SEPTEMBER 2017

Quarterly Report

A GPS for the new world

Navigating the changing interest rate environment.

PM Capital GLOBAL OPPORTUNITIES FUND LIMITED

PM Capital Global Opportunities Fund Limited

ACN 166 064 875 (ASX Code: PGF)

PM Capital ASIAN OPPORTUNITIES FUND LIMITED

PM Capital Asian Opportunities Fund Limited

ACN 168 666 171 (ASX Code: PAF)

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Quarterly video update

Chief Investment Officer Paul Moore gives his views on why:

- We're in the first innings of a transition to a rising interest rate environment
- Focussing on risk/ reward criteria is more important than geographical allocations
- The key market driver will be earnings growth

Access the video **here**.

"Another anecdote highlighting how distorted bond markets have become was the issue by Argentina of a 100 year bond at 8% – a country that has a history of default. Back in 1994 we actually made a successful investment in Argentine bonds at a yield to maturity of approximately 65%."

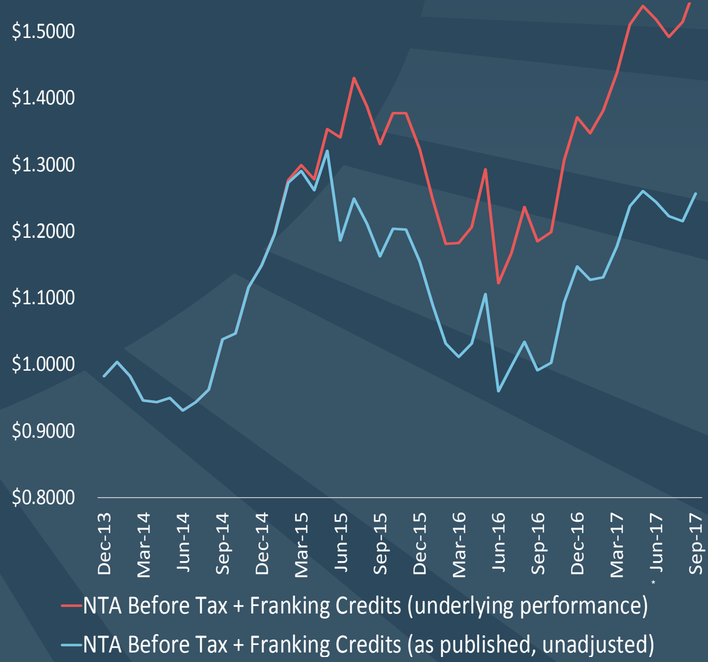
Listed Company Overview

	PM Capital Global Opportunities Fund Limited	PM Capital Asian Opportunities Fund Limited
Asset Class	Global equities	Asian (ex-Japan) equities
Listing Date	11 December 2013	21 May 2014
Suggested Time Frame	Seven years plus	Seven years plus
Shares on Issue	350,191,809	56,248,711
Share Price[1]	$1.100	$1.090
Market Capitalisation	$385.2 million	$61.3 million
NTA before tax accruals + franking credits (per share)	$1.2577	$1.2491
Company Net Assets before tax accruals + franking credits	$440.4 million	$70.2 million

PM Capital Global Opportunities Fund Limited

- **The Company** aims to create long term wealth through a concentrated portfolio of 25-45 global companies that we believe are trading at prices different to their intrinsic values.
- **The Company's investment objective** is to provide long term capital growth and outperform the greater of the MSCI World Net Total Return Index (AUD) or RBA cash rate over rolling seven year periods. The Company is not intended to replicate the index, investing in a concentrated portfolio of predominantly undervalued equities and other global (including Australia) investment securities.

NTA performance since inception[2]



ASX Code	PGF
Category	Global equities (long/short)
Investment style	Fundamental, bottom-up research intensive approach
Number of stocks	As a guide, 25-45 stocks
Shares on issue	350,192,809
Suggested investment time	7 years +
Listing date	11 December 2013

[2]Excludes the impact of: Changes in ordinary share capital (i.e., option exercise, DRP); Dividends; and Tax paid. After all costs and expenses, including (but, not limited to): management fees; listing fees; registry costs; audit costs; and directors' fees.

