When Titans collide

The US and China are testing each other's resolve. What does it mean for markets?

p.1 Quarterly video update

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)

CONTENTS

Quarterly video update

Investment Manager PM Capital provides investors with their quarterly video update.

Paul Moore, Chief Investment Officer and Portfolio Manager, Global Strategies, gives his views on:

- How tariffs could affect the world economy (but focus on the stocks)
- How liquidity is being drained from the system
- Why the risk/ reward proposition has changed, but that opportunities remain

Access the video **here.**

"Although short term valuation discrepancies are becoming few in nature…the real long term opportunities are increasing demonstrably. It's back to the old days of a genuine stock picker's market."

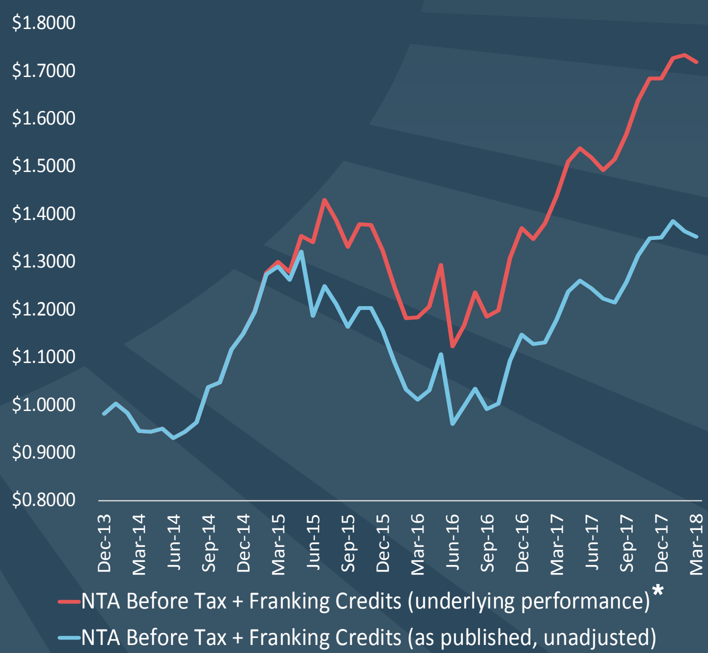
Listed Company Overview

	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	350,909,977	56,248,711
Share Price[1]	$1.205	$1.320
Market Capitalisation	$ 422.8 million	$74.2 million
NTA before tax accruals + franking credits (per share, ex-dividend)	$1.3523	$1.2670
Company Net Assets before tax accruals + franking credits	$ 474.5 million	$71.3 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	350,909,977
Suggested investment time	7 years +
Listing date	11 December 2013

*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 (NTA) backing per ordinary share (all figures are unaudited)[1]	December 2017 (ex)[4]	March 2018 (ex)[5]	Change[6]	Perf. since inception p.a.[7]	Perf. since inception total[7]
NTA before tax accruals plus franking credits[2]	**$1.3249**	**$1.3523**	**+2.07%**	**+ 13.4%**	**+ 71.9%**
NTA after tax[3]	**$1.2310**	**$1.2510**	**+1.62%**		

1. Past performance is not a reliable indicator of future performance. 2. 31 March 2018 includes $0.0097 of franking credits. 3. Net Tangible Assets (NTA) refers to the net assets of the Company after the accruals for net current and deferred tax liabilities/assets. 4. NTA on an ex-dividend basis for the fully franked interim dividend of 1.8cps. 5. NTA after payment of dividend. 6. Change calculated on an ex-dividend basis. 7. Performance adjusted for capital flows associated with the payment of dividends, share issuance as a result of the dividend reinvestment plan, and including the value of franking credits.

KEY POINTS

- Global equity market volatility jumps over the quarter
- We exit our final holding in the brewing industry, selling our remaining position in Heineken
- The Federal Reserve continues on its path of increasing US interest rates

PERFORMANCE

Global equity market volatility jumped over the quarter amid higher US interest rates and concerns that trade wars may affect global economic activity. Notwithstanding some dramatic price action generally, the portfolio benefited from our investments in the exchanges, Spanish hotel stocks and our exposure to the US Dollar which appreciated versus the Australian Dollar.

PORTFOLIO ACTIVITY

We increased our position in Ares Management (an alternative asset manager) over the quarter. The continued sell-down by Abu Dhabi Investment Authority (sovereign wealth fund of the Emirate of Abu Dhabi) and the issuance of new shares by Ares allowed us to buy additional shares at a discount to their trading price. Ares also announced it will convert its structure from a publicly listed partnership into a corporation. This conversion, along with the near doubling of its free float, will greatly enhance Ares's market appeal over the medium term.

