

## PM Capital Global Opportunities Fund Limited

ABN 17 166 064 875

### Appendix 4E Preliminary Final Report For the year ended 30 June 2016

Date: 18 August 2016

#### Results for announcement to the market

Financial Results	Year ended June 2016 \$	Year ended June 2015 \$	Change %*
(Loss) / Revenue from Ordinary Activities	(60,191,506)	77,438,519	n/a
(Loss) / Profit from ordinary activities after tax attributable to members	(45,163,998)	50,348,184	n/a
Net (loss) / profit for the year attributable to members	(45,163,998)	50,348,184	n/a

\* Note: Revenue is negative, and a Loss from Ordinary activities and a Net loss were incurred. Accordingly no % change is shown.

#### **Dividends**

On 18 August 2016, the Directors declared a fully franked final dividend of 1.5 cents per ordinary share (June 2015: \$Nil) which will be paid on 29 September 2016. The Ex-Dividend date is 7 September 2016 and the Record Date is 8 September 2016.

The amount of the proposed fully franked final dividend, which is not recognised as a liability as at 30 June 2016, is \$5,219,526 (June 2015: \$Nil).

The Dividend Reinvestment Plan will operate in conjunction with this dividend. The last date for receipt of an election notice in respect of this dividend is 9 September 2016. No discount is offered on the Dividend Reinvestment Plan in respect of this dividend.

#### **Details of any dividend or distribution reinvestment plans in operation:**

On 9 February 2016, the Company introduced a Dividend Reinvestment Plan ("Plan"). The Plan will allow eligible shareholders to re-invest their future dividends (as may be declared from time to time) into the Company's shares.

Participation in the Plan is voluntary. If shareholders elect to participate in the Plan now, they may vary or cancel their participation in the future in accordance with the terms and conditions of the Plan.

Eligible shareholders are shareholders with a registered address in Australia and/or New Zealand. The Company does not currently intend to extend the Plan to shareholders outside those countries, given the potential complexity and additional costs involved.

The Dividend Reinvestment Plan application form must be received by the share registry no later than the next business day after the Record Date for that dividend (or a later date approved by the Company).

Details of the Plan can be found on the Company's website (under ASX announcements):  
[http://www.pmcapital.com.au/site/listed\\_companies/pm\\_capital\\_global\\_opportunities\\_fund\\_limited.aspx](http://www.pmcapital.com.au/site/listed_companies/pm_capital_global_opportunities_fund_limited.aspx)

**Details of associates and joint venture entities**

None.

<b>Net Tangible Asset Backing</b>	<b>30 June 2016</b>	<b>30 June 2015</b>
Net tangible asset backing per ordinary share (after tax)	\$0.9729	\$1.1277

**Entities over which control has been lost during the period:**

None.

**This report is based on the financial report which has been audited.**

# PM CAPITAL

## Global Opportunities Fund Limited

ACN 166 064 875



### ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2016

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## CHAIRMAN'S REPORT

It is my pleasure to present to you the Annual Report of PM Capital Global Opportunities Fund Limited ("the Company") for the year to 30 June 2016.

2016 was a year during which we saw greater volatility in international equities markets. The Company's investment performance was weaker, particularly during the second half of the year as international events such as Brexit impacted the value of some of the investments within our portfolio. Adjusted Net Tangible Asset Value per Share<sup>1</sup> (after fees, net of tax "NTA") of the Company declined by 11.6% during the year.

### FINANCIAL RESULTS

During the year, the Company generated \$18.1 million of taxable income from dividend income, interest income and realised capital gains. However, the Company reported an operating loss before tax of \$65.9 million due to the write down of asset values to market value at year end.

On 13 July 2015, the Company successfully completed the raising of approximately \$173.7 million of additional capital as a result of the exercise of options issued at the time of the Company's IPO. The additional capital raised was invested by the Manager during the first half of the year.

### DIVIDENDS

On 18 February 2016, we were pleased to announce the company's inaugural dividend of 1.5 cents per share, fully franked, which was paid on 31 March 2016. This reflected the Board's confidence in the development of the Company's investment portfolio consistently with expectations as at the time of the IPO.

We are pleased today to announce a final dividend for the year to 30 June 2016 of 1.5 cents per share, fully franked. Based on a share price of \$0.84 as at 16 August 2016, this implies an annual dividend yield of 5.1% on a grossed up basis (ie. including the benefit of franking credits).

