



# PM Capital **Asian** Opportunities Fund Limited (ASX: PAF)

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Annual General Meeting | 29 November 2017

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# Agenda

	<b>Chairman's address</b>	<b>4</b>
	<b>Formal items of business</b>	<b>8</b>
	Item I – Financial Statements and Reports	<b>8</b>
	Item II – Remuneration Report	<b>10</b>
	Item III – Re-election of Directors	<b>12</b>
	<b>Investment Manager's address</b>	<b>16</b>
	<b>Questions and answers</b>	

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# Why PAF?



## **Facilitating access to opportunities driven by changes in Asian consumption**

A different sub-set of opportunities than available to Australian investors



## **A true stock-pickers portfolio**

Selective and concentrated long term investments  
Different risk/reward proposition to the market



## **Consistency of manager philosophy/ process**

Deep research  
Simple ideas, simple businesses, multiple iterations



## **Dividends**

5.2% annualised gross yield  
(As at 24 Nov 2017)

(6.2% annualised gross yield on \$1 IPO price)



## **Manager alignment through co-investment**

Shareholding in PAF 8%^  
Shareholding in PGF: 8%^ (noting PGF holds 16% of PAF)



## **Manager delivered leading long-term returns in Asian equities**

Ranked #1 since inception of similar mandate to PAF, but, which has longer track-record\*

# Returns

Year to 30 June 2017

## Shareholder Return

Change in Share Price (Year 30 June 2017):	17%
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Gross Dividends Received (% of 30 June 2016 Price):	7%
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<b>Total Return:</b>	<b>24%</b>
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## Company Return

Change in Pre-Tax NTA + Franking (Year to 30 June 2017):	16%
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Gross Dividends Received (% of 30 June 2016 NTA):	6%
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<b>Total Return:</b>	<b>22%</b>
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# PAF Dividend History

Ex Date	Cash Date	Dividend (Cents)	Percentage Franking
13/09/2017	05/10/2017	2.5	100%
15/03/2017	06/04/2017	2.0	100%
14/09/2016	06/10/2016	2.5	100%

**Seeking to deliver sustainable and consistent dividends**

**5.2% Annualised Gross Dividend (At as 24 Nov 2017)**

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# Item I – Financial Statements and Reports

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**Any  
questions?**

# Item II – Remuneration Report

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## Resolution 1 – Adoption of Remuneration Report

“That the remuneration report as set out on pages 13 to 14 of the 2017 Annual Report is adopted.”

# Item II – Remuneration Report

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## Resolution 1 – Adoption of Remuneration Report

“That the remuneration report as set out on pages 13 to 14 of the 2017 Annual Report is adopted.”

### Proxy votes

Proxies have been received in respect of the resolution as follows:

For	Against	Open	Abstained / Excluded
15,478,860	402,851	143,555	107,754
96.59%	2.51%	0.9%	

# Item III – Re-election of Directors

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## **Resolution 2 – Election of Brett Spork as Director**

“That Brett Spork, who retires as a Director by rotation under clause 15.6 of the Company’s Constitution, and being eligible for election, is elected as a Director.”

# Item III – Re-election of Directors

## Resolution 2 – Election of Brett Spork as Director

“That Brett Spork, who retires as a Director by rotation under clause 15.6 of the Company’s Constitution, and being eligible for election, is elected as a Director.”

### Proxy votes

Proxies have been received in respect of the resolution as follows:

For	Against	Open	Abstained / Excluded
15,749,519	90,446	240,694	52,361
97.94%	0.56%	1.50%	

# Item III – Re-election of Directors

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## **Resolution 3 – Election of Andrew McGill as Director**

“That Andrew McGill, a Director appointed to the Board to fill a casual vacancy, and being eligible for re-election, is elected as a Director.”

# Item III – Re-election of Directors

## Resolution 3 – Election of Andrew McGill as Director








“That Andrew McGill, a Director appointed to the Board to fill a casual vacancy, and being eligible for re-election, is elected as a Director.”

