

AUSTRALIAN

RESEARCH

INDEPENDENT INVESTMENT RESEARCH

PM Capital Global Opportunities Fund Limited (ASX: PGF)

July 2018

WHO IS IIR?

Independent Investment Research, "IIR", is an independent investment research house based in Australia and the United States. IIR specialises in the analysis of high quality commissioned research for Brokers, Family Offices and Fund Managers. IIR distributes its research in Asia, United States and the Americas. IIR does not participate in any corporate or capital raising activity and therefore it does not have any inherent bias that may result from research that is linked to any corporate/ capital raising activity.

IIR was established in 2004 under Aegis Equities Research Group of companies to provide investment research to a select group of retail and wholesale clients. Since March 2010, IIR (the Aegis Equities business was sold to Morningstar) has operated independently from Aegis by former Aegis senior executives/shareholders to provide clients with unparalleled research that covers listed and unlisted managed investments, listed companies, structured products, and IPOs.

IIR takes great pride in the quality and independence of our analysis, underpinned by high caliber staff and a transparent, proven and rigorous research methodology.

INDEPENDENCE OF RESEARCH ANALYSTS

Research analysts are not directly supervised by personnel from other areas of the Firm whose interests or functions may conflict with those of the research analysts. The evaluation and appraisal of research analysts for purposes of career advancement, remuneration and promotion is structured so that non-research personnel do not exert inappropriate influence over analysts.

Supervision and reporting lines: Analysts who publish research reports are supervised by, and report to, Research Management. Research analysts do not report to, and are not supervised by, any sales personnel nor do they have dealings with Sales personnel

Evaluation and remuneration: The remuneration of research analysts is determined on the basis of a number of factors, including quality, accuracy and value of research, productivity, experience, individual reputation, and evaluations by investor clients.

INDEPENDENCE – ACTIVITIES OF ANALYSTS

IIR restricts research analysts from performing roles that could prejudice, or appear to prejudice, the independence of their research.

Pitches: Research analysts are not permitted to participate in sales pitches for corporate mandates on behalf of a Broker and are not permitted to prepare or review materials for those pitches. Pitch materials by investor clients may not contain the promise of research coverage by IIR.

No promotion of issuers' transactions: Research analysts may not be involved in promotional or marketing activities of an issuer of a relevant investment that would reasonably be construed as representing the issuer. For this reason, analysts are not permitted to attend "road show" presentations by issuers that are corporate clients of the Firm relating to offerings of securities or any other investment banking transaction from that our clients may undertake from time to time. Analysts may, however, observe road shows remotely, without asking questions, by video link or telephone in order to help ensure that they have access to the same information as their investor clients.

Widely-attended conferences: Analysts are permitted to attend and speak at widely-attended conferences at which our firm has been invited to present our views. These widely-attended conferences may include investor presentations by corporate clients of the Firm.

Other permitted activities: Analysts may be consulted by Firm sales personnel on matters such as market and industry trends, conditions and developments and the structuring, pricing and expected market reception of securities offerings or other market operations. Analysts may also carry out preliminary due diligence and vetting of issuers that may be prospective research clients of ours.

INDUCEMENTS AND INAPPROPRIATE INFLUENCES

IIR prohibits research analysts from soliciting or receiving any inducement in respect of their publication of research and restricts certain communications between research analysts and personnel from other business areas within the Firm including management, which might be perceived to result in inappropriate influence on analysts' views.

Remuneration and other benefits: IIR procedures prohibit analysts from accepting any remuneration or other benefit from an issuer or any other party in respect of the publication of research and from offering or accepting any inducement (including the selective disclosure by an issuer of material information not generally available) for the publication of favourable research. These restrictions do not preclude the acceptance of reasonable hospitality in accordance with the Firm's general policies on entertainment, gifts and corporate hospitality.

DISCLAIMER

This publication has been prepared by Independent Investment Research (Aust) Pty Limited trading as Independent Investment Research ("IIR") (ABN 11 152 172 079), an corporate authorised representative of Australian Financial Services Licensee (AFSL no. 410381). IIR has been commissioned to prepare this independent research report (the "Report") and will receive fees for its preparation. Each company specified in the Report (the "Participants") has provided IIR with information about its current activities. While the information contained in this publication has been prepared with all reasonable care from sources that IIR believes are reliable, no responsibility or liability is accepted by IIR for any errors, omissions or misstatements however caused. In the event that updated or additional information is issued by the "Participants", subsequent to this publication, IIR is under no obligation to provide further research unless commissioned to do so. Any opinions, forecasts or recommendations reflects the judgment and assumptions of IIR as at the date of publication and may change without notice. IIR and each Participant in the Report, their officers, agents and employees exclude all liability whatsoever, in negligence or otherwise, for any loss or damage relating to this document to the full extent permitted by law. This publication is not and should not be construed as, an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. Any opinion contained in the Report is unsolicited general information only. Neither IIR nor the Participants are aware that any recipient intends to rely on this Report or of the manner in which a recipient intends to use it. In preparing our information, it is not possible to take into consideration the investment objectives, financial situation or particular needs of any individual recipient. Investors should obtain individual financial advice from their investment advisor to determine whether opinions or recommendations (if any) contained in this publication are appropriate to their investment objectives, financial situation or particular needs before acting on such opinions or recommendations. This report is intended for the residents of Australia. It is not intended for any person(s) who is resident of any other country. This document does not constitute an offer of services in jurisdictions where IIR or its affiliates do not have the necessary licenses. IIR and/or the Participant, their officers, employees or its related bodies corporate may, from time to time hold positions in any securities included in this Report and may buy or sell such securities or engage in other transactions involving such securities. IIR and the Participant, their directors and associates declare that from time to time they may hold interests in and/or earn brokerage, fees or other benefits from the securities mentioned in this publication.

IIR, its officers, employees and its related bodies corporate have not and will not receive, whether directly or indirectly, any commission, fee, benefit or advantage, whether pecuniary or otherwise in connection with making any statements and/or recommendation (if any), contained in this Report. IIR discloses that from time to time it or its officers, employees and related bodies corporate may have an interest in the securities, directly or indirectly, which are the subject of these statements and/or recommendations (if any) and may buy or sell securities in the companies mentioned in this publication; may affect transactions which may not be consistent with the statements and/or recommendations (if any) in this publication; may have directorships in the companies mentioned in this publication; and/or may perform paid services for the companies that are the subject of such statements and/or recommendations (if any).

However, under no circumstances has IIR been influenced, either directly or indirectly, in making any statements and/or recommendations (if any) contained in this Report. The information contained in this publication must be read in conjunction with the Legal Notice that can be located at <http://www.independentresearch.com.au/Public/Disclaimer.aspx>.

THIS IS A COMMISSIONED RESEARCH REPORT.

