

PM Capital Global Opportunities Fund Limited (ASX: PGF)

PM Capital Asian Opportunities Fund Limited (ASX: PAF)

Broker Roadshow Presentation
September 2014



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PGF and PAF shares are issued under a prospectus dated 20 November 2013 and 21 May 2014 respectively. Each prospectus can be obtained from the ASX Company Announcements Platform and on the following PM CAPITAL webpages:

For PGF: http://www.pmcapital.com.au/site/listed_companies/pm_capital_global_opportunities_fund_limited/ASX_announcements.aspx

For PAF: http://pmcapital.com.au/site/listed_companies/pm_capital_asian_opportunities_fund_limited/ASX_announcements.aspx

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What we said...



The offshore investment proposition

- A greater breadth of opportunity
- A superior risk\reward
- An elevated Australian Dollar
- Paradoxically, SMSF's hold less than 1%* of their assets offshore

THE TIME IS RIGHT FOR GLOBAL EQUITIES?

*Source: Australian Treasurer's Office as at June 2011



Limited opportunities onshore

Key observations on the Australian equity market

- Commodity sweet spot has passed and China's hard asset investment is slowing
- Australian banks are fully valued and trading at a significant premium to global peers
- Financials and materials combined = more than 60% of the S&P/ASX 200 Index
- The top 10 holdings in Australia account for 55% of the S&P/ASX 200 Index
- In our view, a narrow subset of opportunities remain



Our views on the Australian dollar:

- \$A at historically elevated levels versus most currencies
- We believe we are in the early stages of an emerging downtrend
- The prospects of a falling currency will favour global equity returns



In contrast, a diverse range of opportunities exist offshore

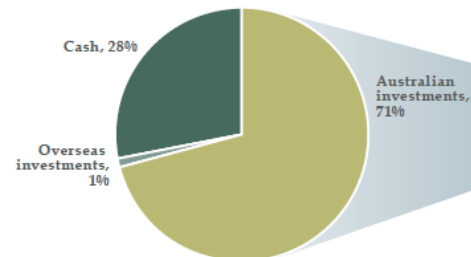


97% OF PUBLICLY TRADED COMPANIES ARE OVERSEAS

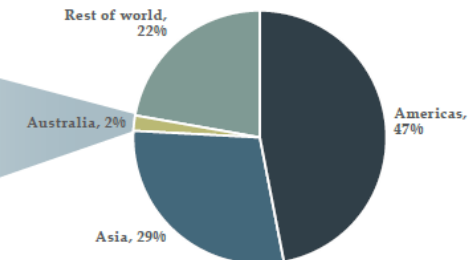
Nothing has changed

- Australians remain under-invested in overseas investments

SMSF asset allocations

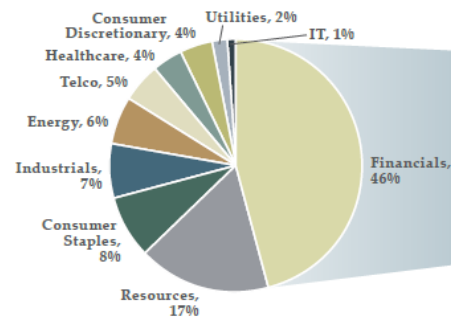


% of global market capitalisation

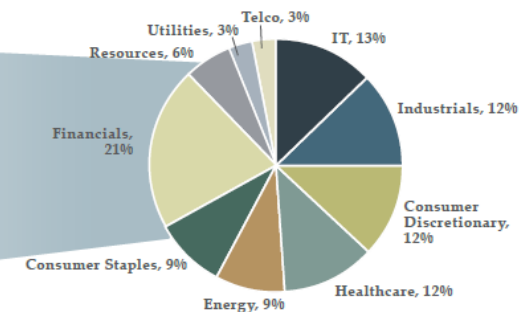


- Australians can access a wider range of opportunities offshore

ASX 200 Index sector exposure

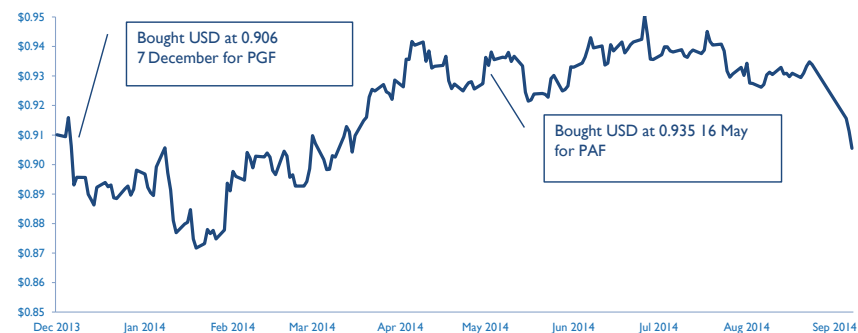


MSCI World Index sector exposure



- The Australian dollar is still trading at historically elevated levels compared to most currencies