The last date to be eligible for this dividend	7 September 2016
Ex-Dividend Date	7 September 2016
Record Date	8 September 2016
Last date for receipt of Dividend Reinvestment Plan Election notices	9 September 2016
Payment Date	29 September 2016

### INVESTMENT OUTCOMES

This year, market volatility and stock specific issues have impacted investment returns resulting in returns which are below our expectations for the longer term. This is in contrast to returns last financial year which were above our expectations. Given the Manager's investment philosophy and the investment mandate, year to year variation does not surprise us and I am reminded of the comment to investors in the Company's IPO prospectus that "... you should consider any investment in the Company as a long term proposition, at least seven years, and be aware that substantial fluctuations in the value of your investment may occur during that period..."

Since the Company's IPO through to 30 June 2016, the Investment Manager has delivered an adjusted<sup>1</sup> pre-tax total return of 15.7% compared to the S&P ASX 200 Accumulation Index which has delivered 13.2% and the MSCI World Net Total Return Index (expressed in Australian dollars) which has increased by 31.9%.

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<sup>1</sup> Adjusted for capital flows associated with the option exercise, payment of interim dividend, share issuance as a result of the dividend reinvestment plan, and tax paid

## CHAIRMAN'S REPORT (Continued)

Net Tangible Asset value per share (after tax, not adjusted for capital flows) declined by 13.7% during the year. This overall result incorporates both the performance of the underlying portfolio and the impact of decisions in relation to portfolio currency exposures. During the year to 30 June 2016, currency effects delivered a 2.4% positive impact to overall performance.

At the commencement of the current financial year, investment performance has been stronger with Net Tangible Asset Value per share (after tax) increasing by 2.8% during the month of July 2016.

Shareholders understand that decisions of the Investment Manager impact investment outcomes at the Company and are reflected in reported Net Tangible Asset Values per share. However, the Company's share price (ASX: PGF) does not solely reflect changes in the NTA, but can also be influenced by other market and Company related factors. During the year, PGF has been trading at a more significant discount to its NTA backing. Together with the Investment Manager, your Board is seeking to reduce the discount to underlying value via a range of marketing and communication initiatives.

### OUTLOOK

The Investment Manager believes that the long term fundamentals underpinning the Company's investments continue to evolve consistent with its investment thesis for each investment. As such, the Investment Manager is expecting to hold most of the Company's investments for a period consistent with its typical holding period of 5 to 10 years. The Company remains well positioned to take advantage of the opportunities that lie ahead in global markets over the medium to long term. The Investment Manager's historic investment record should provide shareholders with significant confidence in the outlook for Company returns over the longer term.

I would like to take this opportunity to thank the Investment Manager's team for their hard work, efforts and commitment during the year.

I would also like to thank our shareholders for your continued interest in and support for the Company, including your support of the capital raising completed at the beginning of the year.

My fellow Directors and I are looking forward to seeing those of you who are able to join us for the Annual General Meeting on 21 October 2016.



Andrew McGill  
Chairman  
18 August 2016

## PORTFOLIO MANAGER'S REPORT

Dear investor,

The financial year 2016 was framed by China growth fears at the start of the year which caused a sharp market correction over the middle two weeks of August 2015, and in the very last week of the year by Brexit. While the Brexit impact was short lived for markets as a whole, with markets recovering within a week, its impact on financial stocks, particularly those in Europe, was dramatic and still lingers today. Given that Company's portfolio positioning, Brexit had a significant impact on our European and UK investments, in particular our domestic banking investments. As we noted in previous correspondence:

"...the short term impact of Brexit is obviously an outcome we did not expect or welcome. Our focus is on assessing if underlying fundamental themes have changed and thus warrant changes in our portfolio and / or if different opportunities have arisen. Short term, uncertainty is obviously high and the political scene chaotic. Many will question if the UK has shot themselves in the foot and the European Union is at the beginning of the end. Personally, I believe the chaos has been overly priced but will obviously take time to resolve.

The uncertainty will be longest in duration in Europe and the UK and it is likely that the US will soon switch its attention towards June quarter earnings results. From the perspective of Australia and Asia, I suspect the impact will be minor."

