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By E-lodgement

**RE: PM CAPITAL GLOBAL OPPORTUNITIES FUND LIMITED (PGF)
QUARTERLY COMMENTARY – VIDEO UPDATE**

The PM CAPITAL Strategies Quarterly video update from PM CAPITAL's investment team can be accessed here:

http://www.pmcapital.com.au/site/listed_companies/overview.aspx

The key points covered include:

- The changing tide in investment markets;
- Explanation of the different sub-set of investment opportunities going forward;
- What the investment team is looking out for in both a global and Australian context.

TRANSCRIPT STARTS (Quarterly Update by Paul Moore and Uday Cheruvu, 31st December 2016)

Lachlan Cameron	Welcome, and thanks for joining us today for the PM Capital December Quarter Review. My name's Lachlan Cameron, Head of Distribution of PM Capital, and I'm joined today by our Chief Investment Officer, Paul Moore, and our Portfolio Manager for the PM Capital Australian Company Strategy, Uday Cheruvu. Paul, it's been a big three months in investment markets. What are the key points to come out of the last quarter in your mind?
Paul Moore	Yeah, it has been a strong quarter. Obviously all about Donald Trump. A lot of focus on the personality of Donald Trump, but I think the real thing to come out of this quarter is just a confirmation of our investment thoughts all along the year. We've been suggesting that the investment tide is changing, or about to change. That we believe that looking back on 2016 and the future that this year would prove to be the bottom in long-term interest rates. And I think this quarter really confirms that we have seen the end of the third year bull marketing long-term rates. So basically, the way I'd describe it is that the post-GFC era has transitioned to the post-Trump era.
Lachlan Cameron	Right. So it's a reasonably significant moment. What do those key points

tell you about the investment markets overall?

Paul Moore

Yeah, I think the best way to look at that is to kind of reflect back on the year. And if you remember at the start of the year, everyone was concerned about China growth, the collapse in oil prices, and therefore the sustainability of global growth and talking about lower rates for longer. And during the middle of the year, we actually saw negative rates in a couple of markets. But the reality is, just as those fears were being expressed short-term, if you actually looked out longer term, it appeared to us that you're actually seeing an inflection point in the sort of growth indicators. And what I mean by that is, when we looked ahead, our view was that when you came into 2017, we're more likely to see a surprise on growth, and a surprise on inflation, which was totally at odds with the sentiment in the market at the point, at the start of the year. But what was also interesting is, coinciding with that, was the fact that the relative valuations between so-called defensive stocks, and the so-called cyclicals, the beneficiaries of growth and inflation were at record disparities. In other words, the cyclicals were very, very cheap on a historical basis. So you had this unusual situation where, just as the investment landscape was starting to turn in the favour of cyclicals, they were at their cheapest valuations in a long, long time.

Lachlan Cameron

And I'm mindful, if we look back, I guess since the GFC, and over the last five years particularly, in the Morningstar Universe of Global Equity Managers, the Fund is over five years to the end of November, the number one performing fund out of 147 options available for clients. And post-GFC we've also seen stellar returns. That's something you must be quite pleased with, but how are you positioning the portfolio looking forward for this inflection in interest rates?

Paul Moore

Obviously we're pleased with those numbers, and hopefully the clients are pleased with those numbers. It's been an interesting period post-GFC. And I think, if we go back to 2009, we actually highlighted back then, that we thought this was a once-in-a-lifetime opportunity in credit markets and once-in-a-generation opportunity in equity markets. But if you remember the prevailing sentiment was go to cash, let's see how things turn out. And the reality is we had probably the greatest accumulation of cash that I've ever seen in my investment career. And then you sit here today, markets up 100%, our funds up 200%, as you mentioned, ranked number one in a number of surveys. Over that period, cash has done about 30 or 40. So huge differential. In other words, the consensus back then turned out to be totally wrong. And so you sit here today, as we mentioned, we believe long-term interest rates have inflected. What that means is that longer term it will be at different subset of opportunities that will meet your return expectations.