The research process includes the following protocols to ensure independence is maintained at all times:

- 1) The research process has complete editorial independence from the company and this is included in the contract with the company;
- 2) Our analyst has independence from the firm's management, as in, management/ sales team cannot influence the research in any way;
- 3) Our research does not provide a recommendation, in that, we do not provide a "Buy, Sell or Hold" on any stocks. This is left to the Adviser who knows their client and the individual portfolio of the client.
- 4) Our research process for valuation is usually more conservative than what is adopted in Broking firms in general sense. Our firm has a conservative bias on assumptions provided by management as compared to Broking firms.
- 5) All research mandates are settled upfront so as to remove any influence on ultimate report conclusion;
- 6) All staff are not allowed to trade in any stock or accept stock options before, during and after (for a period of 6 weeks) the research process.

For more information regarding our services please refer to our website www.independentresearch.com.au.

Note: This report is based on information provided by the company as at July 2018



Key Investment Information	
Name of LIC	PM Capital Global Opportunities Fund Limited
Investment Manager	PM Capital Limited
Investment Type	LIC
ASX Code	PGF
ASX Listing Date	12 Dec 2013
NTA (Pre-tax) *	1.39
Share Price *	1.33
Shares on Issue (m)	350.910
Market Capitalisation *	466.710
Options Outstanding (m)	Nil
Distribution Policy	Six-monthly, subject to available profits, cash flow and franking credit
Benchmark	MSCI World Net Total Return Index in AUD
FX Exposure	Actively managed
MER	1.0%
Performance Fee	15% of net return in excess of benchmark

Fees Commentary

The management and performance fee level and hurdle are at the lower end of the peer group average. However, if we were to consider the peer group as a whole when combining the MER plus performance fees and relevant hurdles it is relatively expensive.

Portfolio Characteristics	
Number of stocks	35-45
Single Security (Long)	7.5%
Single Security (Short)	2.5%
Net Equity Exposure	Typically 90-110% NAV
Gross Equity Exposure	Max 130% of NAV

Note: This report is based on information provided by the Issuer as at July 2018

* As at 30 June 2018

The investment opinion in this report is current as at the date of publication. Investors and advisers should be aware that over time the circumstances of the issuer and/or product may change which may affect our investment opinion.

OVERVIEW

PM Capital Global Opportunities Fund (PGF or 'the Fund') listed in December 2013. The portfolio is managed by PM Capital Limited (the 'Manager'). PGF offers investors exposure to a relatively concentrated, high-conviction and generally contrarian portfolio of global equities investments comprised of long and short positions (maximum permissible exposure 130/30). PM Capital was formed in 1998 as an equity house with strong beliefs in value and valuation anomalies and that belief has remained unwavering to this day. PM Capital's investment philosophy can be characterised by the terms patience, conviction, valuation anomalies, consistency in process, and "simple ideas, simple businesses, multiple iterations". The portfolio is concentrated by stocks (typically 35-40) but more so by identified industry / sector themes and dynamics. The portfolio may comprise 7-10 broad ideas in which the Manager is seeking to exploit over time through multiple beneficiary companies. The Manager's conceptualisation of the opportunity set differs from the bulk of global equities managers. The net result is ultimately a differentiated portfolio to many global equities mandates. PM Capital manages four different investment strategies, specifically fixed income, Global Companies, Asian Companies and Australian Companies. We note the Manager has consistently outperformed the respective benchmarks across all four strategies, including the PM Capital Global Companies Fund. The latter is an unlisted fund based on the same investment strategy as PGF but with a substantially longer track-record dating back to 1998.

INVESTOR SUITABILITY

PM Capital is a high conviction, contrarian investor, seeking valuation anomalies in good businesses. Its conceptualisation of investment opportunities generally sets it apart from the bulk of global equities investment managers. The Fund provides a significantly differentiated portfolio relative to peers, offering genuine portfolio diversification benefits. As a component of an investor's global equities sub-portfolio, it not only brings an attractive returns proposition but may serve to lower overall risk due to this differentiated portfolio. More broadly, Australian investor preferences are often biased towards products and services that depend substantially on the performance of the Australian economy. This domestic bias can lead to investment outcomes that do not benefit from global diversification. The Fund creates an opportunity to help address this issue. For a global equities mandate, the dividend yield at 4.1% p.a. is relatively strong and in part reflects the value and solid business investment style. Further, absolute dividend levels have grown consistently over time.

RECOMMENDATION

IIR ascribes a "RECOMMENDED PLUS" rating to the PM Capital Global Opportunities Fund Limited. The Fund is managed by an experienced and stable senior team that has a significant alignment of interest with investors by way of equity ownership in PM Capital and significant co-investment in the Fund. The Fund provides a differentiated product offering, with selective and concentrated long term investments providing genuine diversification for the client. The portfolio is built on an integrity and consistency of philosophy and process and has been managed by the same CIO / portfolio manager since inception. PM Capital has a solid track-record; all four investment strategies (which are all based on a consistent investment philosophy and process) have materially and consistently outperformed benchmarks. The Manager has a particularly solid track-record of picking market inflection points which, tied with effective net equity exposure management, has generated strong outperformance in such periods. Slightly tempering these positives, we note that while PM Capital's strong bench of portfolio managers serves to mitigate key man risk, it does not entirely alleviate that risk which lies with Portfolio Manager, CIO, founder, majority shareholder and key PM Capital business identity Paul Moore. Additionally, PGF has historically traded at a material discount to NTA. The discount has narrowed over the last 12-months. However, it remains to be seen how what has historically been a material performance risk to investors evolves moving forward.

SWOT ANALYSIS

Strengths

- ◆ The Manager has an experienced and stable senior team, with the average PM Capital tenure of 11 years and average industry experience of 19 years amongst the PM ranks. IIR notes the breadth of outperformance across the PM ranks, with all four investment strategies materially outperforming respective benchmarks and achieving internal performance objectives. This strong bench of portfolio managers not only serves to ensure quality input into the investment decisions for the Fund but, additionally, to mitigate key man risk associated with the portfolio manager for the Fund, Paul Moore.
- ◆ An important strength with PM Capital, and one that serves to very much align the interests of investors with the investment team, is the degree of equity ownership the team has in the Manager as well as the degree of co-investment in the investment strategies. To our mind, such a level of co-investment particularly sharpens an investment manager's mind with respect to capital preservation and downside risk mitigation.
- ◆ PM Capital has a solid track-record. All four investment strategies (which are all based on a consistent investment philosophy and process) have materially outperformed benchmarks and have consistently done so over time. The Manager has a particularly solid track-record of picking market inflection points which, tied with effective net equity exposure management, has generated strong outperformance in such periods.
- ◆ PM Capital is a high conviction, contrarian investor, seeking valuation anomalies in good businesses. Its conceptualisation of the investment opportunity generally sets it apart from the bulk of global equities investment managers. The Fund provides a significantly differentiated portfolio composition relative to peers, offering genuine portfolio diversification benefits.
- ◆ At approximately \$1 billion in FUM in the global equities investment strategy, the Manager is not subject to capacity constraints when seeking to capitalise on investment ideas. We note that PGF provides a substantially differentiated portfolio exposure to some of the larger, domestically based global equities fund managers.