Given our extensive comments in our Brexit updates and quarterly video, my focus in this report will be directed more to what has transpired post-Brexit and our current thoughts on our key investments.

### Domestic Banking Franchises

Our basic thesis for our investments in dominant domestic banking franchises was that in a low growth, low interest rate environment, sustainable above-normal yield would be valued by investors. Over the course of 2015/2016, with bank balance sheets and capital having been repaired, dividends were in fact increasing and stock prices were reacting positively to confirmation of capital repair and increased dividend payments. With the relative valuation of banks to other industries at historic lows, we always suspected that our thesis would take some time to be fully recognised by other investors.

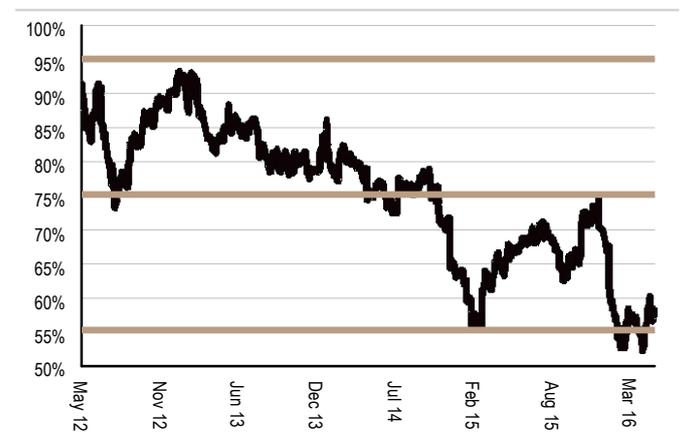
On 17 May 2016, UBS published a report on European banks titled "Should banks be the cheapest sector in the world". Consistent with our view, this report highlighted the historically low level of bank forward price to earnings multiples relative other stocks in their local markets excluding financials. Below are two charts from this report illustrating forward P/E relativities in the UK and Europe.

**Forward P/E: European banks vs Market**



Source: UBS estimates; P/E relative to local market ex financials

**Forward P/E: UK banks vs Market**



Source: UBS estimates; P/E relative to local market ex financials

### PORTFOLIO MANAGER'S REPORT (Continued)

Brexit however, reignited the fear of sustainability of earnings, particularly in the UK and Europe. US Banking stocks were also initially impacted. The issue for investors was, had Brexit invalidated the investment thesis, would it in fact be the beginning of the end, or was it simply a messy transition that needed to be worked through thus elongating the investment thesis as opposed to invalidating it.

Post-Brexit, led by J P Morgan, banking results in general have been better than expected; of particular note in respect of Europe I would highlight ING. Below are some interesting extracts from sell side research houses in relation to JP Morgan, Bank of America and ING results, each of which are in the Company's portfolio:

- Regarding J P Morgan, on 14 July 2016 Bank of America Merrill Lynch wrote, *"We reiterate our Buy rating on JPM. Against a macro backdrop that continues to be challenging for banks (geopolitical and macro uncertainty, lower rates for even longer), JPM delivered solid results"*;
- Regarding Bank of America, on 19 July 2016 Bernstein Research wrote, *"Clean 2Q beat on the Brexit boost. Like Citi and JPM, BAC reported a solid quarter marked by decent loan growth, stable credit, and well-contained expenses, with the top line getting a quarter end "Brexit boost" to its investment banking and trading results. NII, expenses, and credit were in-line or slightly better than expectations"*; and
- Regarding ING, on 4 August Macquarie Research wrote, *"ING reported a solid set of 2Q numbers with a beat on both revenues and costs. The CEO nicely summed it up as 'one of the best Qs in a long time'"*.

In response to these results, US Bank stocks are now selling above pre-Brexit levels and are focused on domestic issues again, and ING has recovered most of the Brexit losses.

Company	Pre-Brexit	Post-Brexit
Bank of America	\$13.60	\$15.05
J P Morgan	\$62.70	\$66.30
ING	\$10.59	\$10.30

*Source: FactSet – Prices as at 22<sup>nd</sup> June 2016 and 5<sup>th</sup> August 2016*

We expect our UK and peripheral European banking investments to eventually do likewise, but the market will clearly require visibility on the short term earnings impact before gaining the confidence to pay higher multiples on these stocks.