PM Capital Global Opportunities Fund

Paul Moore
Global Portfolio Manager

Net tangible asset backing per ordinary share[2] (all figures are unaudited)	30 June 2017	30 June 2017 (ex)[3]	30 September 2017 (ex)[3]	Change (%)[4]	1 year	3 year
NTA before tax accruals + franking credits[5]	\$1.2445	\$1.2188	\$1.2577	+3.19%	+32.32%	14.74%
NTA after tax[6]	\$1.1742	\$1.1562	\$1.1838	+2.39%		

3. NTA on a notional ex-dividend basis. For the purpose of comparing 30 September 2017 to the previous quarter, the 30 June 2017 NTAs are quoted ex-dividend announced on 17 August 2017. 4. Change calculated on ex-dividend basis. 5. 30 September 2017 includes \$0.0152 of franking credits. 6. Net Tangible Assets (NTA) refers to the net assets of the Company after the accruals for net current and deferred tax liabilities/assets.

KEY POINTS

1.8 cent final fully franked dividend paid during the quarter.

Strong performance from alternative asset managers, payment networks and home builders.

Global interest rates starting to rise late in the quarter.

Credit-related investment theme largely played out.

PERFORMANCE

The portfolio had a solid quarter on the back of strong gains from our exposure to alternative asset managers, payment networks and homebuilding stocks. A rally in the value of the Australian Dollar versus the US Dollar detracted from some of the portfolio's gains.

PORTFOLIO ACTIVITY

We significantly reduced our exposure to our credit theme during the quarter as we believe the dislocation in credit markets has largely played out. The background to this theme was that the Global Financial Crisis gave rise to a major dislocation in credit markets and what we thought was a once in a lifetime opportunity to invest in credit securities.

Subsequent bouts of volatility created by the European debt crisis and the Chinese growth scare in 2016 gave us further - albeit smaller - opportunities to take advantage of this theme and the portfolio clearly benefited from that belief.

Looking at credit markets today, we believe the opportunity has now passed and our remaining small exposures are in run off. Credit securities will likely be a very small part of the portfolio in the medium term.

We also increased our position in Allied Irish Bank. We believe our Irish banking exposures should improve over the medium term as demand for mortgages continues to rise. Allied Irish Banks is the number one Irish domestic banking franchise and it operates in a consolidated market in a strengthening economy.

OUTLOOK

Our Irish homebuilding stock, Cairn Homes, continues to perform strongly as the economic recovery accelerated and demand for residential property in Ireland strengthened. Over the past year the housing market supply-demand imbalance has become more acute, resulting in double-digit rises in house prices. Cairn Homes is benefiting significantly from this as over the past two years it completed the purchase of a 10-year land bank.

Our US exchange positions in CME Group and Intercontinental Exchange (ICE) also continue to perform. CME reported better than expected results as interest rate volume activity drove revenue. ICE benefited from volatility in the energy markets that drove up oil trading activity. ICE is selling off Trayport (an energy trading platform that it acquired in 2015) because of competition concerns from regulators. This will undoubtedly have a slight negative impact on earnings, but the market had factored that in over the first half of the year when regulators announced their decision.

The alternative asset managers, including KKR and Apollo, maintain the growth in their businesses at the expense of traditional asset managers. We believe a valuation anomaly exists as they trade on much lower multiples versus their traditional asset management counterparts. Increased activist investors' interest is drawing attention to this pricing anomaly, prompting strong stock price appreciation.

PM Capital Global Opportunities Fund

We trust this anomaly will close over time but could be expedited if tax reform facilitates their conversion from partnership structures to corporation status. This would bring them into the indices and greatly widen their appeal to a broader range of investors.

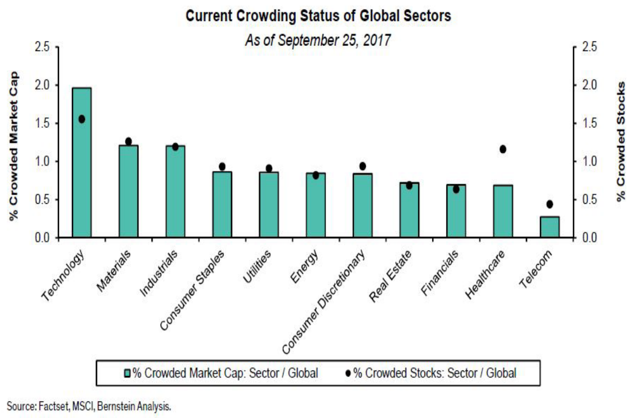
Our positions in Visa and Mastercard also performed strongly over the quarter as they continue to see volume growth in the low 'teens, resulting in high 'teen earnings per share growth. Mastercard held an investor day in September where it upgraded its earnings per share growth guidance from mid-'teens to 20%+ over the next three years. We expect to see similar growth in Visa.