Weakness

- ◆ PGF has historically traded at a material discount to NTA. The discount has narrowed considerably over the last 12-months (4.3% discount at 30 June 2018), possibly on account of the Manager stepping up sales, marketing and shareholder engagement initiatives in recent years (a positive). However, it remains to be seen how what has historically been a material performance risk to investors pans out moving forward.
- ◆ PM Capital's strong bench of PMs serves to mitigate, but not entirely alleviate the key man risk that lies with PM, CIO, founder, majority shareholder and key PM Capital business identity Paul Moore.

Opportunities

- ◆ Australian investor preferences are often biased towards products and services that depend substantially on the performance of the Australian economy. This domestic bias can lead to investment outcomes that do not benefit from global diversification. The Fund creates an opportunity to help address this issue.
- ◆ PGF presents a differentiated product / portfolio offering based on the high conviction, benchmark unaware, contrarian investment style of the Manager. As a component of an investor's global equities sub-portfolio, it not only brings an attractive returns proposition but may serve to lower overall risk due to this differentiated portfolio.

Threats

- ◆ Investors should note that the portfolio may perform materially different to both peers and international equities markets in general on account of the Manager's relatively unique conceptualisation of the investment opportunity set. We view this more a feature than a risk per se.
- ◆ Investors should be aware that the more concentrated, high conviction and often contrarian nature of the portfolio in which the Manager is seeking genuine anomalies is likely to generate a higher degree of risk than the market. By definition, this investment approach is based on performance variance to the market.

PRODUCT OVERVIEW

The PM Capital Global Opportunities Fund Limited provides investors with exposure to a concentrated, high conviction portfolio of global companies managed and based on a fundamental investment strategy that seeks under-valued companies supported by attractive thematic. While the Fund began trading on the ASX on 12 December 2013, the investment strategy and processes applied to the portfolio are the same as those employed by the Manager since 1998 in the management of the PM Capital Global Companies Fund. The Fund's investment portfolio is managed by PM Capital Limited, a Sydney based funds manager founded in 1998 by CIO Paul Moore who has over 30 years' experience in managing investment funds. PM Capital manages four investment strategies across global equities, Australian equities, Asian equities, and fixed income.

The Fund's investment objectives are to provide capital growth and income through investing in a concentrated portfolio, predominantly comprised of long and short positions in international listed securities, that will be actively managed with a focus on capital preservation. The Manager will typically invest in a select number of companies (typically around 35 to 40 long positions), that the Manager considers are good businesses, often supported by positive industry thematic and which are exhibiting valuation anomalies (under valued) but which the Manager believes will return to their correct value over time.

The Manager is a patient, long-term investor and often invests in multiple companies over time that are the beneficiary of an identified dynamic that plays out often over a multi-year period ("single idea, multiple iterations"). The portfolio will generally represent around 7-12 broad investment ideas that the Manager is seeking to capitalise on through several beneficiary companies. The investment duration of any particular investment idea is generally long-term, potentially exceeding five years for example.

Short positions are conservatively used for a mix of exposure management, tax management, exit discipline and anomaly exploitation. Cash is actively utilised as a 'risk on / risk off' tool based on the perception of risk in the market.

In relation to fees, the Manager charges a 1% MER and a performance fee of 15% of net returns in excess of benchmark.

PTrackERS Capital Raise

IIR has produced a separate report on the PTrackERS capital raise that PM Capital is undertaking over July-August 2018 and we refer investors to that report for the specifics of the offer and IIR view. In short, we expect the capital raise to have two major benefits for PGF shareholders: 1) in theory, exert a positive influence on further narrowing the discount to NTA given the increase in liquidity and ability to arbitrage between PGF and PTrackERS (the latter of which has a redemption at NTA feature at the end of the seven year term), and; 2) deliver the benefits of increased scale, including increased liquidity, increased research coverage, greater probability and likelihood of trading closer to NTA (there is a strong correlation between FUM size and likelihood of trading at a premium or discount to NTA) and, critically, a decrease in the fixed cost per dollar of investment of the strategy (possibly leading to lower total costs incurred by investors).

MANAGEMENT GROUP PROFILE

PM Capital was founded in 1998 by current CIO, Paul Moore, and is a Sydney based fund manager for private and retail clients, financial advisers, and institutional investors. It is responsible for managing fixed income, equity long/short, and equity long-only strategies (both global and domestic). It does so according to a value-based investment process which it applies consistently across all investment strategies. It has a significant long-term track-record and, by investment strategy, one of consistent out-performance.

PM Capital is majority owned by staff—primarily Mr. Moore, but also between 15-30% by investment team and other staff members. In addition to equity ownership in PM Capital, we note that there is a very high degree of co-investment in all four investment strategies.

The most significant change at PM Capital over the last few years has been a broader investment in resources and systems that has seen the Manager transition from a boutique fund manager to a larger organisation which we believe now caters to the needs of a broader class of investors, including the relatively proactive SMSF investor base.

There has been broad improvements across a number of facets of the business, including the number of team members in a sales capacity (increased from 1.5 to four) and the appointment of a dedicated marketing resource. The Manager has published a new website, installed a new CRM system, and ran digital and conventional advertising campaigns. The Manager has been actively participating in portfolio construction and dealer group forums and continuing education programs. The Manager has engaged in managed account portfolios in the marketplace, and implemented a number of improvements in the business around new pricing options, as well as a new unit class in the Enhanced Yield Funds.

While these measures may seem somewhat peripheral to PGF investors, in our mind these sorts of initiatives are essential to good shareholder communications and management which, in turn, are generally reflected as to how an LIC / LIT may trade relative to its NTA. On this front, we have seen the discount to NTA that PGF has historically traded at consistently and gradually narrow over the last 12-month period.

Additionally, PM Capital as a whole has seen an improvement in the underlying flows, going from approximately a \$98 million net out-flow across all four unlisted funds in the FY15/16 year to net inflows of \$200 million across the four unlisted funds over the last 12-month period and has a significantly building pipeline.

INVESTMENT TEAM

The investment team consists of six PMs (across the four investment strategies) and three investment analysts. While each PM has responsibility for a particular investment strategy, the team functions as one cohesive group with respect to the investment research input into all four investment strategies.

