PM Capital

QUARTERLY REPORT
MARCH 2022

We do not make forecasts; we make observations on valuations

Rotation to “value stocks” still in its early days

p.1 Video insight

PM Capital
GLOBAL OPPORTUNITIES FUND LIMITED

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

CONTENTS

Quarterly video update

In this video Paul Moore, Chief Investment Officer and Portfolio Manager, discusses:

- The first US Federal rate raise since 2018
- How inflationary trends continue, reinforced by the war in Ukraine
- How PM Capital is positioned in energy stocks

Access the video **here.**

Access all market updates and insights **here.**

"How it plays out short term, we do not know. But there is no change to our view that longer term, interest rates and inflation have inflected. Investors under-estimate how crowded they are in long duration assets and that the rotation into the so called 'value stocks' is still in its early days"

Listed Company Overview

	PM Capital Global Opportunities Fund Limited
ASX Code	PGF
Asset Class	Global equities
Listing Date	11 December 2013
Suggested Time Frame	Seven years plus
Shares on Issue	390,784,759
Share Price	$1.72
Market Capitalisation	$672.1 million
NTA before tax accruals (per share, ex-dividend)	$1.6819
Company Net Assets before tax accruals	$657.3 million

See page 5 for Important Information. As at 31 March 2022.

PM Capital Global Opportunities Fund

PM Capital is delighted to have its global investment strategy named the winner of the International Equities – Alternative Strategies, 2021 Zenith Fund Award.^ We congratulate the nominees, and thank Zenith for their recognition of our rigorous discipline of focusing on genuine long term valuation anomalies.

Simple ideas, simple businesses

Building long term wealth by finding and exploiting investment anomalies around the world

Net Tangible Asset (NTA) backing per ordinary share (After fees and expenses, all figures are unaudited)[1]	March 2022
NTA before tax accruals	$ 1.6819
NTA after tax (excluding deferred tax assets)	$ 1.5293

Company performance (net of fees)[2]	3 Months	1 Year	3 Years p.a.	5 Years p.a.	7 Years p.a.	Since inception p.a.	Total Return	Gross Dividend Yield (p.a.)[3]
PM Capital Global Opportunities Fund	4.2%	18.0%	18.0%	14.4%	11.7%	13.3%	182.6%	8.6%

1.The above NTA figures are ex the fully franked final dividend of 5.0 cents per share which will be paid on 29 April 2022. The shares traded ex-dividend on 1 April 2022. Past performance is not a reliable indicator of future performance. 2. Performance adjusted for capital flows including those associated with the payment of dividends and tax, share issuance as a result of option exercise and the dividend reinvestment plan. 3.Based on share price as at 31 March 2022, and the dividend guidance issued to the ASX on 11 February 2022.The intended fully franked dividend is subject to there being no material adverse changes in market conditions and the investment performance of the Company's portfolio.The Company's ability to continue paying fully franked dividends is dependent on the payment of tax on investment profits and there can be no guarantee that such profits will be generated in the future.

KEY POINTS

- The war in Ukraine has amplified a supply shock that was already underway
- Base metal and energy stocks surge
- Global inflation takes hold forcing a significant move higher in global bond yields

PERFORMANCE

The portfolio returned a pleasingly 4.2% in a turbulent quarter compared to the market down 8.2%. Our strongest performers included our industrial commodity and energy companies with the main detractors being ING Groep, Apollo Global Management and Siemens AG.

PORTFOLIO ACTIVITY

We entered a new position in Woodside Petroleum, the Australian liquid natural gas (LNG) producer, that is trading on a mid-single digit earnings multiple and will benefit from the likely structural shortage in LNG supply longer term.

During February, we sold our position in miner Barrick Gold as the stock spiked following an announced shareholder returns plan. Barrick was one of our smaller mineral resources holdings and traded at a valuation beyond that of base metal and diversified mining peers. Given current geopolitical events the stock may move higher, although as it stood when we sold in mid-February, we believed the valuation and risk-reward were no longer compelling.

Amidst the volatility over the quarter, we added to a number of our industrial stocks, namely Siemens AG, Airbus and Applus Services, which we believe sold off disproportionately. We reduced our holdings in copper miners Freeport McMoran and First Quantum as they traded at valuation multiples which incorporate reasonably strong long-term copper price assumptions.

OUTLOOK

Our industrial commodity holdings fared well during the quarter as commodity prices experienced a sharp spike as investors assessed the impact the escalating conflict between Russia and Ukraine will have on commodity markets. Most notable were the price moves in oil, coal, nickel and wheat given the importance Russia (and Ukraine) play in supplying those markets.

Our energy exposure also made significant gains over the quarter as security of supply became a prominent market concern. While Shell is our largest investment in the energy sector (up 31%), we would like to share our thesis on Woodside Petroleum which we initiated a position in during the quarter. What was interesting about Woodside, is that despite its own stock specific issues, in USD, the stock price charts of Shell and Woodside were identical, both significantly lagging the recovery in oil prices.

Historically we were cautious of Woodside due to a declining production profile and the significant capital and operational risk related to finding new reserves. The market was also concerned and in combination with a negative "ESG" sentiment tainting the oil and gas sector, and then further noise around the announcement of a merger with BHP's oil division, the stock became disconnected with fundamentals.