These companies continue to benefit from the recognition of the importance of the payment networks, the structural tailwind of cash to credit and an abatement in global competition.

With long term interest rates starting to rise and the US Federal Reserve beginning to phase out its asset purchase program), our banking positions performed well over the quarter. Investors now anticipate that rising interest rates will lead to an increasing yield spread between new loans written and consumer deposit rates. This net interest margin expansion would improve any bank's profitability.

Investors seem to look at banks as risky investments although the Financial sector is the least crowded sector in the S&P 500 now (Technology being the most crowded - refer to figure A). It should be noted that today banks have multiples of equity capital compared to before the crisis, and significantly lower balance sheet risk. Therefore, we believe their forward beta will be very different to their historic position. The inflection point in interest rates should provide a tailwind for banks for some time yet.

Figure A: Current Crowding Status of Global Sectors



Portfolio investments	Weighting^^
Global Brewing	2.5%
Post GFC Housing Recovery - US	15.4%
Post GFC Housing Recovery - Europe	10.2%
Global Domestic Banking	37.7%
Service Monopolies	20.0%
Pharmaceuticals	4.6%
Gaming - Macau	5.1%
Alternative Investment Managers	11.7%
Other	3.2%
Long Equity Position	**110.4%**
Short Equity Position	-16.6%
Net Invested Equities position	93.8%
Total holdings	41

Current stock example
Heineken
Howard Hughes Corporation
Cairn Homes
Bank of America
Alphabet
Pfizer
Wynn Macau
KKR & Co L.P.

Currency exposure*	
USD	72.2%
EUR	19.1%
GBP	7.1%
AUD	1.6%
Total exposure	100.0%

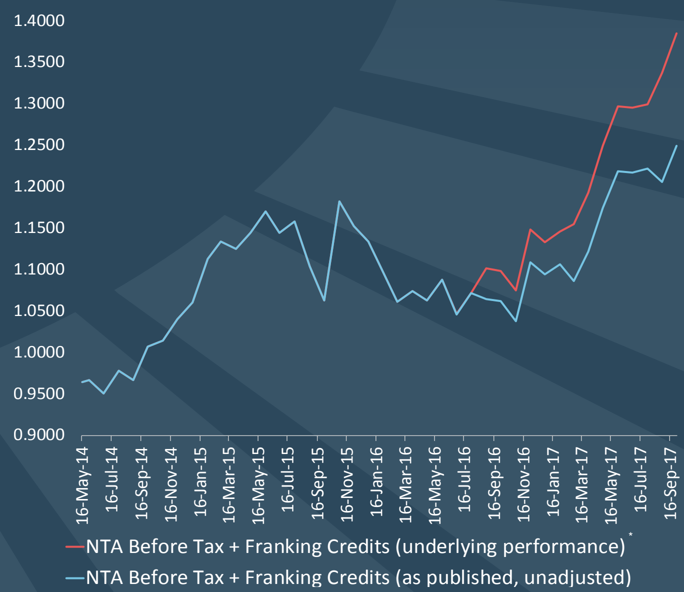
* Stated as effective exposure.

Paul Moore - Chief Investment Officer & Global Portfolio Manager
John Whelan - Contributing author

PM Capital Asian Opportunities Fund Limited

- **The Company** aims to create long term wealth through a concentrated portfolio of typically 15-35 Asian centric companies that we believe are trading at prices different to their intrinsic values.
- **The objective of the Company** is to provide long term capital growth and outperform the greater of the MSCI All Country Asia (ex-Japan) Net Index (AUD) or RBA cash rate over rolling seven year periods. The Fund is not intended to replicate the index, investing in a concentrated portfolio of predominantly undervalued equities in the Asian ex-Japan region.

