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By E-lodgement

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

The PM CAPITAL Global Strategies Quarterly video update from PM CAPITAL's Chief Investment Officer, Mr Paul Moore can be accessed here:

[http://www.pmcapital.com.au/news/webinars_and_videos/june_quarterly_video_update_2016 -
_global_strategies_address_from_paul_moore263.aspx](http://www.pmcapital.com.au/news/webinars_and_videos/june_quarterly_video_update_2016_-_global_strategies_address_from_paul_moore263.aspx)

The key points covered are as follows:

- Pre Brexit, market action was consistent with an expectation that economic and earnings expectations had troughed.
- Brexit was an unexpected external event that caused this thesis to be questioned. The UK and Europe were obviously the most exposed to short term economic risk and the impact that may have on company earnings. The markets, as they do, immediately discounted for a worst case scenario.
- Banking stocks are most exposed, but it should be noted that this is not an issue about solvency, as bank balance sheets have been dramatically de-risked post GFC; it is about the impact on earnings. With stocks selling at significant discounts to book and high single digit dividend yields on conservative pay-out ratios, we suspect that the short term adjustment to stock prices has been excessive.
- The initial response by markets is to focus even more heavily on those sectors of the market that would be characterised as "defensive". We would note that such sectors are selling at record historic relative valuations versus those sectors described as more economically sensitive and thus, may be counter intuitive.
- Excluding those stocks in the UK and Europe that are directly impacted by the short term earnings uncertainty, stock prices are back to their pre Brexit levels and firmly focused on economic and earnings signals from the US, which appear consistent with signals pre Brexit that company earnings may have troughed.
- Given the shock of Brexit, it is critical that one looks forward and not backwards when assessing risk reward. Given the dramatic valuation differentials that now exist within markets, investors may

want to consider diverging to those businesses / sectors of the market that have been heavily discounted and away from perceived safety.

Yours faithfully

PM Capital Global Opportunities Fund Limited

A handwritten signature in black ink, appearing to read 'R. Matthews', with a stylized flourish at the end.

Richard Matthews
Company Secretary

