PM Capital

Quarterly report

June 2024

PM Capital Global Opportunities Fund Limited

ACN 166 064 875 (ASX Code: PGF)

CONTENTS

Quarterly video insight

In this video, Co-Portfolio Managers Kevin Bertoli and John Whelan discuss:

- The state of play in global markets and the implications for valuations
- Insights from recent research trips to the US, Europe, Hong Kong and Macau
- Drivers behind the performance, and core themes in the portfolio

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	409,670,190
Share Price	$2.210
Market Capitalisation	$905.4 million
NTA before tax accruals (per share)	$2.1211
Company Net Assets before tax accruals	$869.0 million

See page 5 for Important Information. As at 30 June 2024.

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]	**June 2024**
NTA before tax accruals	**$ 2.1211**
NTA after tax (excluding deferred tax assets)	**$ 1.8515**

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	**1.2%**	**24.5%**	**17.3%**	**18.3%**	**15.4%**	**14.4%**	**315.1%**	**6.5%**

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 30 June 2024 and the dividend guidance issued to the ASX on 8 February 2024. 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

- Applus Services takeover concludes
- CNOOC discount narrowing
- KKR enters the S&P500 – will Apollo Global Management be next?

PERFORMANCE

The portfolio performed strongly over the quarter rising 1.2% over the quarter and 24.5% over the financial year with inflation expectations and interest rates stabilising after a volatile 12 months.

Our European banking positions contributed significantly to performance over the quarter. Our largest holding ING Groep, which rose just shy of 10%, held its capital markets day in June, raising its earnings and return on equity targets. We maintained our position as they still generate a mid-teen total shareholder return roughly split 50/50 between a cash dividend and buybacks.

Regarding our Spanish positions, our Spanish homebuilders had a solid quarter rising over 20%. The housing market in Spain has shown resilience to higher interest rates supported by several factors, including a strengthened job market, positive migration flows and a continuation of the demand/supply imbalance. We believe they will maintain their growth trajectory, increasing their output, albeit in a more capital-efficient fashion through land joint-ventures. We believe this capital-light strategy should result in the continuation of mid-teen dividend yields.

Spanish listed testing and inspection company, Applus Services, was acquired during the quarter by a private equity consortium comprised of TDR Capital and I-Squared. The process has been lengthy, with initial media reports outlining private equity interest back in April 2023 when the stock was trading around €7.50. Fast forward just over 12 months and two rounds of bidding, and the result is a final bid of €12.78 being accepted by a majority of shareholders. We too accepted the offer, and received the full proceeds late June allowing us to deploy the capital into some of our newer positions.

Our position in Airbus had a poor quarter falling by roughly 22%, which at first glance looks out of sync with rising demand for air travel and Boeing's ongoing issues. However, the issue with Airbus is not demand. There is huge demand for Airbus aircraft, especially its most popular A320 and soon to be launched A321 XLR. The issue lies with the supply chain. Airbus relies on a huge number of suppliers (roughly 12,000) who contribute to around 80% of every aircraft produced. The number one challenge for Airbus today is solving these supply chain issues, using a combination of strategies including bringing some work in-house as well as expanding its management resources in that field. We have been increasing our position in Airbus as we believe these issues can be resolved with time. It is currently trading on a normalised earnings multiple of 13 times. We believe this is too low for the number one franchise and market share leader in the world's largest duopoly in a structurally growing market.

PORTFOLIO ACTIVITY & OUTLOOK

CNOOC continued its impressive share price performance again outperforming the wider universe of oil and gas exploration and production companies. Despite having one of the highest quality businesses in the sector – tier one assets with unit operating costs in the bottom quartile globally coupled with production growth targets in the top quartile versus large cap peers – CNOOC has been one of the most undervalued oil and gas companies since the Trump administration banned US investors from owning the company in late 2020. Slowly but surely this discount is being removed as the company continues to execute operationally and new shareholders enter the register, mostly from Asia. This was again highlighted by their strong first quarter update which exhibited production growth ahead of management's guidance and unit operating costs below consensus expectations. Growing investor attention on the company's Guyana investment has also supported the share price. The final piece of the CNOOC puzzle remains capital returns. While the company has paid us healthy dividends since our initial investment in February 2021 – HK$4.43 in dividends versus initial entry price of HK$8.52 – it still has a net cash position of over US$12 billion sitting on its balance sheet. Overtime we are optimistic payouts will improve.

Macau gaming positions detracted from performance despite a continuation of the post COVID earnings recovery in the Macau market. This led to better than expected first quarter earnings results being announced in May from two of our three holdings, MGM China and Wynn Resorts. We attribute this weakness to investor nervousness around the magnitude of the economic slowdown in China and its impact on domestic consumption activity.

Share prices of Chinese consumer companies more broadly were down over the quarter, and we have seen the softening economy manifest in disappointing results amongst several China exposed companies (such as Starbucks and Nike). In May 2024, we travelled to Macau and Hong Kong to meet with our casino holdings.

This included visiting all the major casinos to gauge patronage, and explore the recent upgrades and additions made to properties post COVID-19. Our anecdotal observations confirmed positive industry trends continue despite a softer Chinese economy. The trip also reconfirmed our long-term thesis with Macau's status as a regional gaming destination intact and a favourable market structure which ensures the six existing concessionaries are ideally placed to capture the long-term upside. Recently announced regulatory changes are also positive for the gaming sector and highlight ongoing support for the industry from both the government in Macau and Beijing. We believe current market valuations for MGM China, Wynn Resorts and Sands China continue to underestimate the recovery underway in Macau and their long-term growth prospects.

Newmont rallied during the quarter, outpacing the quarterly gain for the underlying gold price and reversing some of the recent disconnect between the all-time high gold price and the discounted valuations across the gold sector. We expect a further positive re-rating across the sector as the strong free cash flow generation of the higher quality assets becomes evident.

Lastly, a quick update on our position in the US alternative asset manager, Apollo Global Management. The sector received another boost with KKR's admission to the S&P 500 index in June (KKR's stock rose 11% on the day of the announcement), following in the footsteps of Blackstone last year. Apollo now meets all the criteria for admission and thus we would expect them to follow KKR into the index in either September or December this year. The importance of index inclusion is based on the S&P 500 being the most replicated index in the world. The ETFs and index funds benchmarked to the S&P 500 currently own 17% of the float of its constituent companies on average with their ownership continuing to increase and thus their importance.

Portfolio investments	Weighting^^
Domestic Banking - Europe	27%
Commodities - Energy	15%
Commodities - Industrial metals	15%
Domestic Banking - USA	12%
Gaming	10%
Industrials	9%
Housing Ireland & Spain	8%
Alternative Investment Managers	5%
Other	7%
Long Equity Position	**108%**
Direct Short Position	-3%
Index Short Position	-13%
Net Invested Equities	92%
Total holdings	43

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

Currency exposure*	100%
AUD	76%
HKD	8%
EUR	4%
USD	3%
Other	9%

^^ Quoted before tax liability on unrealised gains.

* 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)

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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 Candice Driver, Company Secretary.

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