

# Monthly Update: Global Companies Fund

## Simple ideas, simple businesses

Building long term wealth by finding and exploiting investment anomalies around the world

PM Capital is delighted to be the Zenith Fund Awards 2021 Winner for International Equities - Alternative Strategies



Global Companies Fund	Inception Date	Exit Price (\$ cum)	1 Month	3 Months	1 Year	3 Years pa	5 Years pa	7 Years pa	10 Years pa	Since Inception pa
<b>Fund performance</b>	<b>10-1998</b>	<b>4.4045</b>	<b>3.0%</b>	<b>-5.3%</b>	<b>3.7%</b>	<b>12.5%</b>	<b>11.2%</b>	<b>8.1%</b>	<b>17.0%</b>	<b>9.2%</b>
MSCI World Net Total Return Index (AUD)			6.4%	0.5%	-4.3%	9.1%	11.8%	9.2%	14.8%	5.6%

### Growth of AUD \$100,000

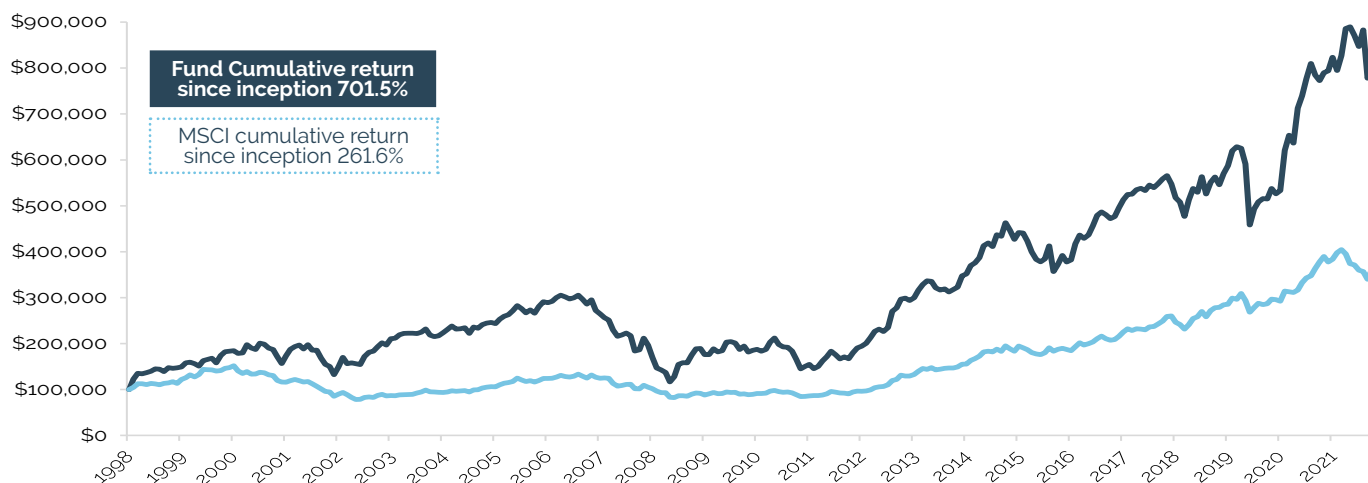


Chart reflects Fund growth net of actual fees. Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax. Fund Inception 28 October 1998. These figures represent past performance only. No guarantees exist of future returns above or below these figures. Past performance is no indication of future performance. Neither PM Capital Limited nor any other person makes any representation as to the future performance or success of, the rate of income or capital return from, recovery of money invested in, or income tax or other taxation consequences of, any investment in the Fund.

Portfolio investments	Weighting	Current stock example	Domicile of listing <sup>^</sup>
Domestic Banking - Europe	18%	ING Groep	<ul style="list-style-type: none"> <li>Europe 40%</li> <li>North America 34%</li> <li>United Kingdom 14%</li> <li>Asia (Ex-Japan) 6%</li> <li>Australia 6%</li> </ul>
Domestic Banking - USA	14%	Bank of America	
Energy	14%	Shell	
Industrial commodities	13%	Freeport-McMoRan Copper	
Quality Industrial Franchises	11%	Siemens	
Gaming	10%	Wynn Resorts	
Alternative Investment Managers	8%	Apollo Global Management	
Housing Ireland & Spain	7%	Cairn Homes	
Other	6%		
<b>Long Equity Position</b>	<b>101%</b>		
Direct Short Position	-6%		<b>Investments by Market Capitalisation (USD)*</b> <ul style="list-style-type: none"> <li>Mega (&gt;\$100bn) 21%</li> <li>Large (&lt;\$100bn) 38%</li> <li>Medium (&lt;\$30bn) 25%</li> <li>Small (&lt;\$5bn) 16%</li> </ul>
Index Short Position	-6%		
<b>Net invested equities</b>	<b>89%</b>		
<b>Total holdings</b>	<b>42</b>		
		<b>Currency exposure**</b> <b>100%</b>	
		AUD 75%	
		USD 10%	
		GBP 9%	
		EUR 2%	
		Other 4%	

<sup>^</sup> 'Domicile of Listing' represents the location of stock exchange listing of each entities' head office.

\* Breakdown of portfolio's long equity holdings into market cap. bands.

\*\* Stated at effective value.

## Fund commentary

- Mid-way through second quarter earnings
- Mineral resource and energy holdings focus on shareholder distributions

The Fund returned 3% in July. Various holdings contributed to performance, but it is difficult to pick a standout as improving market sentiment trumped stock-specific factors. Quarterly earnings reports were generally good, and only minor changes were made to the portfolio.

Mineral resource holdings Teck and Freeport McMoran announced large buybacks, as did integrated energy company Shell. Shell increased its quarterly buyback to \$6b which implies it will be buying around 30% of daily traded volume in the coming quarter. Discussions with the CEO highlight its view that prioritising buybacks when its shares are cheap will eventually lead to a significant dividend per share increase, which

should support further stock price appreciation.

In their second quarter earnings calls management teams at our US bank holdings reiterated that, while parts of the American economy are softening, they observe few signs of deteriorating credit. Credit losses are at decade-lows and management teams unanimously claim that credit books are lower risk than historically. Market expectations, however, are for 2023 and 2024 credit losses at certain banks to exceed normalized levels, a full reversal of the current state. We cannot be sure where the American economy might head but even in a scenario of higher credit losses, bank valuations remain attractive, below ten times earnings.

Top 10 stocks	
Stock name	Sector
Apollo Global Management	Alternative Investment Managers
Bank of America	Banks
Freeport-McMoRan	Metals & Mining
ING Groep	Banks
Lloyds Banking Group	Banks
Shell	Energy
Siemens	Industrial
Teck Resources	Metals & Mining
Wells Fargo & Company	Banks
Wynn Resorts	Consumer Services

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.

## Further Information

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## Key Fund Details

### Fund category

Global equities

### Investment style

Fundamental, bottom-up research intensive approach

### Inception date

28 October 1998

### Fund size

\$499.5 Million

### Strategy size

\$1,373.4 Million

### Number of stocks

As a guide, 25-45 stocks

### Minimum direct investment

\$20,000

### Recommended investment time

Seven years plus

### Fees (pa)

Mgmt fee: 1.09% Perf. fee: 20% (subject to a high water mark) of the excess above the greater of the RBA cash rate and MSCI World Net Return Index (AUD).

### 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

## Important Notice

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The Index is the MSCI World Net Total Return Index in Australian dollars, net dividends reinvested. See [www.msci.com](http://www.msci.com) for further information on the Index.

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