Australian dollar



Markets and outlook

Yields are at historical lows

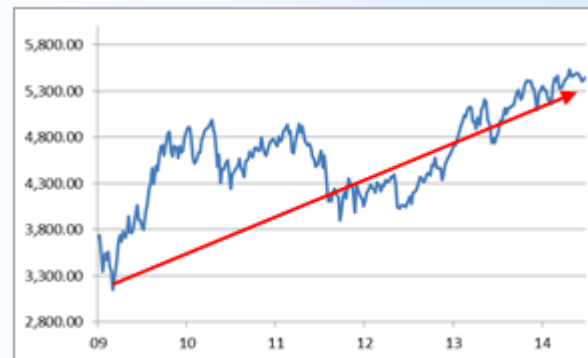
Japanese 10 year Bond Yield (1986-2014)



Source: FactSet

Equity markets are at post-GFC highs

ASX 200 (2009-2014)



Source: FactSet

Activity levels are still below “normal”

New home sales USA (1963—2014)



Source: <http://www.calculatedriskblog.com/>

Elevated AUD despite a fall in commodities prices

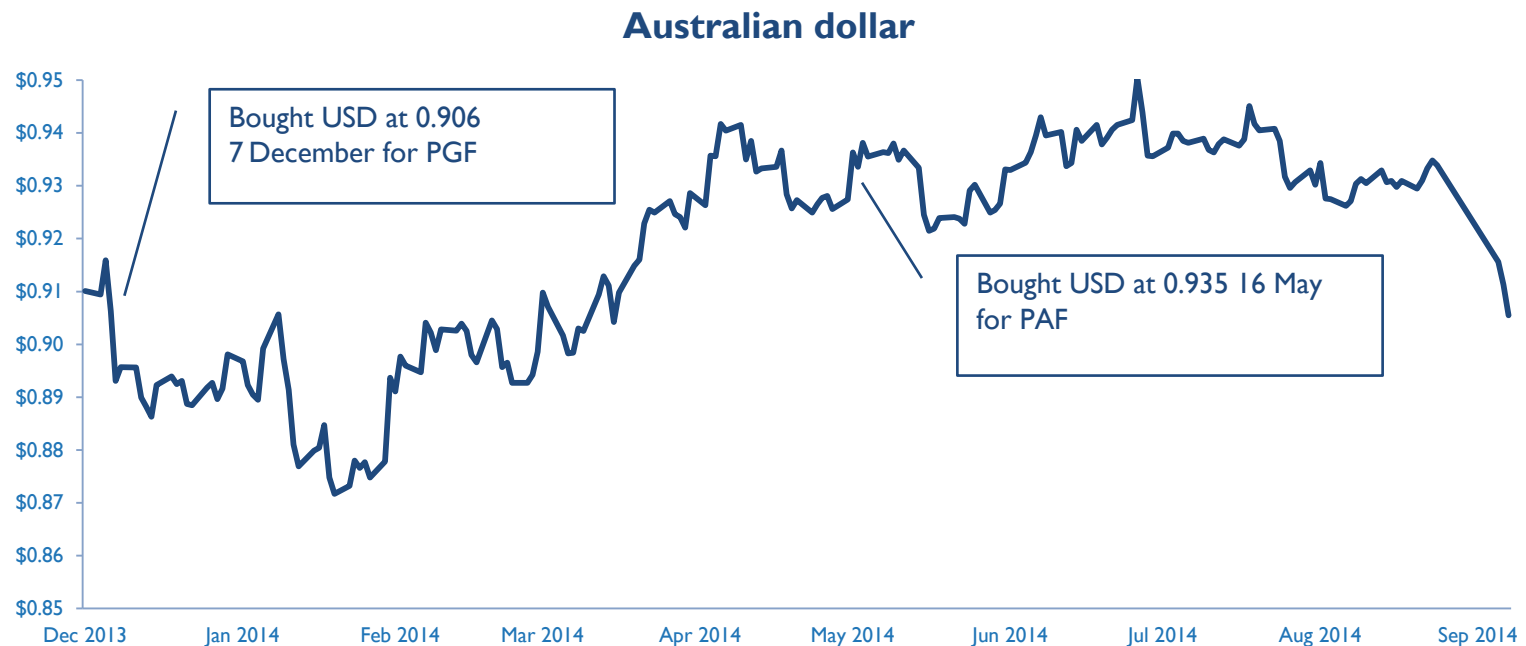
Iron Ore (USD per DMT) 2010-2014



Source: FactSet

Why we should expect a lower AUD?