We exited our final holding in the brewing industry, selling our remaining position in Heineken. This is a rather historic moment for the strategy. Its original brewing position was bought back in 2004 and it has held 16 stocks in the sector over the past 14 years, spanning Europe, the Americas, Asia and Australia. The original investment theme was simple. We observed there were premium beer brands emerging which would allow for industry consolidation and a positive pricing environment. This story has now largely played out. We think current valuations now require a continuation of very strong earnings growth to satisfy market expectations, so the risk is now to the downside if there are earnings disappointments.

We reduced our exposure to Macau gaming companies early in the quarter. We decided to sell Wynn Macau as allegations of sexual misconduct surfaced against Steve Wynn, CEO and Chairman of Wynn Macau. We expect these allegations, although serious, will have little impact on gaming activity in the near term. However, there is heightened risk around licensing. The presence of these difficult to forecast tail risks, coupled with consensus estimates now more closely reflecting our own, led to the decision to exit the position. We also sold our position in Las Vegas Sands.

Finally, we closed our short positions in several US apartment REITs. We entered these positions in late 2017 with the stocks trading close to their all-time highs. The shares fell circa 15% over our three-month holding period as they reacted to the sharp rise in US bond yields.

OUTLOOK

Our investments in the Spanish hotel sector continues to perform. Hispania, one of our investments in the sector, was set up in 2014 to invest in the Spanish property market with a focus on hotels. It had a six-year business plan that involved buying undermanaged hotels over the first three years of its life; not only taking advantage of the cyclical low in Spanish hotel values but also to invest much needed capital in the undermanaged properties. With Hispania

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now the largest owner of hotels in Spain, the company's focus remains the continued transformation of its hotels into modern, institutional-quality property assets. (In early April, this resulted in a voluntary takeover offer by Alzette Investments - a vehicle owned by firms advised by affiliates of Blackstone - at €17.45 per share. This equates to a 10% premium to Hispania's latest valuation. At the time of writing we are evaluating the takeover proposal).

We also have a position in another Spanish-listed hotel company, NH Hotels, which gives us a broader exposure to the European hotel market. The European hotel market is very fragmented especially when compared to the US market. We believe this will evolve over time and NH Hotels is likely to be part of the consolidation. After rejecting a merger proposal by Barcelo (a private Spanish hotel group), the Board of NH Hotels has engaged investment banks and signalled its intention to participate in future hotel consolidation. The stock is up 7% over the quarter and over 45% over the last 12 months.

Our positions in the exchanges were very strong over the quarter. Deutsche Borse produced good results, with its Clearstream business the standout. The new CEO reiterated that the business expects at least 5% revenue growth and, with operational leverage, should achieve 10% earnings per share growth over the medium term.

Wells Fargo detracted from our performance as the fallout from the Federal Reserve's consent order impacted sentiment towards the stock. The order forbids Wells from growing its balance sheet beyond the current US$1.95 trillion in assets it had at the end of 2017. The rationale for this particular form of punishment stems from the bank having prioritised growth since the financial crisis. In the Fed's view, Wells Fargo failed to increase risk management and oversight alongside that growth. While Wells stated the consent order will reduce profits by between 1.5-1.9% and should not affect the bank's plan to return capital to shareholders this year, it does create negative sentiment around the stock until the Fed completes its assessment and is satisfied with Wells' compliance and risk management functions. While the growth restriction will impact short term profits, we believe the overhaul of Wells compliance and risk management functions will enhance shareholder value over the long term. Having previously reduced our exposure when Wells sold at a premium to other banks, we are now looking at increasing our exposure, as it is now selling at a discount to its peers - reflective of its current issues.

US interest rates continued to increase, with the Fed raising short-term interest rates in March. The Fed is now targeting 1.50-1.75%, above Australian base rates of 1.50%. More significantly, for the first time in 18 years US 10-year bond yields rose above Australian 10-year yields. US fiscal stimulus, near full employment and three more rate hikes priced into 2018 indicate why there is momentum in US interest rates.

We believe it is now clear that interest rates have turned and liquidity is being drained from the system. It is even more clear that stocks which can grow earnings are now required, rather than stocks that can re-rate on the back of lower interest rates.

Portfolio investments	Weighting^^
Post GFC Housing Recovery - US	14.3%
Post GFC Property Recovery - Europe	13.3%
Global Domestic Banking	37.5%
Service Monopolies	19.9%
Pharmaceuticals	3.5%
Gaming - Macau	3.1%
Alternative Investment Managers	13.7%
Other	2.6%
Long Equities Position	107.9%
Short Equities Position	-13.9%
Net Invested Equities	94.1%
Total holdings	37

Current stock examples
Howard Hughes Corporation
Cairn Homes
Bank of America
Alphabet
Pfizer
MGM China Holdings
KKR & Co L.P.

