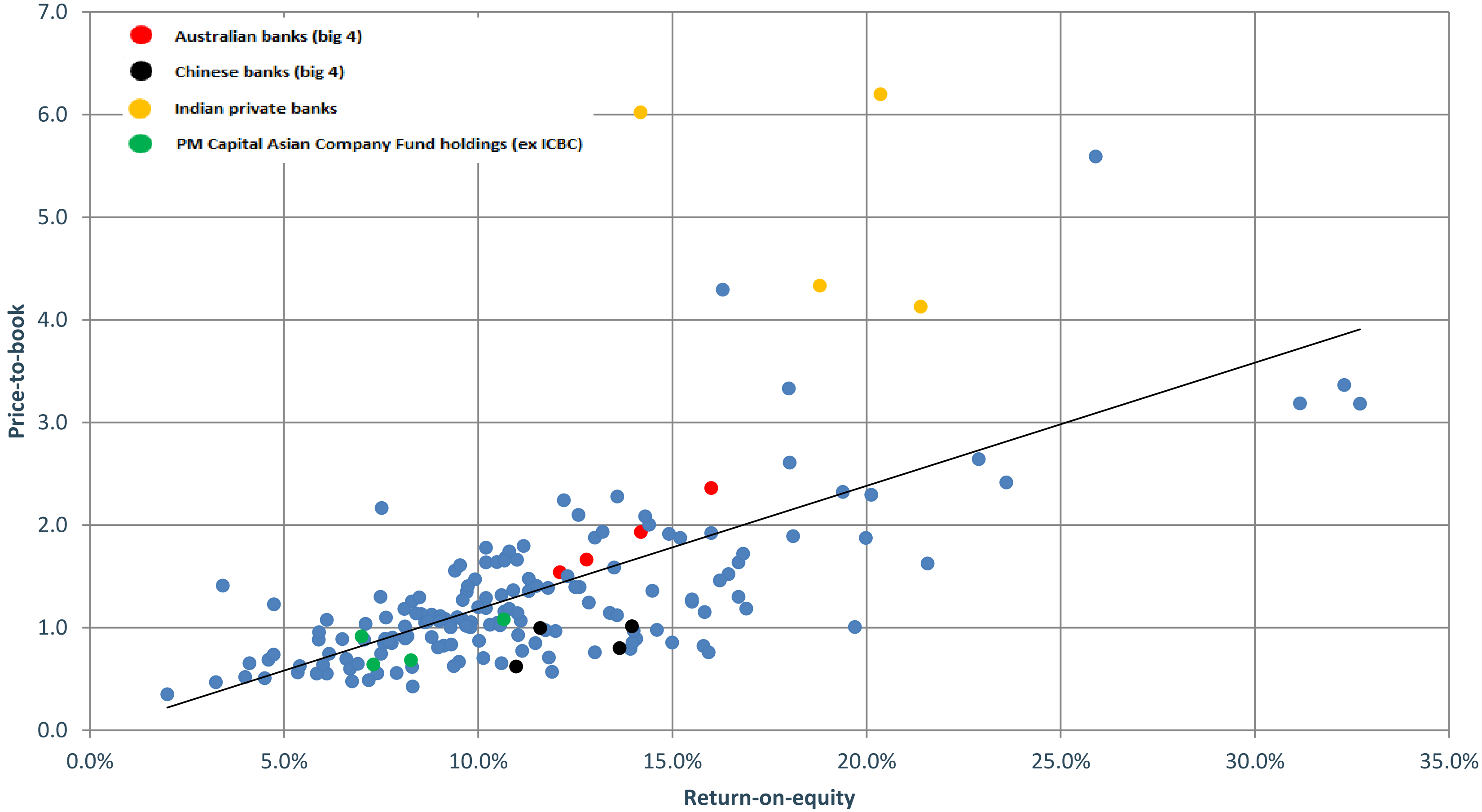
Current holdings

- HSBC Holdings – Hong Kong
- DBS Group – Singapore
- ICBC – China
- Shinhan FG – Korea
- KB Financial Group - Korea

