

Monthly Update

31 DECEMBER 2020

Fund commentary

- Turquoise Hill Resources and Kunlun Energy rise on positive news flow
- Australian Dollar appreciates in line with commodity price rises, detracting from performance

Turquoise Hill Resources contributed positively to performance after two announcements regarding its Oyu Tolgoi development. Firstly, mine operator Rio Tinto released the final Definitive Estimate for the underground project, with development expenditure now expected to be US\$6.75 billion (23% above original guidance). Secondly, management provided an update on several alternative sources of financing for the underground project which appear more attractive compared to an equity issuance, including a potential gold streaming deal.

Kunlun Energy announced the sale of its Beijing gas pipeline network to China's newly formed National Pipeline Company. The transaction valued the assets at 1.9x price to book, above market expectations. Further,

the company committed to returning 50% of the net proceeds as a special dividend (equal to a 40% dividend yield).

We initiated a position in CNOOC Ltd, the leading oil exploration and production business in Asia. CNOOC's share price sold off materially after its parent company was added to the US Entity List which prohibits US persons from acquiring securities in group companies after 11/1/21 (US investors hold < 5% of CNOOC Ltd shares, although account for ~18% free float). CNOOC trades at <10x earnings assuming a spot US\$50 Brent oil price, making it one of the cheapest oil stocks globally.

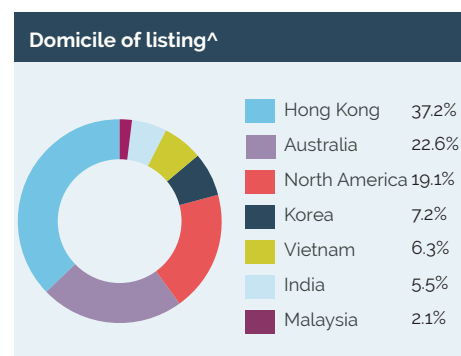
The Australian Dollar appreciated in line with commodity price rises, detracting from overall performance.

Fund performance ¹ (net of fees)	Inception Date	Exit Price (\$ cum)	1 Month	3 Months	6 Months	1 Year	3 Years pa	5 Years pa	7 Years pa	10 Years pa	Since Inception pa
Asian Companies Fund	07-2008	1.6833	2.2%	16.5%	23.1%	3.7%	-0.2%	4.9%	5.1%	8.3%	12.2%
MSCI AC Asia ex Japan Net Total Return Index			2.0%	10.2%	17.1%	13.9%	8.6%	12.3%	11.1%	9.6%	8.9%
Outperformance by the Fund			0.2%	6.3%	6.0%	-10.2%	-8.8%	-7.4%	-6.0%	-1.3%	3.3%

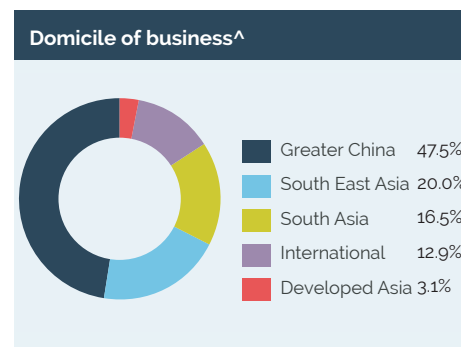
Portfolio investments	Weighting
Online Classifieds & Ecommerce	20.1%
Gaming	15.6%
Infrastructure	15.5%
Materials (Copper)	12.6%
Consumer	8.8%
Technology	8.3%
Financials	8.1%
Other	5.7%
Long Equities Position	94.7%
Net invested position	94.7%
Total holdings	23

Current stock example
iCar Asia
MGM China Holdings Ltd
Sinopec Kantons
Freeport-McMoRan Copper
Dali Food Group
Travelsky
Shinhan Financial
China Mobile

Currency exposure [*]	
USD	61.2%
AUD	24.1%
KRW	7.0%
INR	6.2%
Other	1.5%
Total exposure	100.0%



[^] 'Domicile of Listing' represents the location of stock exchange listing of each entities' head office, whereas 'Domicile of Business' represents the location of the predominant business of those entities.



^{*} Stated at effective value.