Currency exposure*	
USD/ HKD	81.6%
EUR	19.4%
GBP	7.1%
AUD/NZD**	-8.1%
Total exposure	100.0%

* Stated as effective exposure.

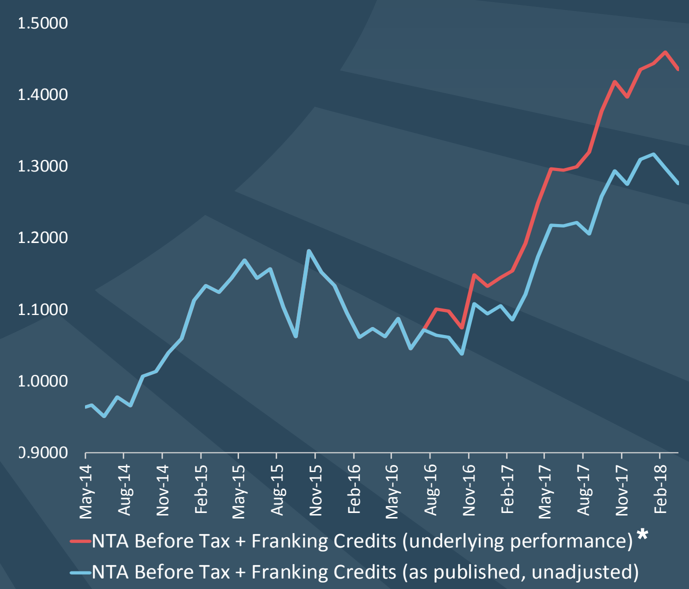
** Represents net exposure to AUD and NZD. Actual NZD exposure is -5.2%.

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)[6] 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 (NTA) backing per ordinary share (all figures are unaudited)[1]	December 2017 (ex)[4]	March 2018 (ex)[5]	Change[6]	Perf. since inception p.a.[7]	Perf. since inception total[7]
NTA before tax accruals plus franking credits[2]	**1.2759**	**1.2670**	**- 0.70%**	**9.8%**	**43.6%**
NTA after tax[3]	**1.1944**	**1.1880**	**- 0.54%**		

1. Past performance is not a reliable indicator of future performance. 2. 31 March 2018 includes $0.03856 of franking credits. 3. Net Tangible Assets (NTA) refers to the net assets of the Company after the accruals for net current and deferred tax liabilities/assets. 4. NTA on an ex-dividend basis for the fully franked interim dividend of 2.5cps. 5. NTA after payment of dividend. 6. Change calculated on an ex-dividend basis. 7. Performance adjusted for capital flows associated with the payment of dividends, share issuance as a result of the dividend reinvestment plan, and including the value of franking credits.

KEY POINTS

- A healthy cash balance maintained, leaving us well placed to take advantage of opportunities resulting from heightened volatility
- Macau holdings were reduced materially during the period
- Korean preferred shares represent a new thematic in the portfolios

PERFORMANCE

The quarter saw the return of equity market volatility after a long absence, not just in Asia but globally. The headline performance figures – relatively flat for the portfolio and 2.6% for the MSCI All Country Asia (ex Japan) – mask a period where the status quo of consistently rising markets and corresponding investor complacency was aggressively tested. Escalating trade tensions and concerns around the growth outlook and valuation of the large cap technology darlings of the recent bull market were the central themes which led the heightened volatility.

While we saw a very strong start to the year in January, this was quickly retraced in February and March. The underlying equities portfolio detracted from performance while currency gains partially offset these losses. In February and March, the portfolio benefited in a relative sense from the decision to increase the cash weighting over the past 12 months – net invested position declining from 97.8% at 31 March 2017 to 91.4% as at 31 March 2018 – however, the poor performance from a handful of positions adversely affected performance.

Sinopec Kantons, down 23% for the quarter, had the biggest impact on performance. A majority of this decline came after it reported 2017 results that were below market expectations. While underlying earnings advanced 20% year-over-year, the main area of concern was a larger than expected decline in the realised tariff of the gas pipelines business following the introduction of a new tariff setting mechanism in September. The realised pipeline tariff was below our expectations and led us to revise down our future earnings estimates for the business.

However, we maintain our position. Oil terminals and storage operations account for ~65% of the Company's earnings and the outlook for this business remains robust, with earnings growth expected to exceed 10% p.a. over the mid-term. Rapid growth in the Liquefied Natural Gas (LNG) logistics business, which continues to ramp up as shipments from PNG LNG and Australia Pacific LNG projects mature, will also help to offset a lower contribution from the pipeline division. We view the current valuation at 7.5x 2018 earnings as unjustified given the growth outlook and improving returns profile.