#### Valuations – 2017 calendar year consensus

	JPM	BAC	CABK	LLOY	ING
Price	\$66.30	\$15.05	\$2.27	\$0.53	\$10.30
Price: Book	1.0x	0.6x	0.5x	0.8x	0.8x
PE	10.70x	9.80x	8.70x	8.10x	9.30x
Dividend Yield	3.0%	2.4%	6.2%	6.9%	6.9%

*Source: FactSet – Prices as at 5<sup>th</sup> August 2016.*

**PORTFOLIO MANAGER'S REPORT (Continued)**

If US rates do in fact increase, Banks are likely to be strong performers, especially relative to defensive sectors of the market. Importantly, the underlying thesis of higher dividends continues to evolve and thus we will continue to maintain our current investment positions. Effective dividend yields of 6% to 8% through the combination of dividends and buy-backs, when long term government bonds yields are 0% to 1.5%, are very attractive.

The share price charts below illustrate recent market reaction toward JP Morgan and ING Groep in response to exogenous stimuli:



Source: FactSet as at 11<sup>th</sup> August 2016.



Source: FactSet as at 11<sup>th</sup> August 2016.

## PORTFOLIO MANAGER'S REPORT (Continued)

### Monopolistic Service providers

For our monopolistic service providers, Google, MasterCard and Visa, and our futures exchanges, Chicago Mercantile Exchange, Deutsche Bourse and Intercontinental Exchange, it has been business as usual. Earnings continue to compound at double digit rates and despite the fact that the stocks are, in general, selling at recent highs, we are happy to continue owning these stocks as valuations range from 18 to 22 times forward earnings, which is reasonable given the expected earnings growth that they can deliver. They are an interesting comparison to many of the “defensive” sectors of the market, that sell on similar multiples but where we believe growth prospects are quite muted or at risk.

The share price charts below highlight the market’s recognition of our thesis in relation to our monopolistic service provider positions:



Source: FactSet as at 11<sup>th</sup> August 2016.



Source: FactSet as at 11<sup>th</sup> August 2016.

**PORTFOLIO MANAGER'S REPORT (Continued)**



Source: FactSet as at 11<sup>th</sup> August 2016.



Source: FactSet as at 11<sup>th</sup> August 2016.

## PORTFOLIO MANAGER'S REPORT (Continued)

### Alternative Investment Managers and Macau Gaming

Although these investments would appear to be totally unrelated, they are both industries that have been through severe cyclical downturns in their underlying metrics, affording us a long term opportunity. They are both our most recent investments, and as is typical at any major inflection point, they can be quite volatile as investors give up on their long term prospects. Combined with our banking stocks, they did create a large portfolio exposure to similar price action dynamics over the last six months, but dynamics that we believe will be well worth enduring for the investment returns that they may offer.

The Alternative Investment Managers (Fund management groups who were typically founded as private equity or credit managers) are interesting as they have grown funds considerably at the expense of traditional fund managers but have been selling on valuation metrics that could be argued to be at a significant discount to those traditional managers. The reason appears to be as simple as the fact that the alternative managers, over the cycle of their investments, typically earn significant performance fees. We just happen to be at a point in the cycle where the realisation of these fees is at a cyclical low, purely from the fact that the funds from which those performance fees are generated have only been recently deployed. The market appears to be assuming the sustainability of current dynamics when in fact they are likely to be transitory. Recent quarterly results may suggest that the expected increase in performance fee realisations in future years may have already begun.

- Regarding KKR & Co. L.P., on 26 July Bank of America Merrill Lynch wrote, “*KKR reported economic net income (ENI) of \$0.23, above the Street/our estimates of \$0.01/\$0.00, driven by stronger than expected performance fees*”.

Our investments in a portfolio of Macau Casinos also appear to be seeing an inflection point in their underlying metrics. With VIP gaming revenue having collapsed on the back of China's crack-down on corruption and with significant new capacity in the process of construction, investors had given up on the stocks and any recovery in the industry. The opportunity as we saw it was that mass market gaming is likely to continue to grow and be the dominant driver of profits in Macau longer term, and that industry profits in the casino industry always look their bleakest just before the peak in capacity additions. Gross gaming revenue looks like it will trough in the next twelve months and this should be favourable for our investments.



Source: FactSet as at 11<sup>th</sup> August 2016.