It is an experienced and stable senior team, with the average PM Capital tenure of 11 years and average industry experience of 19 years amongst the PM ranks. IIR notes the breadth of outperformance across the PM ranks, with all four investment strategies materially outperforming respective benchmarks and achieving internal performance objectives. This strong bench of PMs not only serves ensure quality input into the investment decisions for the Fund but, additionally, to mitigate the key man risk associated with the Portfolio Manager for the Fund, Paul Moore.

The team is structured along sector lines and covers a number of different investment offerings, including global and domestic long-only equities, long-short equities, and fixed-income products. Analysts at all levels produce fundamental, bottom-up analysis on each company in which the team invests and carry out this research from the perspective of owning the whole company (both debt and equity). Most of the group's investment experience is in senior staff; PM Capital has historically employed its junior analysts directly out of university or with limited investment experience. Analysts learn from portfolio managers and typically start adding real value after three to five years with the firm. This preferred structure is demonstrated by comparing the average experience of investment analysts, at just over five years, with the average experience of portfolio managers and the CIO, at approximately 20 years.

An important strength with PM Capital, and one that serves to very much align the interests of the investment team with investors, is the degree of equity ownership the team has in the Manager as well as the degree of co-investment in the investment strategies.

PM Capital is 100% owned by staff. Mr. Moore holds the majority equity ownership in the firm, with other staff members holding minority equity stakes and collectively hold "greater than 15%, less than 30%," with this amount growing in absolute and relative terms based partly on remuneration structures. In relation to the latter, the portfolio manager and investment team members are remunerated with salary and performance bonus based on overall contribution to the performance of PM Capital. 50% of the performance bonus will be subject to a three-year vesting period for most employees. With respect to co-investment, publicly disclosed substantial share holdings in PGF and the Manager's other LIC, PAF, totals a not insubstantial \$56m. To our mind, such a level of co-investment particularly sharpens an investment manager's mind with respect to capital preservation and downside risk mitigation.

The key members of the investment team are detailed below.

- ◆ **Paul Moore, CIO, PM PGF / Global Companies Fund.** Paul Moore is the founder and Chief Investment Officer of PM Capital, leading an experienced and knowledgeable team. He developed the investment philosophy and process that has underpinned PM Capital's excess return generation compared with benchmark indices since its inception. Paul began his career in 1985 as an industrial equity analyst. In 1986 he became Portfolio Manager of the BT Select Markets American Growth Fund, acknowledged as one of the

sector's leading mutual fund performers. From 1994 to 1998 Paul assumed responsibility for the BT Split Trust and BT Select Markets International Trust, two of Australia's best performing global equities funds. During this period he was also Head of BT's Retail International Equity Group, which was awarded International Equity Manager of the Year in 1995 and 1996. Paul established PM Capital in 1998.

- ◆ **Kevin Bertoli - PM Asian Companies Fund.** Kevin is the portfolio manager of the PM Capital Asian equities strategies. Kevin joined PM Capital in February 2006 as an equities analyst; his primary responsibility being analysing Asian equities to further develop coverage of the Asian Region. He has managed the PM Capital Asian Companies Fund since inception in 2008 and the PM Capital Asian Opportunities Fund Limited, which is listed on the Australian Securities Exchange, since inception and IPO in May 2014. Kevin holds a Bachelor of Applied Finance and Bachelor of Business (Management) from the University of South Australia.
- ◆ **Uday Cheruvu - PM Australian Companies Fund.** Uday is the portfolio manager of the PM Capital Australian equities strategy, a role he has held since June 2014. Uday joined PM Capital in August 2008 as an equities and credit analyst. He is also responsible for analysing the global financial sector, the global technology sector and credit-related opportunities. Uday has a background in private equity and investment banking, spanning both equities and credit, from his time at Commonwealth Bank, Credit Suisse and at Affinity Equity Partners. He also has extensive experience in financial modelling, including credit based models for hybrid instruments in the Australian market. Uday is a CFA charterholder. He attended the University of Melbourne and holds a Bachelor of Engineering and a Bachelor of Commerce, both with Honours. He also holds a Master of Applied Finance from Macquarie University.
- ◆ **Jarod Dawson - PM Enhanced Yield Fund.** Jarod has overall responsibility for managing the PM Capital Fixed Income business and sits on the PM Capital Board of Directors. He is responsible for construction of the income portfolios and has been the Portfolio Manager of the Enhanced Yield Fund since September 2004. Prior to joining PM Capital, Jarod spent six years with UBS Global Asset Management, the last four of which he held the title of Fixed Income Portfolio Manager and was responsible for managing and growing UBS's Credit Enhanced product suite. Before his time at UBS, Jarod spent two years at ING Funds Management, where he was responsible for managing relationships with key national firms & financial advisory groups. Jarod holds a Bachelor of Commerce degree from Macquarie University and a Graduate Diploma in Applied Finance & Investment from the Financial Services Institute of Australasia (FINSIA). Jarod is also a Graduate of the Australian Institute of Company Directors.
- ◆ **John Whelan - PM.** John is a portfolio manager for PM Capital. He is responsible for analysing the global financial, real estate and consumer discretionary sectors across both equity and credit related opportunities. John has a background in treasury and investment banking with a focus on managing credit portfolios. Prior to joining PM Capital in 2009 as a credit analyst, John worked as a Treasury Specialist with Babcock and Brown, where he was responsible for managing currency and interest rate risk. John is a CFA charterholder and holds a Masters of Business from the Smurfit School of Business, University College Dublin and a Bachelor of Business and Finance from Dublin City University.

Investment Personnel					
Name	Position	Fund Incept.	Yrs w/ Mgr	Yrs in Ind	Excess Returns *
Paul Moore	CIO, PM Global Companies Fund	Oct 1998	19	31	309%
Kevin Bertoli	PM Asian Companies Fund	July 2008	11	11	207%
Uday Cheruvu	PM Australian Companies Fund	Jan 2000	9	14	188%
Jarod Dawson	PM Enhanced Yield Fund	Mar 2002	13	21	63%
John Whelan	PM	n/a	9	14	n/a
Doug Huey	PM / Senior Analyst	n/a	1	20	n/a
Clement Tseung	Investment Analyst	n/a	9	8	n/a
Chen Lin	Investment Analyst	n/a	4	9	n/a
Annabelle Symons	Investment Analyst	n/a	4	6	n/a

* Delivered by the respective PM. Figures are after fees. As at 30 April 2018

- ◆ **Doug Huey - PM.** Doug is a senior analyst and portfolio manager within the PM Capital global equities team. Doug joined PM Capital in June 2018; his primary responsibility is analysing global equities with a particular focus on the information technology, communications services and healthcare sectors. He was most recently Investment Analyst at Platinum Asset Management, a role he held for over 20 years. He covered Asia from 1996-2000, the technology sector globally from 2000-2014 and concentrated on South East Asia, Korea and Taiwan from 2014 to 2018. Doug holds a Bachelor of Commerce (Finance) and a Bachelor of Law from the University of New South Wales.