- Key drivers of the Australian dollar (AUD) are commodity prices and interest rate differentials. Commodity prices have fallen due to the slowing economic growth in China. A slowing Australian economy should result in a contraction of our interest rate differential.
- Australia continues to maintain the some of the widest interest rate spreads in the world, which we believe has created a false sense of security. Once the Federal Reserve distortion is alleviated we expect the interest rate gap between the AUD and the US dollar (USD) should close, as the US economy continues to improve.



PM CAPITAL GLOBAL OPPORTUNITIES FUND LIMITED (PGF)

Our best ideas globally...

1. Property related equity positions

Recovery from severe price corrections in US and Europe



2. Offshore domestic banking franchises

Economic recovery and increased payout ratios



3. Monopolistic type service providers

Expectations of solid earnings growth in the longer term



4. Global brewers

Final stages of global industry consolidation

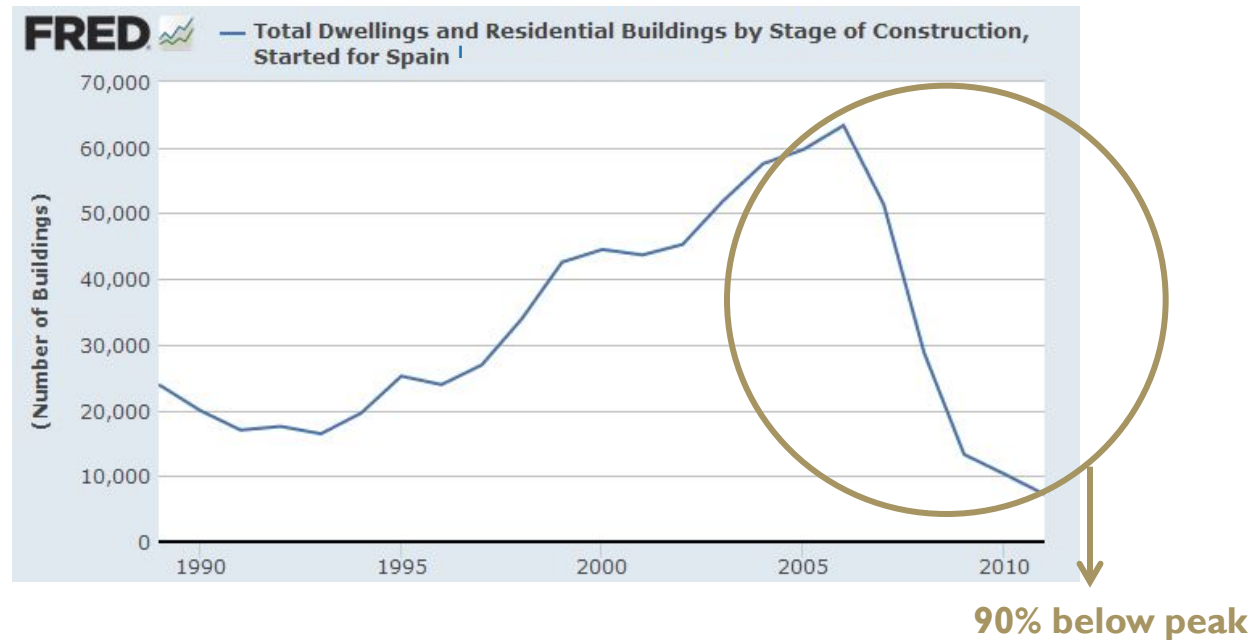


5. Asia

Evolution of 4 billion consumers







1. Property related equity positions



Portfolio positions:

- M.D.C. Holdings (one of the Americas largest homebuilders)
- Realogy Holdings (Americas largest residential real estate broker/franchise)
- Kennedy Wilson Europe (a collective investment fund that invests primarily in real estate and real estate loans in Europe)
- Lar Espana Real Estate SOCIMI (based in Madrid, the Company invests in, develops, and manages real estate properties)
- Hispania Activos Inmobiliarios (established in January 2014 with the objective of acquiring and managing real estate assets in Spain)
- Merlin Properties (this Spanish based real estate investment trust was established in February 2014)