NTA performance since inception[2]



ASX code	PAF
Category	Asian (ex-Japan)[5] equities
Investment style	Fundamental, bottom-up research intensive approach
Number of stocks	As a guide, 15-35 stocks
Shares on issue	56,248,711
Suggested investment time	7 years +
Listing date	21 May 2014

*Excludes the impact of: Changes in ordinary share capital (i.e., option exercise, DRP); Dividends; and Tax paid. After all costs and expenses, including (but, not limited to): management fees; listing fees; registry costs; audit costs; and directors' fees.

PM Capital Asian Opportunities Fund

Kevin Bertoli
Asian Portfolio Manager

Net tangible asset backing per ordinary share[2] (all figures are unaudited)	30 June 2017	30 June 2017 (ex)[3]	30 September 2017 (ex)[3]	Change (%)[4]	1 year	3 year
NTA before tax accruals + franking credits[5]	$1.2173	$1.1828	$1.2491	+ 5.61	+ 26.08%	+ 11.19%
NTA after tax[6]	$1.1496	$1.1246	$1.1745	+ 4.44%		

3. NTA on a notional ex-dividend basis. For the purpose of comparing 30 September 2017 to the previous quarter, the 30 June 2017 NTAs are quoted ex-dividend announced on 24 August 2017. 4. Change calculated on ex-dividend basis. 5. 30 September 2017 includes $0.0313 of franking credits. 6. Net Tangible Assets (NTA) refers to the net assets of the Company after the accruals for net current and deferred tax liabilities/assets.

KEY POINTS

2.5 cent final fully franked dividend paid during the quarter.

The Asian region's equity markets advanced over the period, led by Hong Kong.

The portfolio's positive performance was partly offset by currency movements.

Patiently redeploying capital.

PERFORMANCE

The portfolio rose in value in the September quarter, following on from its June quarter gains.

Strong performances from several larger positions drove relative outperformance over the period. Of note were Baidu, Dali Foods and Sinopec Kantons which advanced 38%, 25% and 22% respectively. All three companies reacted positively to strong earnings results and guidance which comfortably exceeded current market expectations.

Baidu, the biggest contributor to performance also benefited from management's decision to reduce its investment spend, particularly in the online-to-offline business. The recently announced disposal of Baidu Food Delivery is confirmation of the decision to refocus on businesses where the group has a much clearer market leadership position. We believe this was the right decision and should support margin growth going forward.

Currency offset some of the positive performance from the equities portfolio. Despite retreating from its recent highs at the end of the quarter, the Australian Dollar gained 2.3% against the US Dollar over the period. This had a negative impact on portfolio performance given the predominate currency exposures remain the USD and HKD.

PORTFOLIO ACTIVITY

Having crystallised several investments prior to June 30th last financial year, activity in the quarter was relatively quiet. The only notable sale during the quarter was the completed exit of our Autohome position.

The ecommerce and classified theme has now been reduced from a high of 30% in Financial Year 2017 to 14% as at the end of the current period when adjusting for the recently completed privatisation of Zhaopin. Starting with an initial investment in South East Asian employment classifieds company Jobstreet in 2009, this investment thematic has been a cornerstone of the portfolio, consisting of nine investments in total.

Given the long term nature of the structural evolution underpinning these investments we had always envisioned these holdings being an integral part of the portfolio for many years to come. However, strong performance and further M&A overtures over the past year - in total three of the nine portfolio holdings have been the subject of M&A activity - has meant we have realised, or will soon realise, several of these investments earlier than originally anticipated.

We have been patiently waiting to redeploy this capital into new opportunities. While we continue to investigate several new areas of potential interest we remain steadfast in waiting for anomalies to eventuate. Two new investments that were made during the quarter, Kunlun Energy and Singapore Exchange, are businesses that we have followed for several years waiting for the right opportunity to invest.

A member of the PetroChina Group, Kunlun Energy operates several businesses across the natural gas supply chain in China. Natural gas transmission pipelines and LNG regasification terminals contribute approximately 85% of pre-tax profits. While the strong market position of these quasi monopoly assets is widely accepted, the Chinese government's recent tariff reform

PM Capital Asian Opportunities Fund

in the natural gas pipeline industry has acted as a major concern for investors. In recent months tariff reform has been addressed culminating in the announcement of better than expected tariff rates being applied to Kunlun's primary pipeline assets.