PM Capital Limited, founded in 1998, is a globally-focussed fund manager that invests money on behalf of private clients, the clients of financial advisers and institutions. PM Capital's goal is to build long term wealth by investing in global markets with patience and conviction.

Investment philosophy

We aim to build long term wealth together with our co-investors by finding and exploiting investment anomalies. Using a focused, patient and considered approach to finding simple investment ideas produces the best environment for creating that long term wealth.

Our experience has shown us that while the market is largely efficient, it can, and regularly does, misprice a small proportion of companies. This mispricing can arise as a result of any number of reasons, but is most often associated with disruptive or cyclical change, new information which is misunderstood by the market as having a permanent impact when it is in fact transitory, or just because they are operating in a sector out of favour with investors.

Our unique process is based on scanning the world for those companies (hence the radar in our logo), discovering the associated valuation anomalies and extracting value from them. We buy good businesses at a good price; businesses that we believe are being valued differently to their long term intrinsic value, but will return to their correct value over time.

Who manages the investment?

Kevin Bertoli is the Portfolio Manager, who has over 14 years' industry experience and has managed the Fund since its inception. Kevin is supported by a team of experienced investment analysts. The investment team is led by founder and CIO Paul Moore.

Further Information

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We believe in being a patient investor, one that has conviction, one that sees opportunities where others only see risk. We only invest in what we know, deeply, via our fundamental research.

Why the Asian Companies Fund?

Asia-specific: The Fund focuses on companies listed or operating in Asia (ex-Japan), giving unrestricted exposure to the world's fastest growing region.

Established: The Fund's process has been shown to be effective, based on a philosophy developed by Paul Moore, over 34 years. This has produced attractive long term capital growth.

Unrestricted: We have an authentic investment process where our exposure to countries, industry sectors or market capitalisation is determined solely by our conviction in the risk/reward opportunities that we identify in individual stocks. No conviction at the stock level = no investment.

Opportunistic and focused: The Fund is not built around a general market benchmark or index - it is highly focused based on our fundamental, bottom-up investment process. As a guide, the Fund holds around 15 - 35 deeply researched stocks that we believe give the best opportunity to produce strong long term returns.

Co-investment: Our co-investors receive access to a unique subset of opportunities to which they may otherwise find difficult to access. The management team have significant investments in the Fund - they invest for and with you.

Outperformance: The Fund *has outperformed the relevant market index by 133% since inception.*¹ The Fund is managed from an Australian investor's perspective with consideration for tax and currency outcomes.

Key Fund Details

Fund category

Asian equities

Investment style

Fundamental, bottom-up research intensive approach

Inception date

1 July 2008

Fund size

\$21.5 Million

Strategy size

\$83.6 Million

Number of stocks

As a guide, 15-35 stocks

Minimum direct investment

\$20,000

Recommended investment time

Seven years plus

Fees (pa)

Management fee: 1.40%

Buy / sell spread

0.5% (Round trip)

Investor profile

The Fund may be appropriate for investors seeking capital appreciation over a seven plus year investment horizon through a concentrated portfolio of Asian Equities (ex- Japan).

Important Notice

This Report is issued by PM Capital Limited ABN 69 083 644 731 AFSL 230222 as responsible entity for the PM CAPITAL Asian Companies Fund (ARSN 130 588 439, the 'Fund'). It contains summary information only to provide an insight into how we make our investment decisions. This information does not constitute advice or recommendations, and is subject to change without notice. It does not take into account the objectives, financial situation or needs of any investor which should be considered before investing. Investors should consider a copy of the current Product Disclosure Statement which available from us, and seek their own financial advice prior to investing. The PDS explains how the Fund's Net Asset Value is calculated. Past performance is not a reliable guide to future performance and the capital and income of any investment may go down as well as up due to various market forces. The investment objective is not a forecast, and is only an indication of what the investment strategy aims to achieve over the medium to long term.

1. Returns are calculated from exit price to exit price assuming the reinvestment of distributions for the period as stated and represent the combined income and capital return. The Index is the MSCI All Country Asia ex Japan Net Total Return Index in Australian dollars, net dividends reinvested. See www.msci.com for further information on the Index.