

# PM Capital Global Opportunities Fund Limited

**(ASX: PGF)**

2016 Annual General Meeting

21 October 2016



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# Agenda

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# Chairman's address

## Item I – Financial Statements and Reports

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# Any Questions?

# Item 2 – Remuneration Report

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## **Resolution 1 – Adoption of Remuneration Report**

*“That the remuneration report as set out on page 16 of the 2016 Annual Report is adopted.”*

# Item 2 – Remuneration Report

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## Resolution I – Adoption of Remuneration Report

*“That the remuneration report as set out on page 16 of the 2016 Annual Report is adopted.”*

## Proxy Votes

Proxies have been received in respect of the resolution as follows:

For	Against	Open	Abstained/ Excluded
35,012,553	1,246,692	1,299,956	854,463
93.22%	3.32%	3.46%	

## Item 3 – Election of Directors

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### **Resolution 2 – Election Mr Tom Millner as a Director**

*“That Mr Tom Millner, who retires as a Director by rotation under clause 15.6 of the Company’s Constitution, and being eligible for election, is elected as a Director.”*



# Item 3 – Election of Directors

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## Resolution 2 – Election Mr Tom Millner as a Director

*“That Mr Tom Millner, who retires as a Director by rotation under clause 15.6 of the Company’s Constitution, and being eligible for election, is elected as a Director.”*

## Proxy Votes

Proxies have been received in respect of the resolution as follows:

For	Against	Open	Abstained/ Excluded
36,332,149	491,068	1,349,168	241,279
95.18%	1.29%	3.53%	

# Why PM CAPITAL?

## Long term performance accretion

Performance (net of fees) 30 September 2016	Inception Date	Since Inception p.a.	Total Return Since Inception
Global Companies Fund	10/1998	7.7%	277.9%
MSCI World Net Total Return Index (\$A)		3.6%	87.3%

## Built on the integrity and consistency of philosophy and process

- 30+ years, same philosophy, same process
- Simple ideas, simple companies, multiple iterations

## Alignment through co-investment = minority protection

- PGF 29.1m shares = 8.35%\*
- Investors not Fund gatherers
- Not corrupted by external pressures

# Why PGF?

## **To facilitate the offshore investment proposition**

- A greater breadth of opportunity and superior risk reward
- Australian investors over exposed to domestic dynamics

## **A true stock-pickers portfolio: selective and concentrated positions**

- A different risk reward proposition to the market

## **A collection of discounted businesses at a discount\***

- PGF discount to Pre-Tax NTA (Share Price premium to Pre-Tax NTA): 15.3% (18.1%)

## **Annualised Gross Dividend Yield\*\***

- PGF = 5.13%

## **Quasi buyback**

***The objective of any genuine long term investor is to buy assets at a discount to their inherent value and sell investments that are selling at a premium.***

# Portfolio Investments

<b>Global Brewing</b>	<b>Industry Consolidation; 2003 – 2016+</b>
<b>Post GFC Housing Recovery</b>	<b>Las Vegas + Ireland + Spain; 2009+</b>
<b>Domestic Banking</b>	<b>From crisis comes opportunity; 2009+ Global CBA equivalents; yield</b>
<b>Service Monopolies</b>	<b>A good business at a good price; 2011+ Google / Visa / Chicago Mercantile Exchange</b>
<b>Pharmaceutical</b>	<b>Severe Cyclical downturn; R&amp;D productivity; 2012+</b>
<b>Macau</b>	<b>Severe Cyclical downturn; 2015+</b>
<b>Alternative Investment Managers</b>	<b>Severe Cyclical downturn; 2015+</b>

***Genuine long term opportunities  
Simple ideas, simple businesses, multiple iterations***

# Market insights - Global

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## Markets perpetually sceptical of sustainable economic growth

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### Post GFC recovery characterised by a two steps forward one step back scenario

- Step back is every time there is a growth scare
    - *Euro crisis 2011-2012, Greece 2015, China and Oil 2016*
    - *Now: Brexit*
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### Dictating short term price action – banks in particular