### Proxy votes

Proxies have been received in respect of the resolution as follows:

For	Against	Open	Abstained / Excluded
15,754,043	85,922	240,694	52,361
97.97%	0.53%	1.50%	

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# Current portfolio

## PM Capital Asian Opportunities Fund (ASX: PAF)

Holdings	% of portfolio
Financials	19.2%
Gaming – Macau	9.8%
Gaming – Other	8.9%
Online Classifieds & Ecommerce	16.0%
Consumer – Breweries	6.5%
Consumer – Other	8.6%
Capital Goods & Commodities	11.6%
Oil & Gas Infrastructure	9.7%
Other	2.8%

<b>Long Equities Position</b>	<b>93.1%</b>
Short Equities Position	-2.4%
<b>Net Invested Equities</b>	<b>90.7%</b>

**Traditional high conviction  
portfolio of equities**

**Simple ideas – genuine long  
term investment theses**

**A different subset of  
opportunities to the traditional  
benchmarked manager**

# Gaming

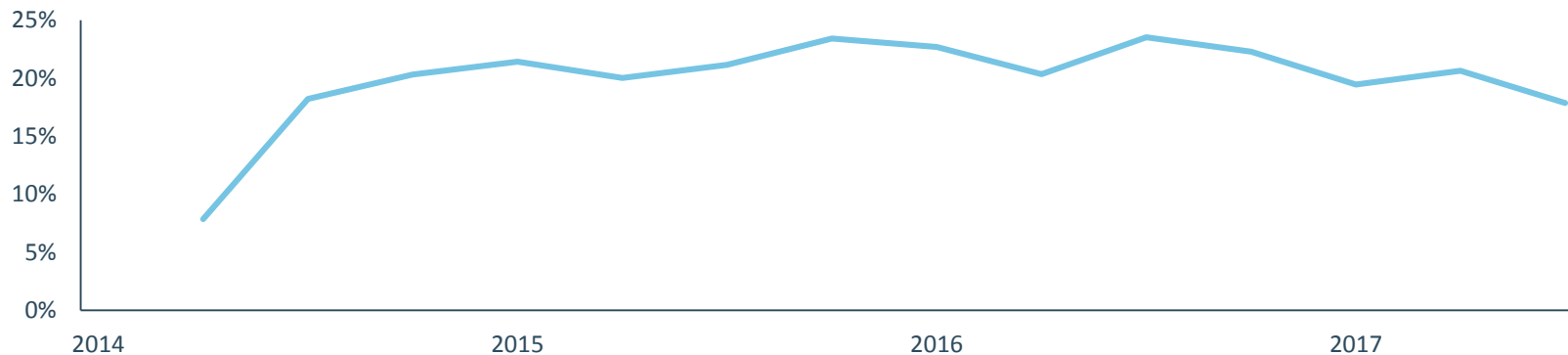
## Original investment thesis (Macau holdings)

- 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

- Wynn Macau – Hong Kong
- MGM China – Hong Kong
- Las Vegas Sands – US
- Donaco International – Aust.
- Nagacorp – Hong Kong

