PM Capital

QUARTERLY REPORT

MARCH 2023

Banking turmoil?

Why our banking stocks pass the quality control check

p.1 Video insight

PM Capital
GLOBAL OPPORTUNITIES FUND LIMITED

PM Capital Global Opportunities Fund Limited

ACN 166 064 875 (ASX Code: PGF)

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Quarterly video update

In this video Paul Moore, Chief Investment Officer and Kevin Bertoli, Co-Portfolio Manager, equities discuss:

- The turmoil in the banking industry and how our banking positions are affected;
- A recent takeover offer for our largest commodity investment, Teck Resources;
- The importance of a long term focus and having the patience to let investment theses play out.

Access the video **here.**

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

"The two big issues over the quarter [Silicon Valley Bank, which we didn't hold, and Teck Resources restructure proposal] obviously make our life interesting, but it doesn't change the long-term investment thesis and so we continue to be shareholders and we continue to expect this to play out over a long period of time."

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	408,010,369
Share Price	$1.72
Market Capitalisation	$701.8 million
NTA before tax accruals (per share, ex-dividend)	$1.7134
Company Net Assets before tax accruals	$699.1 million

See page 4 for Important Information. As at 31 March 2023.

PM Capital
Global Opportunities Fund

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 2023
NTA before tax accruals	$ 1.7134
NTA after tax (excluding deferred tax assets)	$ 1.5679

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	5.8%	12.0%	28.4%	12.9%	15.1%	13.2%	216.6%	8.3%

1. 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 2023 and the dividend guidance issued to the ASX on 9 February 2023.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

- Teck Resources receives a takeover offer from Glencore
- US financials retreat on Silicon Valley bank fallout
- Rapid recovery in Macau due to the removal of COVID-19 restrictions

PERFORMANCE

The portfolio returned 5.8% over the quarter. Our positions in European industrials and gaming were positive contributors while our US financials holdings detracted from performance.

PORTFOLIO ACTIVITY & OUTLOOK

US bank holdings were impacted by the collapse of Silicon Valley Bank and Signature Bank which sparked fear within the market and led to broad-based selling of the sector. Below we assess what happened to Silicon Valley Bank and the comparability (or lack thereof) to our US bank holdings.

Silicon Valley Bank collapsed due to a mismatch in its assets and liabilities. Like at most banks (including the Australian banks), Silicon Valley's liability book (deposits) was generally on-demand, meaning that deposit holders could withdraw their funds without notice. Their asset book was mostly longer dated fixed income securities including government-guaranteed mortgage-backed securities. The securities carried low credit risk but were bought during the pandemic at a time of low interest rates, so were less valuable in today's higher rate world and thus carried mark-to-market losses. The mark-to-market losses on securities would only prove problematic if a run on deposits required Silicon Valley to liquidate the securities and realise the losses – which is what happened.

The difference between Silicon Valley and the likes of Bank of America, our primary holding in the sector, is in the quality of the deposit franchise. Silicon Valley had relatively few deposit holders with relatively large sums of money (some in the hundreds of millions of dollars); Bank of America has a fragmented collection of millions of deposit holders, most of whom have relatively small sums of money (a substantial portion below the level at which the government guarantees the deposit through the Federal Deposit Insurance Commission). Silicon Valley's deposit holders were primarily young technology companies facing a difficult environment post pandemic and thus withdrawing deposits; Bank of America's deposit holders are the wider American community. We used the volatility in bank of America's share price over the month of March to add to our position.

Gaming positions contributed positively to performance led by Wynn Resorts and Flutter Entertainment. Macau which has experienced a rapid recovery in activity post the removal of COVID-19 restrictions was the key catalyst supporting Wynn Resorts performance during the quarter. Over the past 18 months, Wynn's US operations in Las Vegas and Boston, which both generated record EBITDA in 2022, have been more than offset by Macau's poor performance. We believe earnings expectations for Macau remain too low and that we are in the early stages of a rerating cycle which leaves the business well placed to outperform. Flutter

Entertainment built upon the strong performance witnessed in 2022 largely on account of its US business FanDuel, which continues to go from strength to strength. FanDuel achieved a 50% market share in the online sports betting market during the fourth quarter which far exceeds the long term assumptions assumed by most sell side analysts and is likely to drive material upgrades overtime time.

Energy holdings were mixed, with CNOOC the standout performer over the period despite a decline in Brent. CNOOC's full year results were well received by investors, with oil and gas production at 9% increase y/y coming in well ahead of consensus. Also noteworthy was strong cost control with all-in-cost only increasing 3% y/y leading to significant operating leverage to higher oil prices. CNOOC remains a rarity amongst global E&P companies in that it continues to invest and grow production. Management reiterated production target of 730-740m barrels of oil in 2025, which equates to a 5.6% p.a. compound annual growth rate. Despite the company's growth ambitions shareholders were still rewarded with dividends in 2022 which equated to 12%+ yield. Given its strong balance sheet we believe there is further room to increase shareholder returns in the future.

In our February monthly commentary, we wrote about diversified miner Teck Resources' plan to spin-off its steelmaking coal assets into a separately listed company. An accompanying but separate proposal to collapse the dual share class structure was also tabled. While both proposals have merit, in particular the decision to unwind the duel class share structure, which ensures a small minority of shareholders control the company's destiny with 100-to-1 voting rights, we view both as being poorly structured. Being concerned with the deal structure, we engaged with the company's officers and chairperson of the Board to voice our concerns. Furthermore, we engaged with proxy advisory firms, who has subsequently made recommendations against the deal. After reflecting on the two proposals for a month we remain convinced the transactions complicate the longer-term story and make it more difficult for Teck stock to achieve a full & fair valuation. This was reflected in the disappointing share price performance post the announcement, with the stock trading down for the quarter compared to Freeport, which advanced. We believe a well-structured deal had the potential to lead to a material rerating of Teck shares and the structure of the two proposals was a missed opportunity for the company. We maintain our holding as the valuation is still compelling. Subsequent to the end of the period it was announced that Glencore has formally proposed a merger with Teck with the latter's shares rallying 20% in response. We believe this again highlights the inherent value in Teck's assets.

Siemens returned 18.4% over the quarter (inclusive of dividends). The stock continues to trade at a discount to the sector which we believe is unwarranted given our growing confidence in its execution. We see Siemens playing a critical role in the global transition to a more automated, digitalised and energy efficient world. We met with both CFO Ralf Thomas and investor relations personal at the Bank of America Conference in London during March and we remain confident that Siemens will continue to leverage its best-in-class products and services to ensure long term growth.

Portfolio investments	Weighting^^
Domestic Banking - Europe	24%
Domestic Banking - USA	14%
Commodities - Energy	14%
Gaming	13%
Commodities - Industrial metals	13%
Industrials	11%
Alternative Investment Managers	7%
Housing Ireland & Spain	7%
Other	5%
Long Equity Position	**108%**
Direct Short Position	-3%
Index Short Position	-8%
Net Invested Equities	97%

Current stock examples	
ING Groep	
Bank of America	
Shell	
Wynn Resorts	
Freeport-McMoRan	
Siemens	
Apollo Global Management	
Cairn Homes	
SPX	
Total holdings	41

Currency exposure*	100%
AUD	85%
GBP	8%
HKD	4%
EUR	2%
USD	1%

* 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:

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PM CAPITAL Global Opportunities Fund Limited
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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. 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 - Director.

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