- Multi decade extremes in absolute and relative valuation of “safe and simple” cash-flows – reference Bernstein comments
  - Record historical relative valuation gap for European banks in 2016 and likely to have stretched to its limits?
  - We have seen the perfect storm culminating in negative interest rates
  - Authorities need to break the cycle?
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## Monetary Stimulus no longer helping, negative rates are detrimental

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### Sustainability of growth now requires structural reform to drive productivity

- Tax havens, labour reform, regulatory reform, fiscal focus on infrastructure
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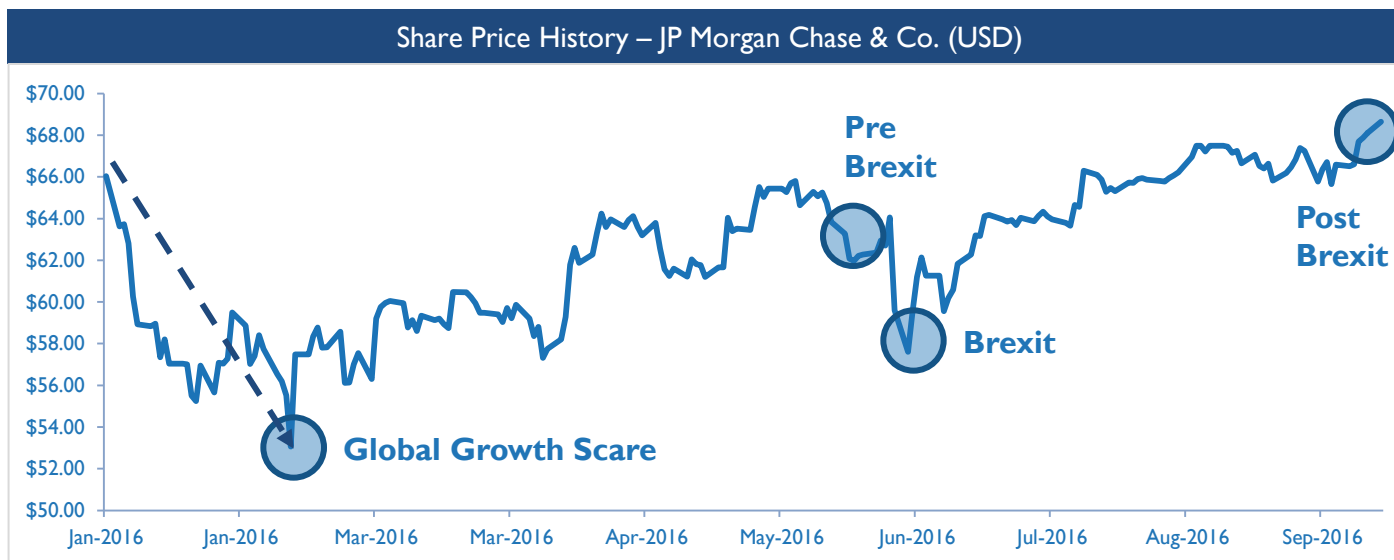
### Productivity initiatives would give market confidence in sustainability of growth