### Asian Opportunities Fund - Exposure Since Inception

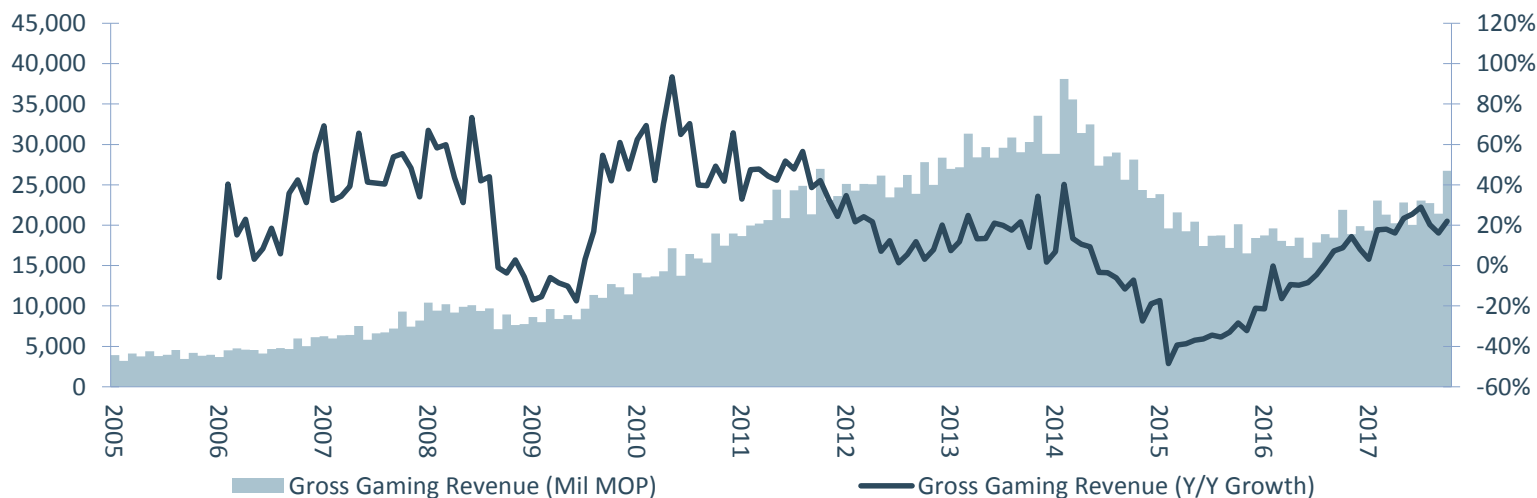


# Gaming

## 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



# 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

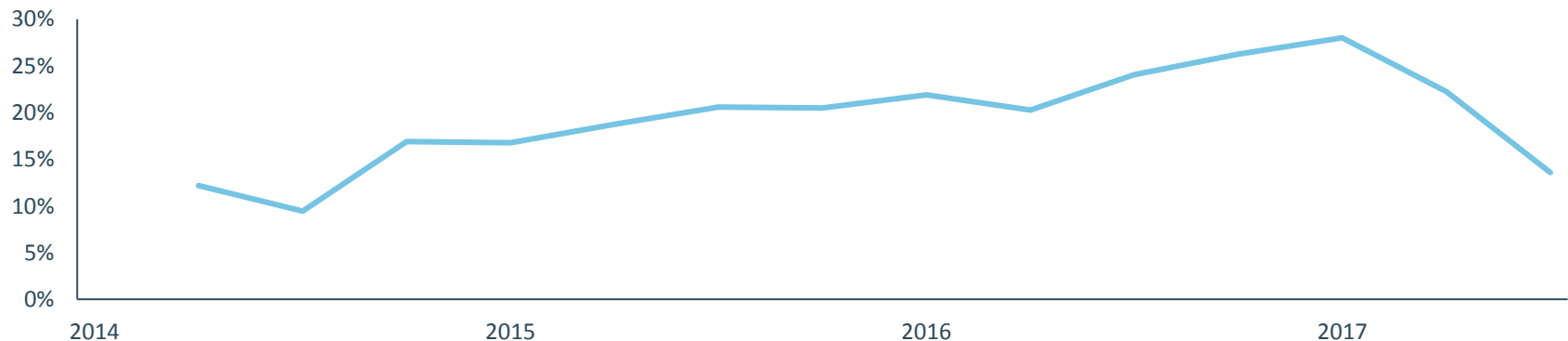
Strong performance + M&A activities  
= reduced exposure.

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

### Current holdings

- Baidu – Hong Kong
- 51Jobs – China
- Zhaopin Ltd.\*
- iCar Asia - ASEAN

## Asian Opportunities Fund - Exposure Since Inception



# Financials

- Biggest addition to the Fund over the past year. Minimal exposure to banks prior to recent additions
- Investment thesis

