PM Capital

Quarterly report

December 2023

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, Portfolio Managers Kevin Bertoli and John Whelan discuss:

- Outlook for 2024 as the market continues to focus on inflationary data and interest rate speculation
- Core themes in the portfolio such as commodities and industrials
- The shifting investment landscape and the importance of valuation

Access the video **here.**

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

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	409,124,707
Share Price	$1.90
Market Capitalisation	$777.3 million
NTA before tax accruals (per share)	$1.8686
Company Net Assets before tax accruals	$764.5 million

See page 4 for Important Information. As at 31 December 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]	December 2023
NTA before tax accruals	$ 1.8686
NTA after tax (excluding deferred tax assets)	$ 1.6795

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	4.7%	19.0%	18.9%	18.1%	14.6%	13.5%	256.0%	7.5%

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 December 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 returned 4.7% over the quarter. Positive contributors to performance over the quarter included Siemens, the European homebuilders and Bank of America. Detractors to quarterly performance included Allied Irish Banks, Bank of Ireland and Woodside Energy.

Our position in Siemens had a strong quarter with the stock price up just over 25%. Noise around Siemens Energy requiring a bailout (Siemens currently owns 17% of Siemens Energy) coupled with a general market selloff created the temporary opportunity. Siemens took advantage of the situation by using its strong balance sheet to buy a 18% interest in Siemens India (separately listed) from Siemens Energy for 2.1 billion euros. This has resulted in Siemens now owning 69% in this highly valuable growth business. The deal was done at a 15% discount to the market price of Siemens India.

Our position across the Irish and Spanish homebuilders also performed strong over the quarter. All four companies are expected to generate free-cash flow yields of between 15% and 25% over 2024, coupled with a stated policy to return the majority of free-cash flow back to shareholders through dividends and buybacks. While the free-cash flow generation and return story is the thesis behind our positions, the short-term pullback in interest rates from their highs in September 2023 also created a positive sentiment around the homebuilders.

Our US financial holdings which include the large money center banks and Charles Schwab, recovered in the December quarter after being oversold in the prior quarter. With interest rates falling, the market became less worried about deposit holders reducing balances in search of higher yields elsewhere. While interest rate moves will continue to impact stock prices in the short term, evidence suggests most of Bank of America's checking accounts are primary accounts into which incomes and day-to-day expenses are paid, and the average of Schwab's 34 million retail brokerage accounts has less than 5% of its value in transactional cash.

After some very strong performance on the back of rising interest rates, AIB Group and Bank of Ireland fell over the quarter as the market priced in aggressive interest rate cuts by the European Central Bank (ECB). While we acknowledge the ECB will likely cut interest rates at some stage over 2024, AIB is trading on ~5 times 2024 earnings and just ~7 times if rates were hypothetically cut to 2%. We believe AIB is very inexpensive for arguably the best capitalised bank in Europe, operating in an oligopoly market with a long runway of growth.

Our energy positions were a headwind for the quarter, with oil price declining 16% over the period. While core holdings Shell and CNOOC performed relatively well against this backdrop, Woodside declined 15% over the quarter as regulatory concerns surrounding offshore drilling in Australia and the effect this may have on Woodside's Scarborough project weighed on the stock. Post quarter end, a favourable ruling from the Federal Court of Australia has eased concerns and provided an opportunity to add to our position.

PORTFOLIO ACTIVITY & OUTLOOK

During the quarter we had the opportunity to meet with most of the major listed global oil producers in Houston which provided valuable insights to our oil sector research and reinforced our positive outlook on energy stocks despite the recent weakness in oil and gas prices. We expect continued volatility in energy markets, supported by limited investment in new supply and continued growth in oil demand, even with the faster uptake of renewable energy sources. Our insight, after meeting with approximately 30% of global oil production, can be found here.

Copper positions Freeport McMoRan and Grupo Mexico performed well during the quarter buoyed by further evidence of the challenging supply environment the industry faces – we wrote about these events in an insight piece in December. Most notably was the closure of First Quantum's Cobre Panama mine after the Supreme Court of Panama deemed the company's operating contract to be unconstitutional, and an update from Anglo American which included a 20% reduction to copper production guidance in the coming years. These two events alone have taken close to 600kt of production out of the market going into 2024 which equates to over 2.5% globally. Consensus now expects small deficits in each of the next three years. After this, deficits are expected to grow as underinvestment in production and increased demand from renewables and electric vehicles start to contribute more meaningfully.

Teck Resources announced the sale of their metallurgical coal business to Glencore and Nippon Steel. The transaction is due to complete in the third quarter of 2024 and the proceeds will total close to US$8 billion after taxes. Post completion, Teck will be a pure-play copper and zinc miner and we are assessing the valuation relative to other pure-play copper miners and commodity producers. We incrementally added to our position over the quarter. We also had the opportunity to attend Teck Resource's recent investor trip to their new Quebrada Blanca II copper mine in Chile which we detailed in a January insight piece.

A new position in Newmont was also initiated during the quarter following their acquisition of Newcrest. Despite gold trading at near record highs and a portfolio of global Tier-1 assets, Newmont's share price has declined more than 30% since announcing the acquisition in 2023, and down 60% from the 2022 high. With a peak in US interest rates a likely headwind for the US dollar, combined with easing production cost inflation pressures, we view the outlook for gold as favourable and Newmont's discounted valuation as attractive.

Portfolio investments	Weighting^^
Domestic Banking - Europe	24%
Commodities - Energy	17%
Commodities - Industrial metals	17%
Domestic Banking - USA	13%
Industrials	12%
Gaming	11%
Housing Ireland & Spain	8%
Alternative Investment Managers	5%
Other	6%
Long Equity Position	**113%**
Direct Short Position	-4%
Index Short Position	-8%
Net Invested Equities	101%
Total holdings	44

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

Currency exposure*	100%
AUD	78%
GBP	7%
HKD	5%
USD	3%
Other	7%

* 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

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 - Director.

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

Luke Cheetham
Director Distribution
M 0408 620 248
E lcheetham@pmcapital.com.au

Nicholas Healey
Business Development Manager
M 0447 814 784
E nhealey@pmcapital.com.au

John Palmer
Business Development Manager
M 0447 471 042
E jpalmer@pmcapital.com.au