- Until addressed likely stuck in a low growth, low inflation environment
  - Focus on businesses that can grow earnings or provide an above normal dividend yield
  - Nominal market returns will be lower (5%-6%) – patience and conviction required
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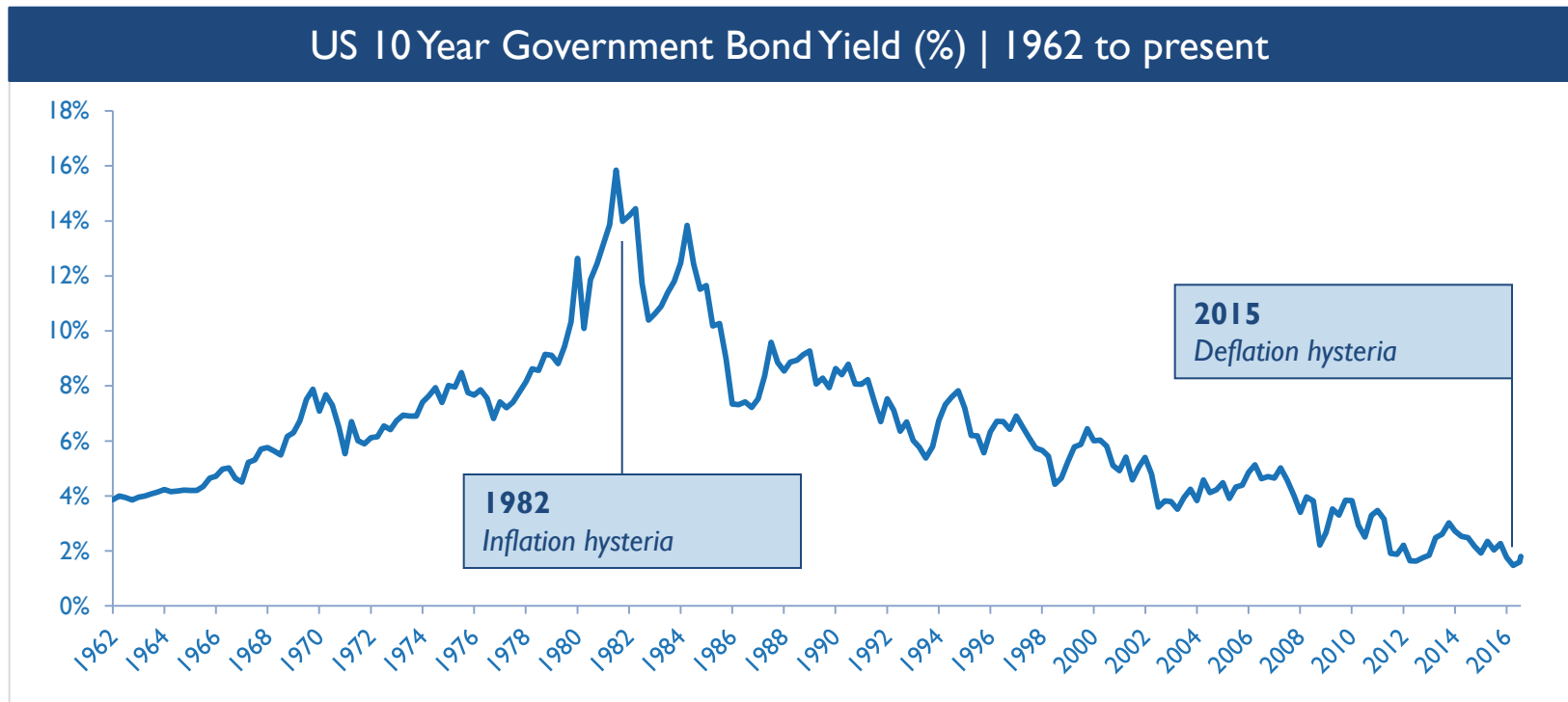
### A different sub set of opportunities will now provide satisfactory returns

- Note price action since early 2016 and post Brexit
- UK centric will require proof – rest back to normal