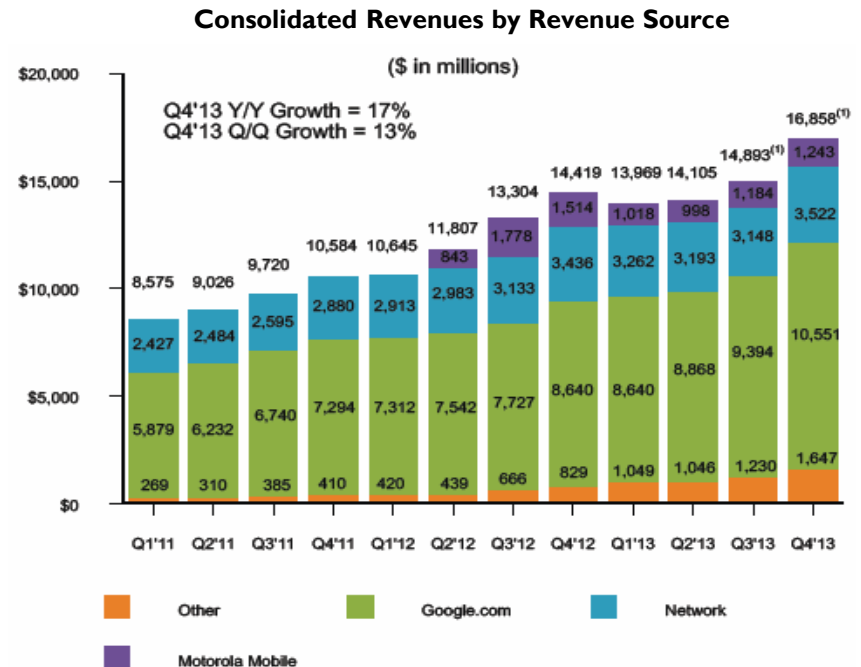
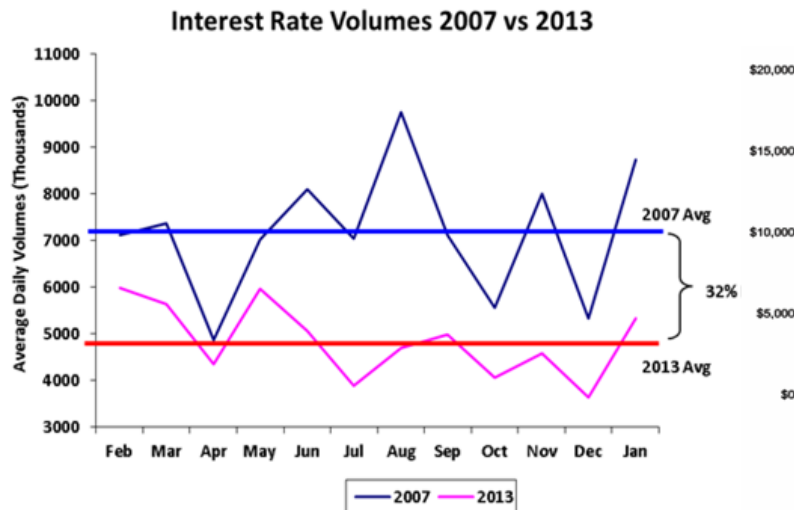
2. Offshore domestic banking franchises

		Return on Equity	Price to Book	Future Price to Book?	Potential variance
	CBA	16.8%	2.7x	2.5x ²	-10%
	Wells Fargo	15%+ ¹	1.7x	2.2x ²	+30%
	Lloyds Bank	15%+ ¹	1.3x	2.2x ²	+70%
	ING	13-15% ¹	0.9x	1.8x ²	+100%

Portfolio positions:

- United States - Wells Fargo, Bank of America, JP Morgan Chase & Co
- United Kingdom - Barclays Plc, Lloyds Banking Group, Plc
- Europe - ING Groep N.V, Bank of Ireland, Banco Popular Espanol

3. Monopolistic type service providers



Portfolio positions:

- Exchanges- CME Group Inc (US), Intercontinental Exchange Inc (US), Deutsche Börse AG (Europe)
- Services- Google Inc

4. Global brewers – consolidation of industry

- 10 year industry consolidation theme
- Purchased 13 individual stocks and seen 6 corporate actions¹