The merger with BHP solved Woodside's declining production profile and created a balance sheet and cash-flow profile that would fund its major projects. At the time of purchase, even on conservative assumptions of $65 oil and $8 LNG, Woodside was selling on a very reasonable 9x earnings multiple but at current spot prices for oil and gas, Woodside is on 5x earnings and will be printing significant free cash flow. We suspect investors will under-estimate the sustainability of higher oil prices due to the disruption to Russian supplies and ESG initiatives that are constraining investment in the industry. Woodside is particularly well-placed longer term as global energy supply chains shift and it sells into an increasingly tight global liquid natural gas (LNG) market.

Global bond yields moved sharply higher over the quarter as the market realised that central banks will likely have to materially move interest rates higher to combat inflation which looks more and more structural in nature. While rising bond yields adds a significant tailwind to our global banking positions through higher profitability, the uncertainty brought about by geopolitical events tempered their price action overall. Our holding in Spanish domiciled bank, CaixaBank rose 27% over the quarter due to its material exposure to higher European interest rates, where we estimate earnings could rise in the region of 30% with every 1% move in European rates. They also announced they will return all excess capital to shareholders which could result in up to a 15% implied yield over 2022 through dividends and buybacks.

On the other hand, ING fell 22% due to its exposure to Russia. We continue to hold ING as we believe the stock price has over-reacted. While ING has quantified the Russian exposure at €6.7bn (or less than 1% of their loan book), the market cap fell over €18bn from its high in mid-February until the end of March. This coupled with over €8bn of excess capital on its balance sheet, should see no disruption to dividends and a resumption of their buyback later this year.

With regard to our positions in European industrial firms, Siemens fell 15% even though it has negligible exposure to Russia and longer term such geopolitical events only highlight the tailwinds for its factory automation business, which provides hardware & software that make onshoring manufacturing more cost competitive. In addition, its healthcare business is performing very strongly as hospitals realise there are huge long-term benefits to using Siemens equipment to automate much of the essential services hospitals provide. We added to our Siemens holding over the quarter.

Finally, our last remaining position in the alternative asset managers, Apollo Global Management fell 14% over the quarter. The stock has ironically become an example of a typical Apollo investment, that it is unique but more complex and what we believe is a lot less risky than perceived. A world of higher rates, wider credit spreads and increased value orientation is perfect for Apollo. We believe the share price action was extreme for a high-quality stock trading on 10 times earnings with so many structural tailwinds and thus we increased our position.

Portfolio investments	Weighting^^
Domestic Banking - Europe	18%
Industrial commodities	14%
Domestic Banking - USA	14%
Energy	14%
Quality Industrial Franchises	10%
Gaming	9%
Housing Ireland & Spain	9%
Alternative Investment Managers	7%
Other	7%
Long Equity Position	**102%**
Direct Short Position	-3%
Index Short Position	-16%
Net Invested Equities	83%

Current stock examples	
ING Groep	
Freeport-McMoRan	
Bank of America	
Shell	
Siemens	
Wynn Reorts	
Cairn Homes	
Apollo Global Management	
SPX, NASDAQ	
Total holdings	42

Currency exposure*	100%
AUD	51%
USD	26%
GBP	11%
EUR	9%
Other	3%

* Stated as effective exposure.

The Company aims to create long term wealth through a concentrated portfolio of generally 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 over seven-year plus investment horizon through investment in a concentrated portfolio of undervalued global (including Australian) equities and other investment securities.

Paul Moore - Chief Investment Officer

Kevin Bertoli - Co-Portfolio Manager

John Whelan - Co-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

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

It contains general information only and does not constitute an offer, invitation, solicitation or recommendation with respect to the purchase or sale of any securities of PGF. The information herein seeks to provide an insight into how and why we make our investment decisions, and is subject to change without notice. The Quarterly Report does not constitute product or investment advice, nor does it take into account any investors' investment objectives, taxation situation, financial situation or needs. An investor should seek their own financial advice, and must not act on the basis of any matter contained in this Quarterly Report in making an investment decision but must make their own assessment of PGF and conduct their own investigations and analysis prior to making a decision to invest. Past performance is not a reliable indicator of future performance and no guarantee of future returns, ASX trading prices, or market liquidity is implied or given. The capital and income of any investment may go down as well as up due to various market forces. All values are expressed in Australian currency unless otherwise stated.

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

Inception date for PGF: 12 December 2013.

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

This announcement is authorised by Benjamin Skilbeck (Diretor)

^The Zenith Fund Awards were issued on 15 October 2021 by Zenith Investment Partners (ABN 27 130 132 672, AFSL 226872) and are determined using proprietary methodologies. The Fund Awards are solely statements of opinion and do not represent recommendations to purchase, hold or sell any securities or make any other investment decisions. To the extent that the Fund Awards constitutes advice, it is General Advice for Wholesale clients only without taking into consideration the objectives, financial situation or needs of any specific person. Investors should seek their own independent financial advice before making any investment decision and should consider the appropriateness of any advice. Investors should obtain a copy of and consider any relevant PDS or offer document before making any investment decisions. Past performance is not an indication of future performance. Fund Awards are current for 12 months from the date awarded and are subject to change at any time. Fund Awards for previous years are referenced for historical purposes only.

INVESTMENT MANAGER

PM Capital Limited
ABN 69 083 644 731
AFSL 230222

Level 11, 68 York Street
Sydney NSW 2000
P +61 2 8243 0888
E pmcapital@pmcapital.com.au
www.pmcapital.com.au

REPRESENTATIVE CONTACTS

John Palmer
Client Relationship Manager
M 0447 471 042
E jpalmer@pmcapital.com.au

Nicholas Healey
Client Relationship Manager
M 0447 814 784
E nhealey@pmcapital.com.au