# Market Insights – changing tide?



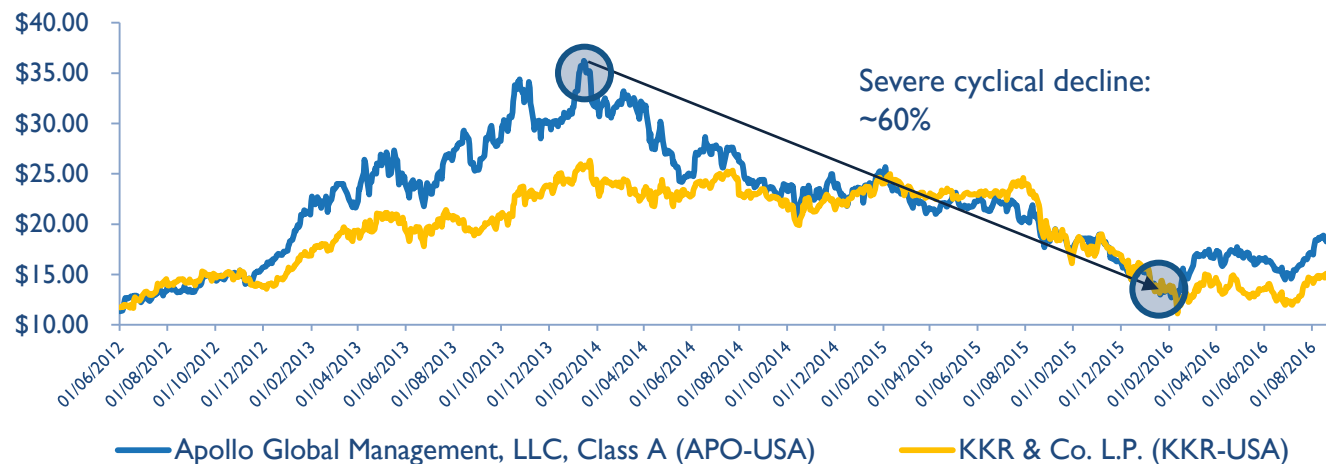
# Market Insights – The Great Bond Mania?



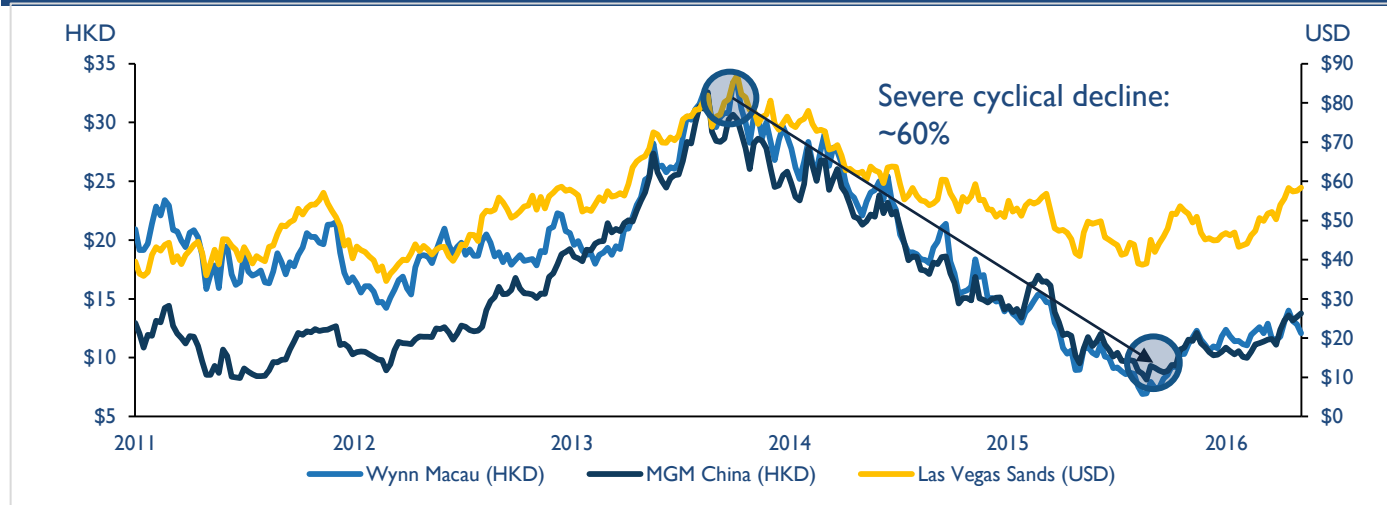
- ♦ Global interest rates are the lowest ever! It is not a normal event.
- ♦ Note property correlation with bond yields
- ♦ Financial plumbing does not work with zero interest rates
- ♦ Suspect 2016 will be the trough in long term rates
- ♦ Growth and inflation surprise 2017?

# From crisis comes opportunity

Share Price History – Alternative Asset Managers (USD)



Share Price History - Macau





# ***QUESTIONS AND ANSWERS***