Kunlun is ideally placed to benefit from growing gas demand in China. The Chinese Government remains steadfast in its desire to reweight its energy mix away from coal with natural gas one of the preferred replacements longer term. The official target is for natural gas to account for 10% of China's energy consumption by 2020, up from 5.9% in 2015. Now that a formal tariff mechanism has been introduced providing greater certainty around the returns Kunlun's assets can earn we believe investors will refocus their attention on the long term structural drivers underpinning the business's growth.

The investment in Kunlun may sound familiar to readers of our commentary. It displays many of the same characteristics to our existing holding in Sinopec Kantons that operates comparable assets in the oil and gas space. Combined, the two positions account for 10% of the portfolio.

Singapore Exchange is a business we have followed closely for many years given similar investments within the exchange sector held by our Global strategies. Relative to its regional and global peers, Singapore Exchange has been a material underperformer since the Financial Crisis essentially treading water since the middle of 2009. Lacklustre share price performance since the Financial Crisis has been warranted given the low single digits earnings growth achieved by the business over this period. Management has been unable to offset the earnings impact of weak equity trading volumes despite the rapid growth displayed by the lower margin derivatives business. Growth has been well below market expectations, particularly those projected prior to 2009. Consequently, market valuations being placed on the company have fallen considerably. We now deem its absolute valuation as attractive while valuation relative to global peer group is at an extreme. While fears around competition persist, particularly given the increasing interconnectivity across the region, we believe Singapore Exchange's position remains defendable and there are opportunities to grow the business as South-East Asia develops.

OUTLOOK

A marked improvement in sentiment towards China continues to underpin the positive direction of markets. Government policy announcements in the lead up to this year's National Congress have been broadly favourable. Notably China's reform agenda, specifically that relating to its commodity industries, continues to dominant newswires. The promise of large scale reform has prompted investors to increasingly focus on the positive 'what if' outcomes. Sentiment has also been buoyed by a robust results season as well as data releases which indicate that positive economic trends are persisting. A combination of these factors has muted the arguments from China critics, at least for now.

Portfolio investments	Weighting
Consumer - Breweries	6.3%
Consumer - Other	8.3%
Online Classifieds & Ecommerce	17.7%
Gaming - Macau	10.3%
Gaming - Other	7.6%
Financials	18.7%
Capital Goods & Commodities	11.8%
Oil & Gas Infrastructure	10.2%
Other	3.0%
Long Equity Position	**93.9%**
Short Equity Position	-2.3%
Net invested Equities	91.6%%

Current stock example
Heineken Malaysia
Dali Foods
Baidu
Wynn Macau
Donaco International
HSBC Holdings
Turquoise Hill Resources
Sinopec Kantons

Currency exposure*	
USD	60.1%
HKD	36.6%
MYR	1.2%
SGD	1.1%
AUD	1.0%
Total exposure	100.0%

* Stated as Effective Exposure.

Total Holdings	27

Portfolio Manager Kevin Bertoli talks more about the opportunities emerging in Asian financial stocks here.

Kevin Bertoli - Asian Portfolio Manager

Important information

This Quarterly Report is issued by PM Capital Limited (ABN 69 083 644 731, AFSL No. 230222) as investment manager for the:

PM CAPITAL Global Opportunities Fund Limited
ACN 166 064 875 (ASX Code: PGF)

PM CAPITAL Asian Opportunities Fund Limited
ACN 168 666 171 (ASX Code: PAF)

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The Index for the PM Capital Global Opportunities Fund Limited is the MSCI World Net Total Return Index in Australian dollars, net dividends reinvested. The Index for the PM Capital Asian Opportunities Fund Limited is the MSCI AC Asia ex Japan Net Total Return Index in Australian dollars, net dividends reinvested. See www.msci.com for further information on the MSCI indices.

See the company announcements platform at www.asx.com.au, and www.pmcapital.com.au, for further information.

1. As at close of market trading Friday 30th September 2017.

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

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

RESPONSIBLE ENTITY

PM Capital Limited
ABN 69 083 644 731
AFSL 230222

Level 27, 420 George Street
Sydney NSW 2000

P +61 2 8243 0888

F +61 2 8243 0880

E pmcapital@pmcapital.com.au

www.pmcapital.com.au