Board

The Board of PGF comprises three voting directors, the majority of which are independent, and a Company Secretary. The members are Andrew McGill (Chairman and Non-executive Director), Brett Spork (Non-executive Director), Ben Skilbeck (Non-independent Director) and Richard Matthews (Company Secretary).

It is a solid board in terms of mix of skill sets, complementarity, and experience. There is a broad experience across executive, capital markets and advisory functions.

INVESTMENT PROCESS

Investment Philosophy

PM Capital's investment philosophy can be characterised by patience, conviction, valuation anomalies, consistency in process, and "simple ideas, simple businesses, multiple iterations".

PM Capital is very much a long-term investor that seeks not to focus on the short-term and market 'noise'. The Manager adheres to the simple investment philosophy that investment returns are not a straight line and it is how capital builds over the longer term that really matters. As an aside, the LIC structure serves this long-term, patient capital investment style well.

PM Capital was formed as an equity house with strong beliefs in value and valuation anomalies and that belief has remained unwavering to this day. As a corollary, the Manager is very much high conviction and, as much as practical, benchmark unaware. With the Manager seeking only to invest in valuation anomalies (and the 'license' to ignore the remainder of the market), there is typically a strong investment thematic / 'story' supporting the inclusion of each of the securities the Manager holds in the portfolio. From a portfolio perspective, the end result is the Fund's portfolio is typically idiosyncratic and very much differentiated from other global fund manager peers.

"Simple ideas, simple businesses, multiple iterations" is how the Manager describes its investment style whereby valuation anomalies often are associated with a particular industry / sector dynamics and in which a number of companies can ultimately be beneficiaries as valuations ultimately revert to 'normal' levels. In relation to "simple businesses", the Manager will generally eschew high tech and biotechnology, for example. For the Manager, examples of this have included the industry consolidation of the global brewing industry, the severe cyclical downturn of alternative investment managers in the 2014/15 period, the "from crisis comes opportunity" thematic of select US banks, and more recently the Manager has spent considerable time reviewing the restaurant ecosystem, primarily in the US market.

We note that brewing stocks reached a maximum portfolio weight of 22% in 2009. The Manager was 'playing' the particular thematic through multiple stocks (multiple iterations) and in very much a high conviction way. The Manager holds the view that good ideas are hard to find. When the Manager identifies investment opportunities that meet its investment criteria and when the odds are perceived to be heavily in its favour, it will back its judgement and invest and let the theme play out to its fullest extent.

Short positions are conservatively used for a mix of exposure management, tax management, exit discipline and anomaly exploitation. Cash is actively utilised to as a 'risk on / risk off' tool based on the perception of risk in the market.

Investment Process

PM Capital was formed as an investment house with strong beliefs in value and generating after-tax returns through the understanding of a company's entire capital structure. Its philosophy is to find undervalued securities whose true value will become evident over the medium term. The security-selection process uses a common-sense, businesslike approach,

rather than a systematic one. A fundamental understanding of a security, including the business, its management, the financial statements, and its valuation, is paramount to any investment.

The investment process can be broadly broken down into the following stages.

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, and valuation observations, amongst other potential factors.

The over-riding filter, however, is that research resources are only focused on identified investment anomalies. In many cases, the Manager has identified such anomalies by identifying stresses in a system or sector. The Manager holds the view that where the stress is in the system is where the best bargains are likely to be found.

In the context of having identified anomalies, it is then a case of gaining a sound fundamental understanding of a business, with the Manager seeking to invest in good (but under-valued) businesses. Attributes of a good business 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.

Determine Fair Value

PM Capital is very much a qualitative, fundamental bottom-up, top-down investment manager. The research process and the determination of fair value involves detailed industry and company research. The fundamental research process involves company visits, value-chain discussions, industry participant discussions, and relevant third-party research.

In terms of 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.

Each analyst will present to the broader team an investment summary of the research process. Research findings are consolidated into an investment report that includes a business, management, valuation, technical and financial summary.

Identify Change Required to Remove Mis-pricing

The investment process involves the identification of why a 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, for example.

Entry / Exit Disciplines

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

The Manager's conditions for exit are determined pre-purchase, are reviewed regularly and are directly linked with the fundamental research and investment thesis. Given that the Manager is focused on businesses that are trading at a significant discount, it will often hold positions for five or more years.

Currency

The Manager's objective is to fully hedge the portfolio from the risk of currency appreciation when it believes the AUD is in the bottom quartile of its valuation range and to be unhedged when it is in the top quartile or its valuation range. Otherwise the Manager is intentionally relatively inactive in relation to currency hedging.

Portfolio

The table below details the PGF portfolio as at 31 March 2018. It speaks to the investment style of the Manager in that it is concentrated by investment thematic / dynamic, necessarily high conviction / benchmark unaware and a large number of investment 'plays' have been very much long-term investments as identified market dynamics play out over the longer term.

Position sizing is broadly a function of conviction and an assessment of risk. Exit disciplines are determined at the point of entry. Short positions are utilised conservatively for purposes such as exposure management, tax management, exit discipline and anomaly exploitation. Cash, or net equity exposure, is actively managed and contributes further to the high conviction nature of the investment strategy. It is primarily a function of perceived risk-return in the market. For example, post GFC, the Manager moved to close to the maximum net invested position as it saw the risk / return proposition skewed heavily in favour of investors, while for the foreseeable future the Manager is seeing a more evenly balanced risk / reward proposition and believes average net equity exposure in the vicinity of 85-90% to be more prudent.

The portfolio is subject to a number of formal portfolio constraints, specifically: number of stocks 25-45 stock specific ideas (approximately 40 globally listed securities); individual stock positions objective minimum 3%, maximum 10%; individual short positions maximum 3%; total short positions 30% excluding pairs/spread trades; target net equity exposure 85% (+/- 10%); net equity exposure maximum 100% (long equity – short equity); maximum cash position 100%.

Holdings (as at 31 May 2018)	Weight
US Domestic Banking	15.0
European Domestic Banking	19.8
Alternative Investment Managers	14.5
Exchanges	10.6
Post GFC Housing Recovery - US	13.0
Post GFC Housing Recovery - Europe	11.4
Payments	6.4
Google	3.2
Pharmaceutical	3.5
Gaming	3.5
Other	2.6
LONG EQUITY POSITION	103.5
Short Position	-12.4
Net Invested Equities	91.1

Domicile of Business *	Weight
North America	40.9
Europe	31.4
International	14.4
Asia (Ex Japan)	6.6
United Kingdom	6.6
Australia	0.1
Total	100.0

* Location of the predominant business (as at 31 May 2018)

Currency Exposure **	Weight
USD	70.8
EUR	18.6
GBP	6.7
AUD	3.9
Total	100.0

* Stated as effective exposure (as at 31 May 2018)

PERFORMANCE ANALYTICS

PM Capital has a track-record of all four investment strategies materially outperforming the respective benchmarks and doing so over the long term and full market cycles. Given the team operate as a cohesive whole, providing input into each strategy, and according to a consistent investment philosophy and process, this breadth of outperformance is relevant to the Fund as well. Additionally, all four strategies have generally recorded top quartile performance amongst the respective peer groups.