Turquoise Hill Resources fell 10% after several incidents suggest the Oyu Tolgoi mine has once again become the proverbial 'political football' for Mongolian politicians. The central issue is the Mongolian government's continued efforts to amend the 2009 Investment Agreement which forms the basis of Turquoise Hill's investment in the country. Sovereign risk, which is not uncommon when dealing with emerging market mining companies, has been an ongoing issue with Turquoise Hill. We continue to focus on the earnings power of Oyu Tolgoi once the underground mine becomes operational. We believe the market continues to discount these cash flows heavily and far beyond any potential revisions to the Investment Agreement.

Positive contributors to performance included Cambodian casino operator NagaCorp and our two Malaysian brewery holdings, Carlsberg Brewery Malaysia and Heineken Malaysia.

NagaCorp advanced 34% after 2017 results beat consensus expectations by a wide margin. Earnings Before Interest and Tax (EBIT) grew 37% year-over-year, supported by the opening of the company's Naga2 property in Phnom Penh. Naga2 opened in November 2017, therefore the ramp up of

PM Capital Asian Opportunities Fund

the property is expected to continue through 2018 and support strong growth in underlying earnings this year. Notably, two key Macau junket operators have started operating at the property in recent months which is a positive reinforcement of the quality of NagaCorp's product offering.

Carlsberg Brewery Malaysia and Heineken Malaysia advanced 23% and 10% respectively. Both companies continue to achieve impressive growth despite the underwhelming economic conditions witnessed in Malaysia in recent years. The two companies recorded respective EBIT growth of 8% and 6% year-over-year in 2017. Malaysia's beer market can best be described as a rational duopoly and the earnings resilience displayed during a period of weak economic activity is testament to this. While product innovation sits as the top priority for both companies, they have also remained steadfast in their desire to drive redundant costs out of the business, supporting margin growth over time.

PORTFOLIO ACTIVITY

We materially reduced our Macau holdings during the period, exiting our Wynn Macau and Las Vegas Sands positions. While the decision to exit Las Vegas Sands was on valuation grounds, we elected to sell Wynn Macau after allegations of sexual misconduct surfaced against CEO and Chairman Steve Wynn. These allegations led to heightened risk around licensing for the business, particularly if Mr. Wynn's involvement continued. The presence of this difficult to forecast tail risk materially changed Wynn Macau's risk reward proposition leading to the decision to exit. Following our exit, it was announced that Mr. Wynn would in fact be stepping down from his position at the Company and he has subsequently sold his 12% stake in parent company Wynn Resorts. Las Vegas Sands and Wynn Macau have contributed materially to performance – rising 71% and 196% – since our initial purchases in 2015 and 2016 respectively.

We also exited long held positions in Chinese employment classified businesses 51Jobs and Zhaopin. We exited 51Jobs after an extended period of strong performance – 95% over the past year – saw it reach our target price while Zhaopin was exited through the privatisation process communicated last year.

Capital released from the above sales was recycled into new positions in Samsung Electronics (preferred shares) and Hite Jinro. The investment in Samsung Electronics represents our second investment in Korean preferred shares which is a growing thematic in the portfolio.

OUTLOOK

Over the past year we have realised a large portion of our portfolio – positions totalling 31% of the Fund were exited completely. Some capital has been rotated into new positions but as communicated we have found it increasingly harder to identify pockets of anomalies where we can deploy meaningful capital. We do not shy away from the recent volatility in markets as we believe it will give us the opportunity to deploy our cash positions.

Portfolio investments	Weighting
Consumer - Breweries	11.4%
Consumer - Other	11.7%
Financials	19.6%
Online Classifieds & Ecommerce	13.6%
Capital Goods & Commodities	12.6%
Gaming - Macau	4.8%
Gaming - Other	5.3%
Oil & Gas Infrastructure	9.3%
Other	5.9%
Long Equities Position	**94.3%**
Short Equities Position	-2.9%
Net Invested Equities	**91.4%**

Current stock examples
Heineken Malaysia
Dali Food Group
HSBC Holdings
Baidu
Turquoise Hill Resources
MGM China Holdings Ltd
NagaCorp
Sinopec Kantons

Total Holdings	27

Currency exposure*	
USD	54.8%
HKD	38.5%
KRW	0.0%
AUD	4.7%
Other	2.0%
Total exposure	100.0%

* Stated as Effective Exposure.

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 Thursday 29th March 2018.

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

6. 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