PM Capital

QUARTERLY REPORT
SEPTEMBER 2023

Recognising opportunities where valuations look rewarding

Careful stock picking is key to providing an acceptable rate of return

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 discusses:

- Interest rates being the driving force behind market movements
- The risk of not earning an acceptable rate of return from passive allocations and the need for good investors to be doing something that others are not
- The importance of valuation, where valuations still look rewarding and recent additions to the portfolio

Access the video **here.**

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

"Higher interest rates and the end of excess liquidity being provided by central bankers means… can no longer hide in passive investments… need to make investments in specific stocks that will provide an acceptable rate of return…"

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	408,513,246
Share Price	$1.89
Market Capitalisation	$772.1 million
NTA before tax accruals (per share, ex-dividend)	$1.7928
Company Net Assets before tax accruals	$732.4 million

See page 4 for Important Information. As at 30 September 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]	September 2023
NTA before tax accruals	$ 1.7928
NTA after tax (excluding deferred tax assets)	$ 1.6205

Company performance (net of fees)[2]	3 Months	1 Year	3 Years pa	5 Years pa	7 Years pa	Since inception pa	Total Return	Gross Dividend Yield (pa)[3]
PM Capital Global Opportunities Fund	2.0%	34.7%	25.9%	13.7%	16.3%	13.3%	240.2%	7.6%

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 30 September 2023 and the dividend guidance issued to the ASX on 10 August 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.

PERFORMANCE

The portfolio advanced 2.0% over the quarter compared to the MSCI Global in AUD which declined 0.4%.

Positive contributors included our positions in Apollo Global Management in addition to our positions across the energy sector. Negative contributors included our positions in industrial companies and gaming companies.

Apollo Global Management returned 27.6% over the quarter. While Apollo continues to take advantage of the secular tailwind of rising allocations to alternatives, it has also capitalised on the changing financial landscape through the build out of its credit origination platforms. These platforms allow Apollo to take 100% of the economics from extending credit rather than sharing the economics with financial intermediaries. Apollo's long-term shift from a pure private equity manager to a full-scale retirement income solutions provider supports its first mover advantage into the large and growing market for retirement solutions.

The energy sector is again in focus, with supply cuts from Saudi Arabia and Russia combining with resilient demand to send oil prices up 22% over the quarter, coinciding with a run-up in bond yields as investors fret a "higher-for-longer" scenario. The surge in oil prices is consistent with our view that disciplined production and underinvestment in traditional energy supply will combine with resilient demand to create ongoing pricing volatility. Shell increased 12.5% over the quarter. CNOOC's share price was further supported by a strong first half results announcement. Highlights included industry leading production growth of 9% year-over-year coupled with continued strong cost control with all in costs declining to US$28.17/bbl. The board also declared a HK$0.59/share interim dividend, the company had now returned HK$3.22/share since we initiated our position in early 2021 (30 September 2023 share price HK$13.78).

Our positions in European banks also added to our return for the quarter. As we have described previously, European banks are one of the most interest sensitive sectors in the global economy and with interest rates taking another leg up over the quarter, the profitability of the sector has commensurably increased. While interest rates may take a breather for a while, the market is a long way from factoring in the current interest rate curve into European bank valuations with the sector trading on ~6 times earnings.

Our positions across the industrial space declined in price as the market became increasingly focused on a potential slowdown in industrial actively. Siemens declined 11.1% over the quarter as orders in its factory automation business fell short of expectations with demand from China being the main contributor to the underperformance. While orders in this business can be volatile quarter to quarter, our long-term thesis for Siemens remains intact, which revolves around the increasing push to improve industrial productivity through automation, digitalisation and energy efficiency.

Our Gaming positions detracted from performance. Most notable was the negative performance of Star Entertainment whose share price declined as investors positioned for a capital raise which was formerly announced in late September. The capital raise and share price performance masks the substantial progress management has made addressing the key overhangs to the business over the past 6 months, most notably the announcement of an in-principal tax agreement with NSW government. The agreement reduces Star's additional tax burden in FY2024 to $10m which is well below the circa $100m proposed by the former Liberal Treasurer Matt Kean last December. FY2023 results also suggest underlying operations have stabilised with Adjusted EBITDA coming in slightly above guidance provided in April. We see several drivers to support activity off trough levels, in particular an imminent reintroduction of comped alcoholic beverages in premium gaming rooms and return to Chinese visitation which year-to-date remain 80% below 2019.

Wynn Resorts was also a negative contributor despite limited company specific news flow. We attribute share price weakness to broader fears of a slowdown in discretionary consumption in the US. Wynn Resort continues to be well placed to benefit from a recover in Macau while its US properties continue to operate at record levels.

PORTFOLIO ACTIVITY & OUTLOOK

Two new commodity positions were initiated during the period, Grupo Mexico and Arch Resources. Grupo Mexico is a holding company with two primary businesses, a 90% stake in US listed Southern Copper and a 70% stake in Grupo Mexico Transportes. Investors in our Fund will be familiar with Southern Copper – large low-cost copper producer – which we have previously owned directly in the portfolio, while Grupo Mexico Transportes operates the largest freight rail network in Mexico. Grupo Mexico provides a cheaper implied entry pricing into the Southern Copper business while we pick up the Grupo Mexico Transportes business for virtually nothing. At US$4/lb copper the business trades on about 12x earnings and with a circa 5% dividend yield.

Arch Resources is a metallurgical (steelmaking) coal miner based in the Appalachian region of the United States. The distinguishing factors that make Arch an attractive investment include its policy to remit 100 percent of free cash flow to shareholders via a quarterly dividend and buyback. Shareholders near unanimously support the policy and given Arch's valuation at under five times earnings, buybacks are highly accretive. The other distinguishing factor is its mining jurisdiction, West Virginia, where state royalties remain low at 5% of coal receipts, a competitive advantage over Queensland producers who at the margin pay 40% of coal receipts.

Portfolio investments	Weighting^^
Domestic Banking - Europe	25%
Commodities - Energy	18%
Commodities - Industrial metals	15%
Domestic Banking - USA	13%
Gaming	12%
Industrials	12%
Housing Ireland & Spain	7%
Alternative Investment Managers	7%
Other	4%
Long Equity Position	**113%**
Direct Short Position	-4%
Index Short Position	-13%
Net Invested Equities	96%

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

Currency exposure*	100%
AUD	81%
GBP	7%
HKD	6%
USD	4%
Other	2%

* Stated as effective exposure.

^^ Quoted before tax liability on unrealised gains.

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
ACN 166 064 875 (ASX Code: PGF)

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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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