The table below summarises the performance track-record of all four strategies and the respective benchmarks.

PM Capital - Long-term Performance Track-record of All Investment Strategies (Pre-tax NTA net of fees)			
Fund / Benchmark	Inception Date	Since Inception p.a.	Total Return Since Inception
Global Companies Fund	Oct 1998	9.1%	445.2%
MSCI World Net Total Return Index (\$A)		4.5%	136.4%
Asian Companies Fund	July 2008	16.4%	344.7%
MSCI AC Asia ex Japan Net Total Return Index (\$A)		9.2%	138.2%
Australian Companies Fund	Jan 2000	10.3%	501.8%
S&P/ASX Accum. 200 Index		8.1%	314.2%
Enhanced Yield Fund	Feb 2002	6.0%	154.7%
RBA Cash Rate		4.1%	92.1%

The table below summarises the annual performance of PGF. The “published performance” line represents published NTA and returns the Company has delivered. The “underlying performance” represents the performance the Manager would have delivered without the dilutionary impact of the one-for-one option exercise on 30 June 2015.

For the purposes of assessing the Manager’s ability to deliver on performance objectives and perform relative to the market, it is the latter measure that provides the more appropriate guide. As an aside, comparing the published and underlying performance numbers speaks to the problematic nature of option issues, and which have in the past been a common feature in the LIC / LIT as managers have sought to raise additional capital. The two performance measures are also diagrammatically presented in the chart below, which effectively illustrates the potentially dilutive impact of such option issues.

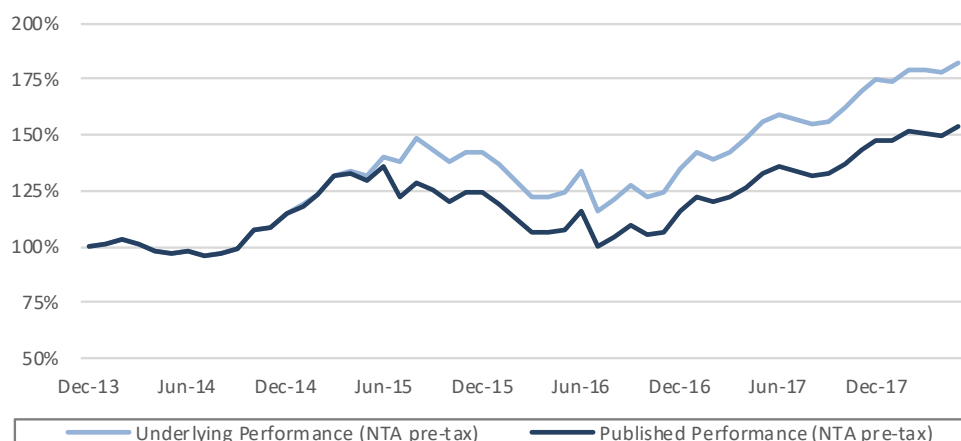
PGF as at 31 May 2018 (% p.a.)					
	1-yr	2-yr	3-yr	4-yr	Incept
Underlying Performance *	13.4%	16.1%	8.8%	16.4%	13.3%
Published Performance (pre-tax NTA + franking credits)	12.0%	14.6%	3.7%	11.6%	9.1%
MSCI World Net Total Return Index (AUD)	9.8%	11.5%	8.1%	12.9%	12.6%
Share Price + Dividend	21.4%	19.6%	8.8%	9.2%	7.2%

* Manager pre-tax performance (adjusts NTA performance for capital flows such as option exercise, DRP and payment of tax).

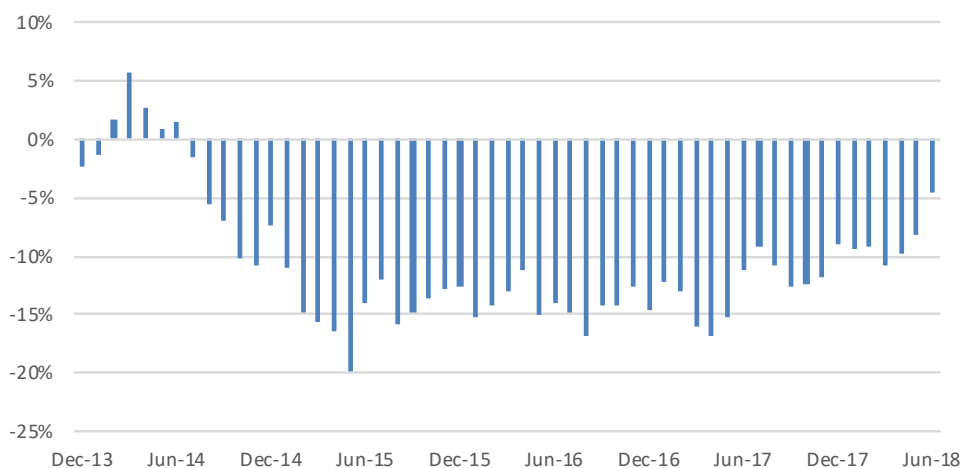
We have also summarised the longer term performance of the PM Capital Global Companies Fund re-stated for the fee structure of PGF. We believe this analysis is pertinent given the longer track-record, one that stretches over full market cycles and without the distortional impact of dilutive options.