 **HEINEKEN HOLDING NV**

 **AB InBev**

DIAGEO

Portfolio positions:

- Heineken Holdings
- Anheuser-Busch Inbev N.V.
- Diageo Plc
- Pernod-Ricard SA

PM CAPITAL Absolute Performance Fund historic positions¹

	Jun-04	Jun-05	Jun-06	Jun-07	Jun-08	Jun-09	Jun-10	Jun-11	Jun-12	Jun-13	Jun-14
European											
AmBev	2%	A									
Interbrew/Inbev	3%	3%	3%	3%	2%	3%	4%	5%	4%	3%	2%
Carlsberg	5%	3%	2%								
Scottish and Newcastle PLC			3%	3%	C						
Heineken Holdings		2%	4%	6%	7%	5%	5%	5%	5%	3%	3%
SABMiller									2%		
Americas											
Anheuser Busch Cos Inc				3%	5%	D					
Molson Brewing	2%	B									
FEMSA					1%	E					
Groepo Modelo					4%	3%	2%	F			
Asia											
Kirin Brewery	2%	3%		2%							
Asahi Breweries	2%	4%	4%	2%	2%	2%	2%				
HiteJinro					1%	1%	1%	1%	1%		
Total Exposure	16%	15%	16%	19%	22%	14%	14%	11%	12%	6%	5%

A. Merger with Interbrew

C. Acquired by Heineken & Carlsberg

E. Beer business sold to Heineken

B. Merger with Coors

D. Merger with InBev

F. Acquired by Anheuser Busch Inbev

5. Asia

Evolution of 4bn+ consumers creates a huge investment opportunity

Due to the large opportunity set within Asia, and as we are attracted to several industry sectors, our preferred vehicle to access the opportunity was through the cost effective PAF, which is discussed in more depth in the proceeding slides.

Gradually building a strong portfolio

Portfolio composition	31 December 2013	31 March 2014	30 June 2014	12 September 2014
Offshore domestic banking franchises		8.7%	23.0%	34.1%
Property related equity positions		5.8%	15.3%	17.1%
Monopolistic type service providers		4.7%	12.7%	13.5%
Asia		1.5%	6.2%	6.0%
Other		1.3%	4.5%	4.7%
Global brewers		3.5%	3.3%	7.5%
Risk protection				-1.9%
Net equity exposure		25.5%	65.0%	81.0%
Debt/Hybrids	6.4%	7.5%	9.4%	9.2%
Cash	93.6%	67.0%	25.6%	9.8%
Total exposure	100.0%	100.0%	100.0%	100.0%
AUD	\$0.8927	\$0.9271	\$0.9424	\$0.9055

SELECTIVELY BUILDING A PORTFOLIO OF HIGH QUALITY BUSINESSES WITH COMPELLING LONG TERM PROSPECTS

PM CAPITAL ASIAN OPPORTUNITIES FUND LIMITED (PAF)

What we said in May 2014...



A contrarian approach to Asia

- Bottom up approach, taking advantage of market inefficiencies
- Only our best investment ideas are considered
- Simple business opportunities and investment themes
- Leveraging our global research capability



Evolution of **4bn+**
consumers creates a
huge investment opportunity

Source: Wikipedia as at 28 February 2014. 4bn constitutes Asia as a whole.

What we said in May 2014...



The Manager's best Asian ideas

1. Internet service providers

Evolution in the way consumers view content and advertise



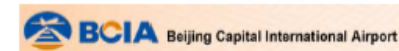
2. Gaming

Market liberalisation, rising affluence, infrastructure improvements



3. Infrastructure providers

A quasi consumption play



4. Consumer

Rising affluence, household incomes and per capita spending



5. Non-discretionary retail

Consumer migration to modern retail formats



Company snapshot

Portfolio composition	
Gaming thematic	19.6%
Genting Malaysia	5.3%
Donaco International	4.9%
SJM Holdings	4.8%
MGM China Holdings	4.5%
iSentric Sdn Bhd	0.1%
Internet thematic	9.8%
51job	5.4%
Baidu	3.5%
Zhaopin	0.9%
Stock specific investments	11.1%
Turquoise Hill Resources	5.2%
China Yuchai International	2.9%
LG Household & Healthcare	3.0%
Net equity exposure	40.5%
Cash	59.5%
Net invested position	100.0%

**SELECTIVELY BUILDING A PORTFOLIO OF HIGH QUALITY
BUSINESSES WITH COMPELLING LONG TERM PROSPECTS**

Gaming

- Rapid expansion of legalised gaming creates an opportunity for investors
- A positive long term structural backdrop
 - Significant growth potential driven by rising incomes, improved connectivity and casino supply
 - Economics improving with mass market penetration
- Current valuation suggest mature earning profile which has provided an attractive entry point for us to deploy capital



Gaming

Donaco International (DNA) opportunity today...