Asian Companies Fund exposure



Financials

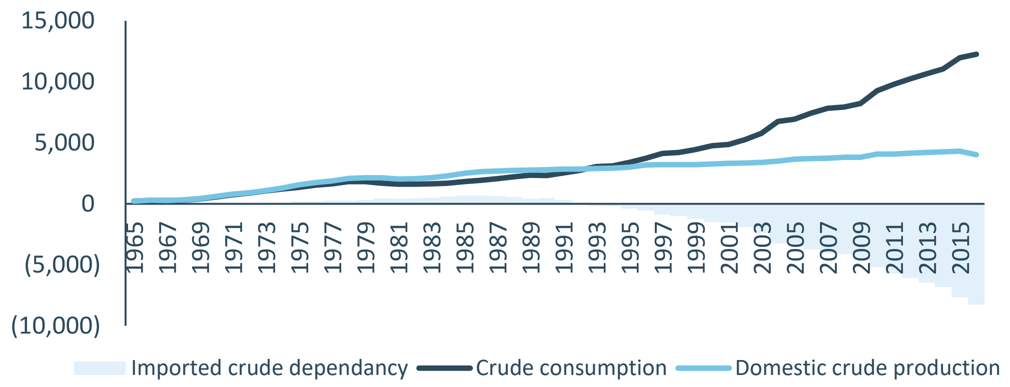


Valuation anomaly versus global banks

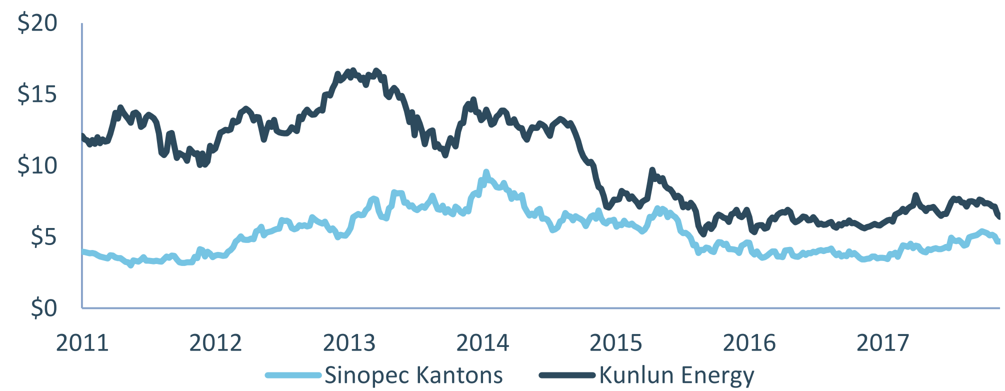
Oil & gas infrastructure
Investment thesis

- A-grade oil and gas transportation (terminals/ pipelines) and storage assets
- Beneficiary of China's rising dependency on imported crude oil and transition to natural gas
- Significant valuation discount to global port and pipeline comparisons despite comparable ROE profile. Valuation anomaly a resulted of:
  - Regulatory overhang – recently resolved
  - Ill timed acquisitions – worse now behind us

China Oil Dependency ('000' bbl/day)



Share Price History



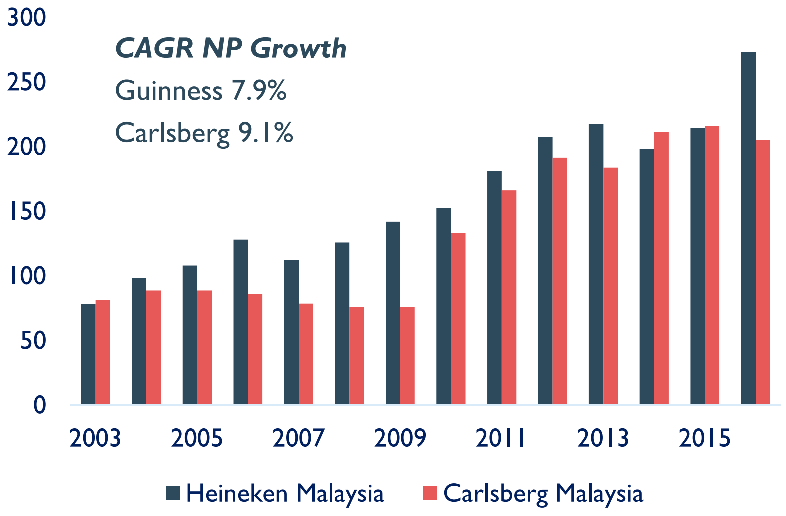
What we like
Malaysian Brewers

Attractive market structure
- Duopoly
- High barriers to entry for new competitors
- Strong demographics