PM Capital Global Companies Fund as at 31 March 2018 (% p.a.)				
	1-yr	3-yr	5-yr	7-yr
PM Capital Global Companies Fund	16.8	8.3	18.7	15.2
MSCI World Net Total Return Index (AUD)	13.0	7.8	16.7	13.4

Underlying and Published NTA Performance



Premium / Discount to NTA



The key performance points:

- ◆ The Manager has consistently outperformed the global equities benchmark over all annual time periods. Investors should note in relation to PGF however, that this was not the case given the dilutionary impact of the options issue. There has been a consistency to the outperformance, with the Manager outperforming the benchmark 60% of rolling 12-month periods since inception of the PM Capital Global Companies Fund in 1998.
- ◆ Risk (standard deviation) has been materially higher than benchmark, an outcome that accords with the more concentrated, high conviction and often contrarian nature of the portfolio in which the Manager is seeking genuine anomalies. By definition, this investment approach is based on performance variance to the market.
- ◆ In terms of capital preservation and drawdowns, we note the Manager significantly outperformed the market in the 2000 (TMT), 2009 (GFC), and 2016 (cyclicals vs defensives) periods in which the broader market recorded negative returns. We view this a combination of contrarian rewards, effectively identifying market inflection points and effective net exposure management (for example, the ability to have a greater than 100% net exposure where there is an expectation of a strong market risk-reward proposition).
- ◆ For a global equities mandate, the dividend yield at 4.1% p.a. is relatively strong and in part reflects the value-based investment style and the focus upon solid businesses. Further, absolute dividend levels have grown consistently over time.
- ◆ The share price to NTA performance of PGF has been somewhat underwhelming since inception, trading at an averaging discount of 10.6% over this period. A part of this could reasonably be attributed to the dilutive impact of the options. However, we note the discount failed to significantly improve post exercise date in 2015. More recently over the last 12-months, the discount has consistently and gradually narrowed, sitting at 4.3% as at 30 June 2018. In our view this is a combination of ongoing strong performance and, importantly, improved shareholder engagement tied with the increased resources and commitment the Manager is allocating to relevant initiatives.

FEE COMPARISON

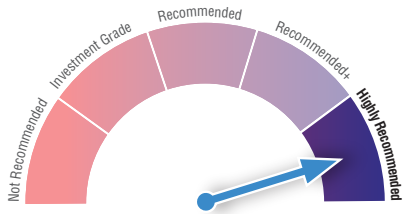
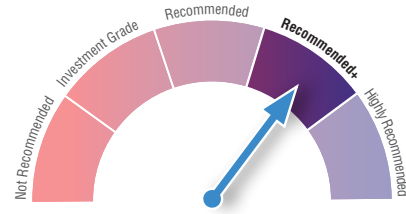
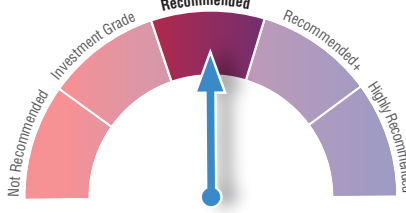
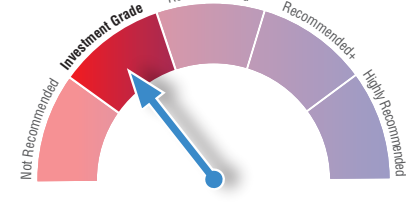
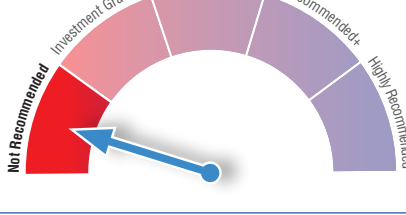
We have compared PGF fees to six other long-short global equities LICs listed on the ASX. In short, PGF's annual management fee and performance fee level and hurdle are at the lower end when compared with the peer group average. However, we would note that if we were to consider the peer group as a whole when combining the MER plus performance fees and relevant hurdles it is relatively expensive.

Peer Comparison - Fees					
LIC / LIT Name	ASX Code	Listing Date	Management Fee (% p.a)	Performance Fee (%)	Performance Fee Hurdle
Antipodes Global Invest	APL	October 2016	1.10	15.0	MSCI AC World Index (A\$)
Cadence Capital	CDM	Dec 2006	1.00	20.0	ASX All Ords Index
Morphic Ethical Equities Fund	MEC	May 2017	1.25	15.0	MSCI AC World Net Index (A\$)
Platinum Capital	PMC	June 1994	1.10	15.0	MSCI AC World Net Index (A\$)
PM Capital Global Opps Fund	PGF	June 2013	1.00	15.0	MSCI World Net TR Index (A\$)
VGI Partners Global Invest Ltd	VGI	Sep 2017	1.50	15.0	Previous high NTA
Watermark Global Leaders	WGF	Dec 2016	1.50	20.0	RBA Cash Rate

APPENDIX A – RATINGS PROCESS

Independent Investment Research Pty Ltd “IIR” rating system

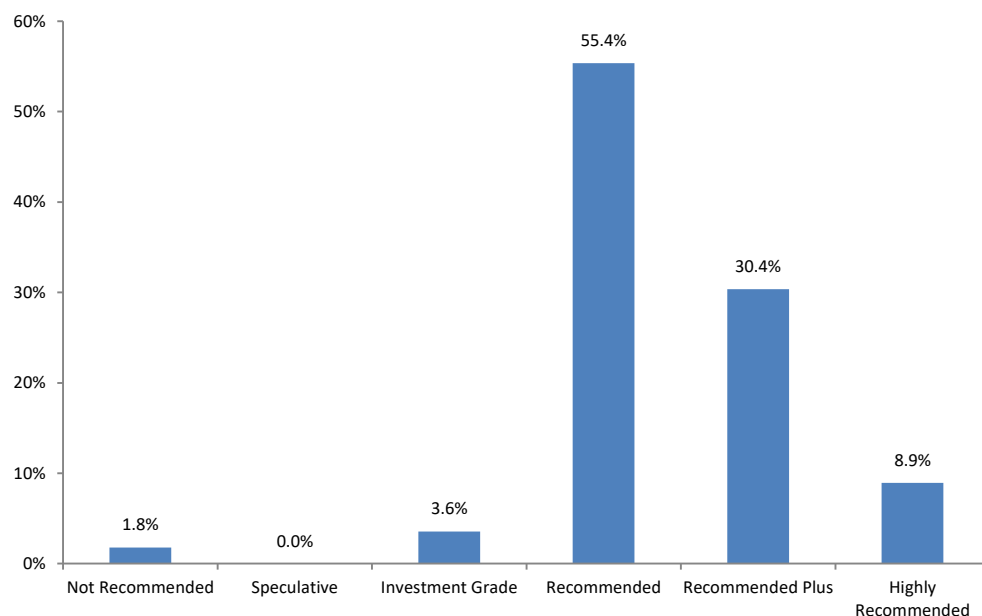
IIR has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: management and underlying portfolio construction; investment management, product structure, risk management, experience and performance; fees, risks and likely outcomes.