PM Capital investment thesis:

- Strong underlying casino economics
- Long term growth potential driven by demand in Vietnam & South China
- Low initial table yields = depressed earnings base
- Supply upside
- Robust balance sheet and free cash flow

DNA headlines:

- 'Chinese travel to Vietnam plummets amid South China Sea standoff' (WSJ 21st May 2014)
- 'Donaco shares fall 11% on Vietnam protest fears' (AFR 16th May 2014)
- 'first trading update for Aristo International Hotel was softer than expected with table yields in region of US\$2.5k per day' (CLSA 3rd Jul 2014)

DNA share price since listing¹



Gaming

DNA opportunity is reminiscent of the Macau opportunity PM CAPITAL captured in 2009...

PM CAPITAL investment thesis:

- Strong underlying economics for existing casino supply, significant free cash flow generation
- SJM Holdings' (SJM) debt free balance sheet
- Long term growth potential supported by infrastructure investment across mainland China (stimulus driven)
- Future supply constrained as development pipeline was put on hold as operators struggled to secure financing

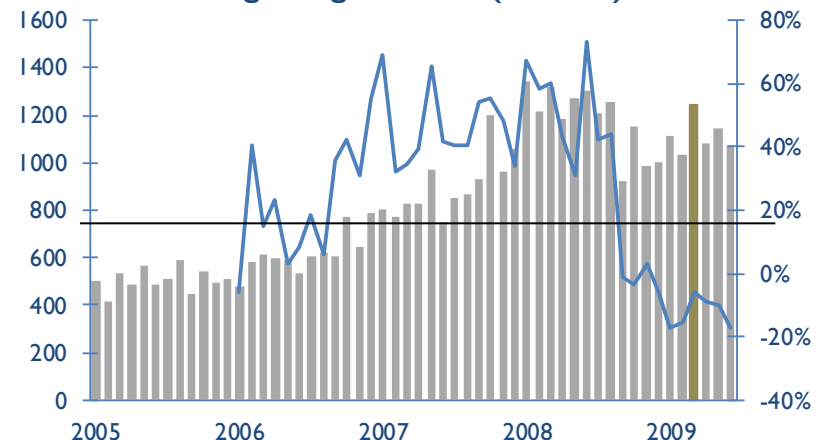
Macau headlines:

- Monthly gaming revenues decline 10%+ year on year
- '...a once promising new market for U.S. gaming companies has become a money-sucking crap shoot'
(Time Magazine, 21st May 2009)
- 'SJM scraps plan to redevelop Lisboa Casino'
(SCMP, 24th March 2009)
- 'the industry is experiencing severe price competition for junket customers, visa restrictions on mainland

SJM share price
July 2008 IPO to March 2009¹



Macau gaming revenues (US\$ mil)²



Gaming

Macau today...

- H14 gaming revenues of US\$25bn
- SJM's EBITDA up over 400% from 2008
- SJM share price up over 10x from our initial entry price

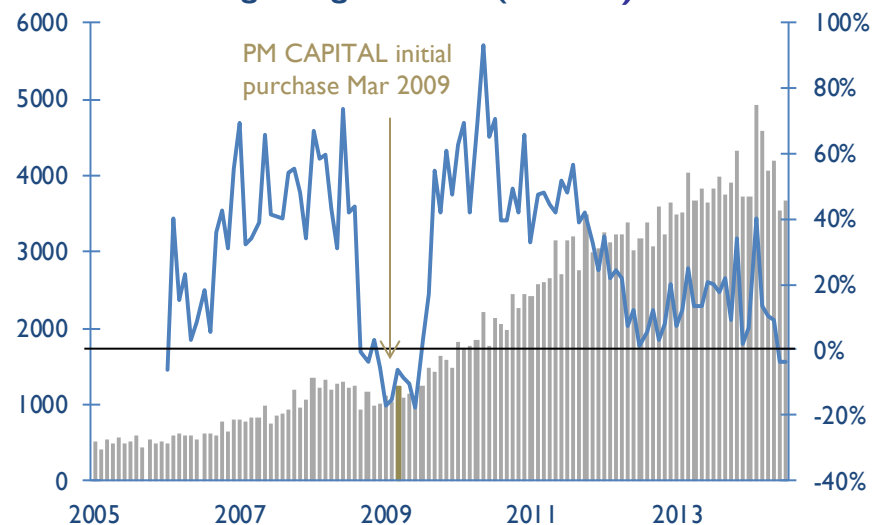
**SJM share price
July 2008 IPO to August 2014¹**