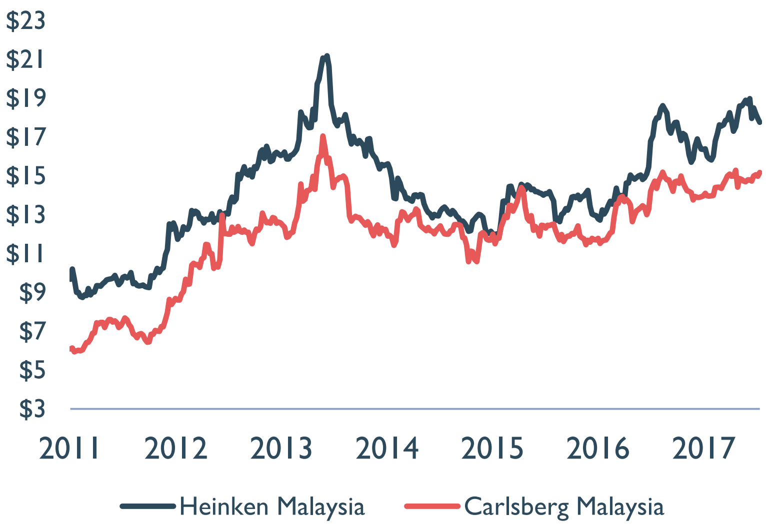
Created favourable market dynamics
- Premier Brand Portfolio
- Rational pricing environment
- Rational capital allocation

Which has in turn driven…
- High margins and returns
- Consistent earnings growth

Net Profit History – Malaysian Brewers (Mil RM)



Share Price History – Sinopec Kantons



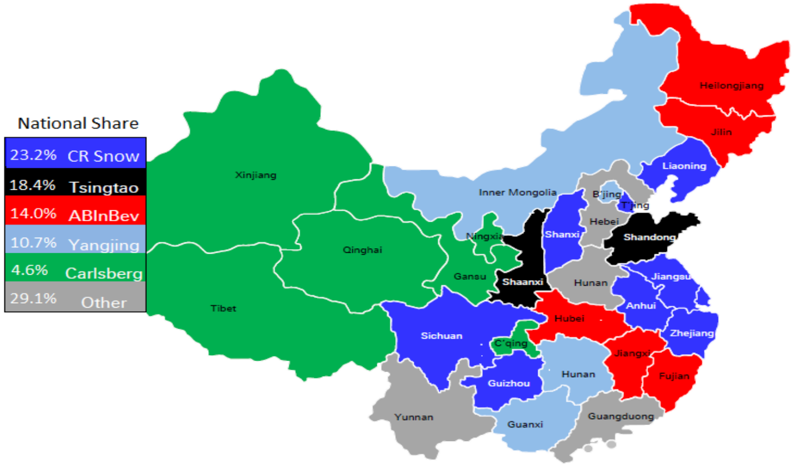
What we don't like
Chinese Brewers

Aggressive competition driven unfavourable market dynamics
- Irrational capital allocation
- Limited organic pricing power
- Aggressive A&P campaigns

Which has in turn destroyed business economics
- Low margins and returns versus global peers
- Inconsistent earnings growth

Consolidation = opportunity in China
- Organic price increases + premiumisation
- Margin expansion
- Lower capital expenditure

Competitive Landscape Chinese Beer



Share Price History – Tsingtao

What would interest us? Consolidation

Summary

Consistent proposition

Access to rewards created by changing Asian consumption

Proven investment philosophy and process

Stable, tenured and experienced team

Manager with industry leading long term performance

Select market anomalies poised to play out over the next 3-5 years

Differentiated investment proposition

Platform availability

	Global Companies Fund	Asian Companies Fund	Australian Companies Fund	Enhanced Yield Fund
AMP North	✓			✓
Asgard	✓		✓	✓
BT Wrap	✓	✓	✓	✓
BT Panorama	✓	✓		✓
Colonial FirstChoice	✓			✓
Colonial FirstWrap	✓	✓	✓	✓
HUB24	✓	✓	✓	✓
IOOF - Pursuit Select	✓			✓
Macquarie Wrap	✓	✓	✓	✓
MLC Masterkey	✓			
MLC Wrap	✓		✓	✓
Navigator	✓			✓
Netwealth	✓	✓	✓	✓
uXchange	✓			✓