LMI Ratings	SCORE
<p>Highly Recommended</p> 	<p>83 and above</p> <p>This is the highest rating provided by IIR, indicating this is a best of breed product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved exceptionally high scores in a number of categories. The product provides a highly attractive risk/return trade-off. The Fund is likely effectively to apply industry best practice to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors.</p>
<p>Recommended +</p> 	<p>79–83</p> <p>This rating indicates that IIR believes this is a superior grade product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved high scores in a number of categories. In addition, the product rates highly on one or two attributes in our key criteria. It has an above-average risk/return trade-off and should be able consistently to generate above average risk-adjusted returns in line with stated investment objectives. The Fund should be in a position effectively to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors. This should result in returns that reflect the expected level of risk.</p>
<p>Recommended</p> 	<p>70–79</p> <p>This rating indicates that IIR believes this is an above-average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an above-average risk/return trade-off and should be able to consistently generate above-average risk adjusted returns in line with stated investment objectives.</p>
<p>Investment Grade</p> 	<p>60–70</p> <p>This rating indicates that IIR believes this is an average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an average risk/return trade-off and should be able to consistently generate average risk adjusted returns in line with stated investment objectives.</p>
<p>Not Recommended</p> 	<p><60</p> <p>This rating indicates that IIR believes that despite the product’s merits and attributes, it has failed to meet the minimum aggregate requirements of our review process across a number of key evaluation parameters. While this is a product below the minimum rating to be considered Investment Grade, this does not mean the product is without merit. Funds in this category are considered to be susceptible to high risks that are not reflected by the projected return. Performance volatility, particularly on the down-side, is likely.</p>

APPENDIX B – MANAGED INVESTMENTS COVERAGE

The below graphic details the spread of ratings for managed investments rated by Independent Investment Research (IIR). The managed investments represented below include listed and unlisted managed funds, fund of funds, exchange traded funds and model portfolios.

SPREAD OF MANAGED INVESTMENT RATINGS



DISCLAIMER

(a) Disclaimer

The information, reports, financial models, forecasts, strategies, audio broadcasts and other media (referred to as "Content" throughout this Legal Notice), provided on this web site has been prepared and issued by Altavista Research Pty Ltd trading as Independent Investment Research "IIR," Independent Investment Research Holdings Pty Ltd (ACN 155 226 074), as authorised to publish research under an Australian Financial Securities Licence (AFSL No 420170) which allows Independent Investment Research to offer financial service advice to retail and wholesale clients. Users of this web site should not act on any Content without first seeking professional advice. Whilst the Content contained on this web site has been prepared with all reasonable care from sources which we believe are reliable, no responsibility or liability is accepted by Independent Investment Research, for any errors or omissions or misstatements however caused. Any opinions, forecasts or recommendations reflect our judgement and assumptions at the date of publication or broadcast and may change without notice. Content on this web site is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. We are not aware that any user intends to rely on the Content provided or of the manner in which a user intends to use it. In preparing our Content it is not possible to take into consideration the investment objectives, financial situation or particular needs of any individual user.

Access by any user to this website does not create a client relationship between Independent Investment Research and the user. Users seeking to invest must obtain individual financial advice to determine whether recommendations are appropriate to their investment objectives, personal financial situation or particular needs, before acting on any recommendations. Any Content is not for public circulation or reproduction, whether in whole or in part and is not to be disclosed to any person other than the intended user, without the prior written consent of Independent Investment Research.

(b) Disclosure of Interest

General

Independent Investment Research, its officers, employees, consultants and its related bodies corporate have not and will not receive, whether directly or indirectly: any commission; fee; benefit; or advantage, whether pecuniary or otherwise, in connection with making any recommendation contained on this web site. Independent Investment Research, discloses that from time to time, it or its officers, employees and its related bodies corporate: may have an interest in the securities, directly or indirectly, which are the subject of these recommendations; may buy or sell securities in the companies mentioned in the Content; may effect transactions which may not be consistent with the recommendations in the Content; may have directorships in the companies mentioned in the Content; and/or perform paid services for the companies that are the subject of such recommendations.

However, under no circumstances, has Independent Investment Research been influenced, either directly or indirectly, in making any recommendations contained on this web site.

Corporate Research

Independent Investment Research has or may have, received a fee either directly by a company itself or by a third party, to provide coverage and/or corporate research (the "Fee"). Where a Fee has been received, Independent Investment Research does not publish:

Buy / Hold / Sell recommendations for the security or managed investment schemes.

(c) Copyright Protection

All Content at this web site is protected by copyright. Apart from any use permitted under the Copyright Act (Cth) 1968, you must not copy, frame, modify, transmit or distribute the material at this web site, without seeking the prior written consent of the copyright owner. Content on this web site is owned by the business Independent Investment Research. Users are prohibited from copying, distributing, transmitting, displaying, publishing, selling, licensing, creating derivative works or using any content on the web site for commercial or public purposes

Copyright 2010 Independent Investment Research. All rights reserved.

(d) Trade Marks

The trade marks and logos displayed on this web site belong to Independent Investment Research or other parties. Such trade marks include registered trade marks and trade marks pending registration. Users are prohibited from using any of these trade marks, without seeking the prior written consent of IIR or such third party, which may own the trade mark content on this web site.

(e) Limitation of Liability

To the fullest extent permitted by the law, Independent Investment Research and any of its officers, employees, agents, consultants or related bodies corporate disclaim any liability, whether based in contract, tort, strict liability or otherwise, for any direct, indirect, incidental, consequential or special damages arising out of or in any way connected with the use of any Content made available on this web site by any person or entity.

(f) No Warranties

Independent Investment Research does not make any claims, promises, guarantees, representations or warranties regarding the accuracy, completeness or fitness for purpose of the Content made available on this web site. All information on this web site is provided to you on an as is basis, without warranty of any kind either express or implied. To the extent that research can be provided by third parties, Independent Investment Research makes no warranty or representation as to the accuracy or completeness of such information displayed on this site, and accepts no liability for errors or omissions arising from such third party information. To the fullest extent permitted by law, under no circumstances will Independent Investment Research be liable for any loss or damage caused by users reliance upon information obtained through this web site. It is the responsibility of the user to evaluate the accuracy, completeness or usefulness of any information, opinion, general advice or other content made available through this web site. Furthermore, Independent Investment Research does not warrant or represent that this web site is error free or free from viruses or defects. A user must do all that is necessary (including using virus checking software) to satisfy itself that accessing this website will not adversely affect its system.

For further information, please contact IIR at: client.services@independentresearch.com.au



Independent Investment Research (Aust.) Pty Limited

SYDNEY OFFICE

Level 1, 350 George Street
Sydney NSW 2000
Phone: +61 2 8001 6693
Main Fax: +61 2 8072 2170
ABN 11 152 172 079

MELBOURNE OFFICE

Level 7, 20–22 Albert Road
South Melbourne VIC 3205
Phone: +61 3 8678 1766
Main Fax: +61 3 8678 1826

HONG KONG OFFICE

1303 COFCO Tower
262 Gloucester Road
Causeway Bay, Hong Kong

DENVER OFFICE

200 Quebec Street
300-111, Denver Colorado USA
Phone: +1 161 412 444 724

MAILING ADDRESS

PO Box H297 Australia Square
NSW 1215