Opportunity still exists in Macau despite strong performance

- Growth expectations have fallen on weak monthly gaming figures
- Trading at mature casino multiples
- Robust balance sheets
- Economics of the underlying casinos remain strong
- Supply constrained

Macau gaming revenues (US\$ mil)²



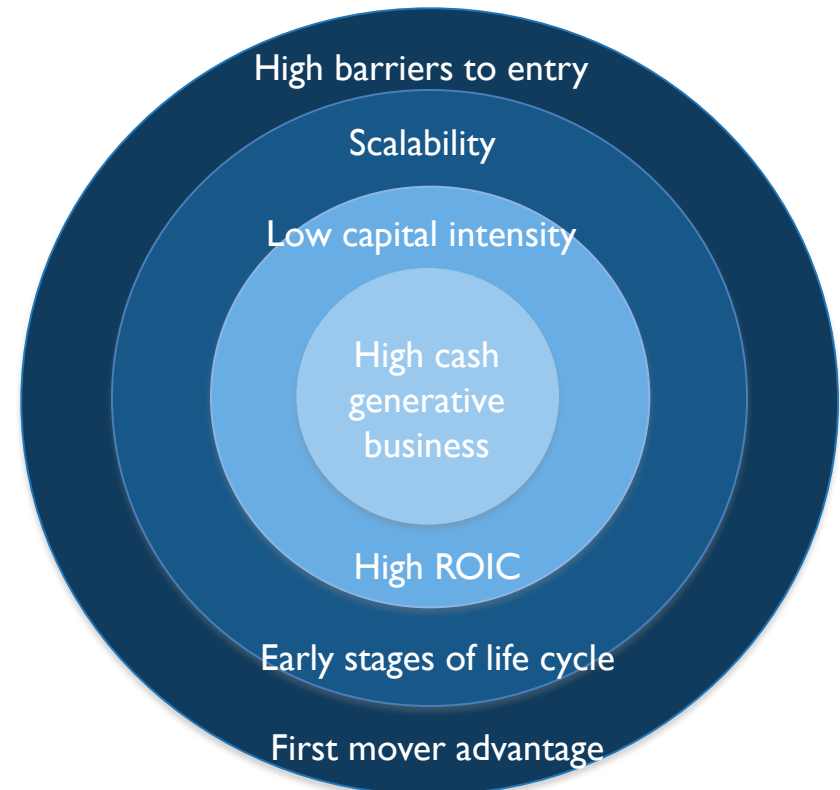
Internet

- Targeted approach with selective investments from a large and growing universe
- Classifieds and search focused investments ('old world internet')
- Defendable business models with proven earnings streams

Portfolio positions

- Baidu
- 51Job
- Zhaopin

What attracts us...