The issue for us has always been: focus on the stocks, focus on the fundamentals. And so, over time, we've been looking for opportunities, and we've built up a portfolio. We've probably got eight core investment themes, but they're all dictated to by obviously valuation, and how we see that particular business playing out over the longer run. So, for example, we've obviously got a big position in banks, which are big beneficiaries from rising rates, but we were happy to own those stocks even in the status quo, because the story initially was the recovery in capital ratios, the ability to pay out dividends, and then the dividends being recognised. Now, when we made those investments, we were also

conscious in the back of our mind that, you know what? The market's assuming the worst on interest rates. And we actually see an environment where interest rates will pick up. If that happens, that further enhances the story, but it wasn't the reason we bought the stocks in the first place. The same goes for our exchanges. They're big beneficiaries of higher rates, increased volatility in terms of interest rate futures. Our housing stocks benefit as well from the increased Consumer confidence that's associated with the initial rise in rates. So, each of our investments has been made very much with a view of how we expect those industries to play out over the next 5 to 10 years, and how we expect valuations to return to normal.

So, as I said, the underlying trends have been occurring, Trump's focused people's attention on it, that our underlying investments were made irrespective of those issues. And in fact, I would say that if you look through our portfolio, most of our investments are probably in the middle to the earlier stages of their thesis playing out. And now higher interest rates, a better economy, will make them play out probably quicker and stronger than we might have previously thought. But overall, we really haven't changed our portfolio at all because of what's happened over the last year.

Lachlan Cameron

If I turn to you now, Uday, we've spoken about the impact and the significance of the likely inflation on interest rates. Keen to get your take? What's the impact on Australian stocks?

Uday Cheruvu

First round of impact on Australian stocks you've seen over the last three months, with the market anticipating higher interest rates. With Aussie bank stocks which benefit from higher rates being up 15%, and infrastructure and property stocks which are negatively impacted by higher interest rates down 5 to 10%. We think that's the first round of impact. Going forward, we think there'll be a two-stage effect on the Aussie market. Firstly, rising US interest rates will mean a higher US dollar, which means exporters in Australia will benefit because the Aussie dollar weakens. Secondly, higher US growth will mean that global growth will be higher, which will mean that resource stocks might also get a benefit out of it. So, overall, we think the Australian market and Australian GDP growth might be higher than what the market is expecting. What that translates to is the industrial sector in Australia is likely to benefit, and also the banking sector, which benefits both from higher rates and a higher credit growth. So therefore, we think the position of our portfolio is correct, but going forward, we think that people need to be looking at individual stocks in the industrial sector which benefit from international growth and benefit from higher GDP growth in Australia.

Lachlan Cameron

Thanks for that, Uday. Paul, any last messages you'd like to leave with our clients?

Paul Moore

Who knows what happens in the next couple of years, I don't know, but the trend has changed. And what that means is you're going to have a different subset of opportunities. It also has some pretty important implications in terms of-- from our advisor client's portfolio selection, selection of managers, composition etc., in that in this environment that I see going forward, overall returns are likely to be lower. We already know that bonds, cash, property are probably going to generate between 0 and

4%. So the reality is to meet your sort of requirements in terms of your funding your pension or your retirement or whatever you really do need equities, but you need equities in a very selective manner. And so what that means is that index funds are probably not going to do the trick anymore. Benchmark aware funds are not going to do the trick. And large managers are going to find it difficult because it will be a narrower subset of opportunities that you need to take advantage of. So I think that's the most important thing, when you get a significant change, don't underestimate how significant that is over the longer term in terms of your investment thoughts and your composition and your portfolio.

Now, I'd also say that just like the GFC where we always suggested, or post the GFC, we suggested it's going to be an environment of two steps forward, one step back. One step back every time there's some sort of crisis. Short-term, everyone's reacted favourably to the Donald Trump positives: a lowered corporate tax rate, getting rid of regulation etc. So you might argue that they're a bit ahead of themselves, and there's still uncertainty in terms of how he's going to implement trade policy and things of that nature. So just like the post-GFC era, I expect the post-Trump era might be a two step forward and one step back. And so really the message we always get to our clients is step away, focus on the long-term fundamentals and provided those fundamentals continue to come through, back yourself with patience and conviction.

Lachlan Cameron

Well thanks, Paul. Thanks, Uday. That brings our December quarterly update to a close. If you'd like to get more insight or commentary from the team, please read the more detailed December Quarterly which is available on our website, www.pmcapital.com.au, or otherwise, please contact me or any of the team, and we'd be delighted to help answer any queries you may have in relation to making an investment.

TRANSCRIPT ENDS

Yours faithfully

PM Capital Global Opportunities Fund Limited



Richard Matthews
Company Secretary