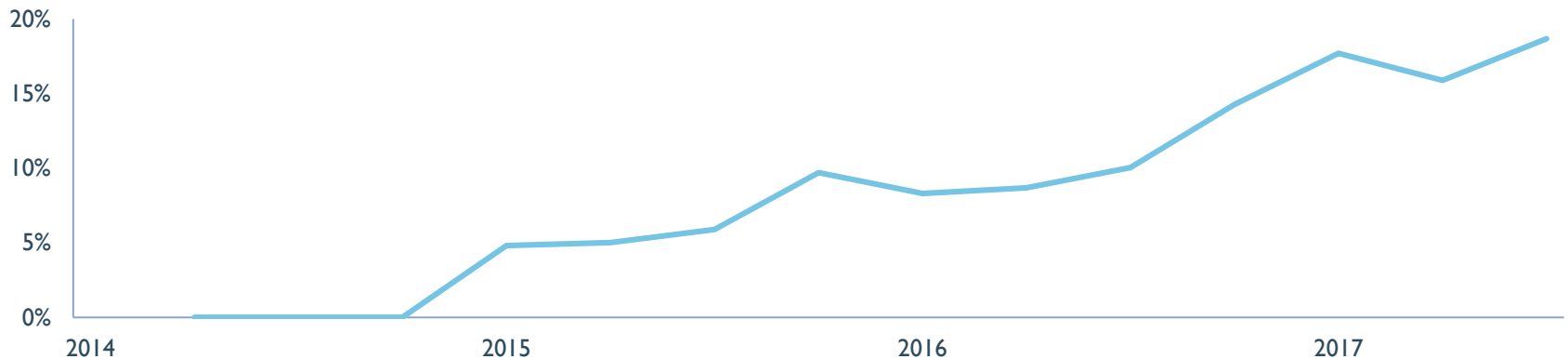
- Excess capital, ability to return capital overtime
- Highly leverage to US rate rises, NIM trough
- Unwarranted concern over asset quality

*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 Opportunities Fund - Exposure Since Inception

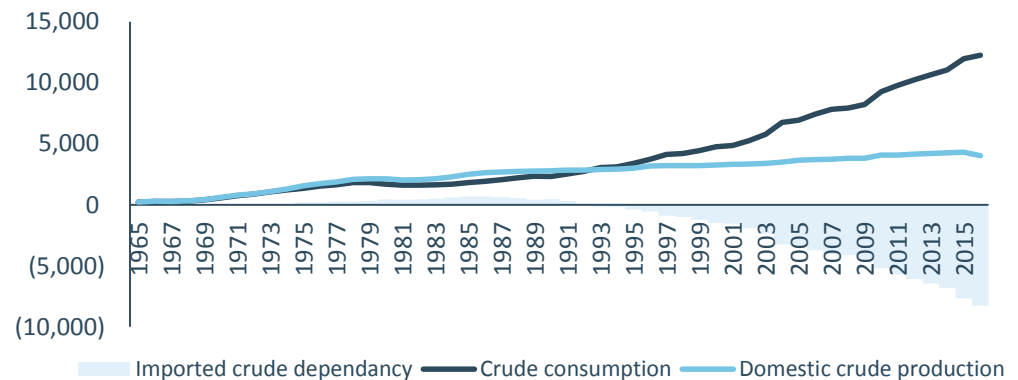


# Oil & gas infrastructure

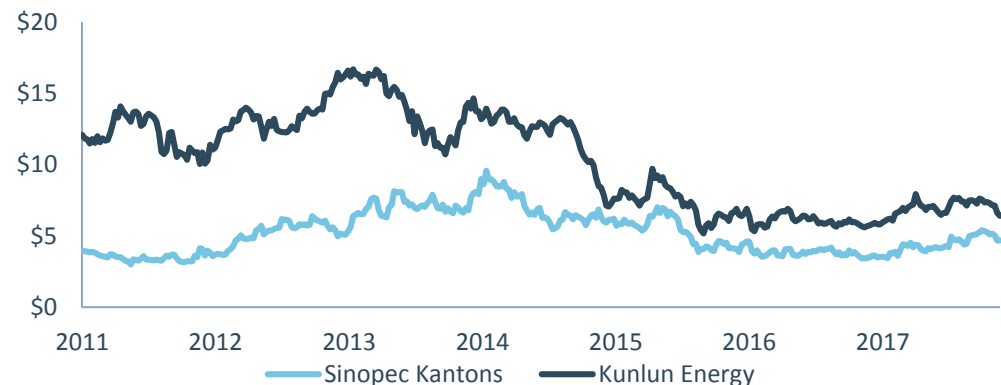
## Investment thesis

- 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



# Summary

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## **Consistent with IPO 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**

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**Differentiated investment  
proposition for Shareholders**

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