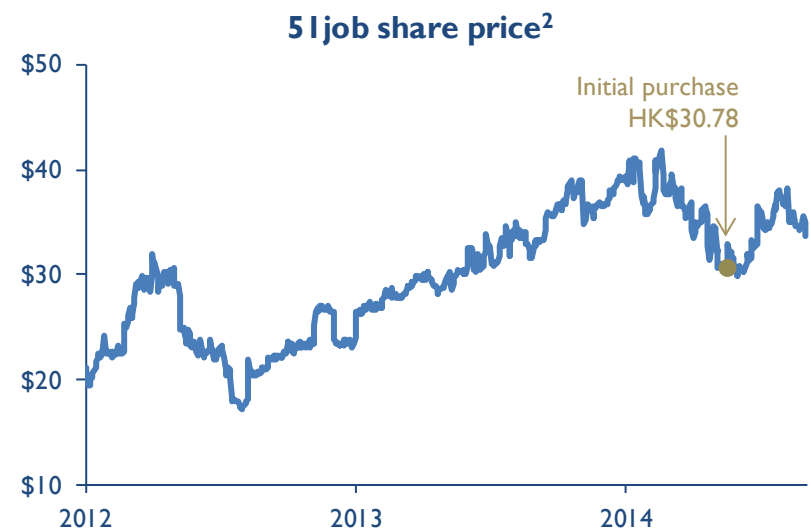
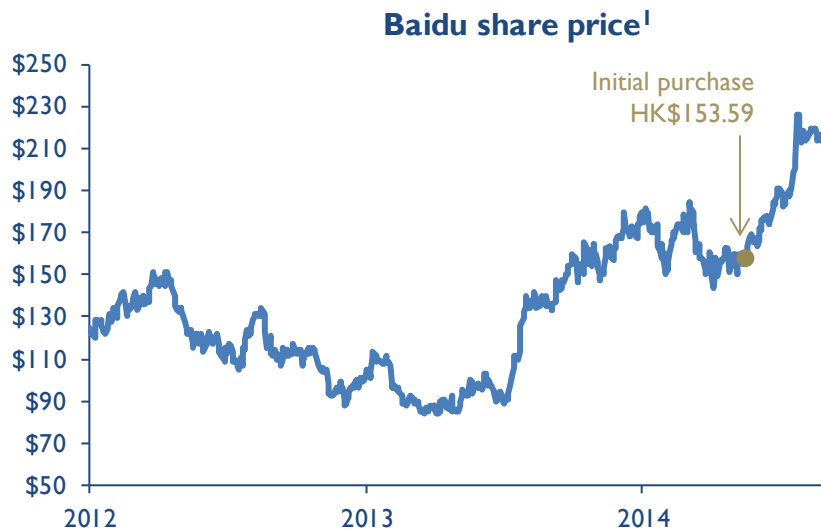
Internet

The opportunity resembles developed markets in the early 2000s

- Today – large addressable markets / channel shift driving advertising volumes
- Future – pricing power

Attractive valuations despite an otherwise overvalued sector

- Short term earnings events impacting true earnings power
- Concerns around 'sector valuation' provided an opportunity to deploy initial capital



Why PGF/PAF?

Remains true-to-label

- A portfolio of global businesses, not just shares
- A selective approach, no conviction = no investment
- Cash is our starting point

Unique investment approach

- Starting point is not a benchmark, meaning vastly different exposures and outcomes to and low correlation to the market
- Our exposure to industry sectors, geographic regions or market capitalisation is determined solely by our conviction in the risk/reward opportunity

Facilitates the offshore investment proposition

- Provides Australian investors with an opportunity to diversify into a larger set of opportunities, which offer favourable valuations and prospects

**DO AUSTRALIAN INVESTORS NEED GREATER
EXPOSURE TO OFFSHORE EQUITIES?**

Why PM CAPITAL?

Investment objective **Long term absolute capital growth**

- ♦ We are true long-term investors.
- ♦ We invest based on our conviction, not benchmark weighting.
- ♦ We can be 100% in cash, if no compelling investments.

Investment philosophy **Simple & authentic**

- ♦ Good business at a good price.
- ♦ A portfolio of businesses, not just shares/securities.
- ♦ Focused on mispriced and under-researched businesses.
- ♦ No conviction = no investment.

Investment process **Research intensive, global perspective**

- ♦ Bottom-up research process.
- ♦ Ongoing peer group review.
- ♦ Investment team divided by global industry sector.
- ♦ Equity and fixed income teams work together.

Business structure **Alignment of interests**

- ♦ Staff are owners and investors.
- ♦ An academy of investing.
- ♦ Fee structure rewards performance and provides stability.

Marketing and communications

Monthly NTA reporting

- NTA investment reporting – aim to report within 7 business days
- Email distribution – please provide us with your details or add yourself;

http://www.pmcapital.com.au/site/contact_us/report_subscription.aspx



Quarterly Webinars / videos

- Quarterly videos;
 - Paul Moore (CIO overview), Ashley Pittard (PGF portfolio manager), Kevin Bertoli (PAF portfolio manager)
- Videos located at www.pmcapital.com.au & distributed via email



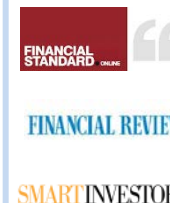
Roadshows

- Quarterly broker roadshows
 - CEO & portfolio managers to present
 - Scheduled for the middle of each quarter
- Annual PM CAPITAL national roadshow
 - CIO & portfolio managers to present
 - 450 attended in April 2014
 - Next presentation scheduled for February 2015



Media / Press

- Shed Media act as media representatives – who have successfully achieved hundreds of articles for PM Capital Ltd
- Fortnightly regular on Sky business
 - Kevin Bertoli, PAF portfolio manager – Tuesday 6pm
- Regular Livewire contributor



THANK YOU