## PORTFOLIO MANAGER'S REPORT (Continued)

In summary, the above investments approximate 75% of our portfolio. In 2016, fears of economic sustainability, first, in relation to the collapse in the oil price and concerns over China, and second, the impact of Brexit, dominated investor perceptions of these investments. However, the underlying fundamentals continue to evolve consistent with our investment theses and we are expecting to continue to hold these investments for quite some time consistent with our typical investment holding periods of 5-10+ years and our long term return objectives.

Aside from our specific investments, I would also make the following observations.

Long term interest rates are at an all-time extreme event; negative rates and Brexit may in fact be the beginning of the end for lower rates.

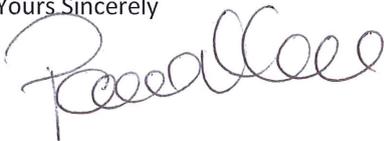
The trend of lower interest rates that has endured over my entire investment career has recently stretched the valuation rubber band between "defensive" and some "cyclical" sectors of the market, to probable extremes.

Post-GFC, investor and monetary authority anxiety has fixated on the risk to economic growth. The big surprise for 2017 may, in fact, be greater than expected economic growth. If that is the case, observations 1 and 2 will be something to ponder.

The reality is that the future is always uncertain. Every year I comment that just when you think you have seen everything, something new comes along. The 1987 stock market crash, the 1990 "CNN" Gulf War, the TMT mania in 2000, Twin Towers, the Global Financial Crisis and now Brexit are the standouts (I am going to have to stop making that statement). So our ultimate objective as an investor is to find different businesses that we believe will provide us with a satisfactory long term return and remind ourselves that investment returns are not a straight line and that we are ultimately arbitraging short term investors' lack of patience.

My only other observation is that, if our investment propositions do in fact meet our long term investment objectives, I find it intriguing that I can obtain exposure to the very same investments at a significant discount to their public market values via an investment in PGF.

Yours Sincerely



Paul Moore  
Portfolio Manager of PM Capital Global Opportunities Fund Limited  
PM CAPITAL Limited  
18 August 2016

**LIST OF INVESTMENTS HELD AS AT 30 JUNE 2016**

<b>Investment</b>	<b>Market Value</b>
	<b>\$</b>
<b><u>Equity Securities and Convertible Notes</u></b>	
Alphabet Inc Class C (Google Inc)	21,943,457
Intercontinental Exchange Inc	17,857,043
Bank of America Corp	17,632,401
JP Morgan Chase & Co.	16,941,203
ING Groep NV	15,775,125
Lloyds Banking Group PLC	15,637,180
Pfizer Inc	14,588,081
Howard Hughes Corp	13,203,760
Oracle Corp	12,434,013
Realogy Holdings Corp	12,431,130
Deutsche Boerse AG	12,078,222
Heineken Holding NV	11,679,612
CME Group Inc	11,046,908
Bank of Ireland	9,979,056
Pernod-Ricard SA	9,707,746
Australia & New Zealand Banking Group Limited	9,522,576
MDC Holdings Inc	9,152,834
Visa Inc-Class A Shares	8,752,777
Barclays PLC	8,474,028
National Australia Bank - Note	8,431,038
Tri Pointe Homes INC	8,286,382
Wells Fargo & Company	8,191,408
PM Capital Asian Opportunities Fund Limited	8,172,289
Cairn Homes PLC	7,813,774
Merck & Co. Inc	7,737,040
Caixa Bank S.A	7,501,250
BB&T Corp	7,207,127
MasterCard Inc	6,994,301
Hispania Activos Inmobiliarios	6,475,792
Anhesuer-Busch Inbev NV	6,199,530
MGM China Holdings Ltd	5,721,687
Lar Espana Real Estate Socim	5,713,197
SJM Holdings Ltd	3,481,958

**LIST OF INVESTMENTS HELD AS AT 30 JUNE 2016 (continued)**

Investment	Market Value \$
<b><u>Equity Securities and Convertible Notes (continued)</u></b>	
Banco Popular Espanol	3,322,265
Sands China	3,029,148
LSL Property Services PLC	2,372,092
Countrywide PLC	2,224,722
Las Vegas Sands Corp	1,780,835
Wynn Macau	1,598,132
PMP Limited	756,000
AnHui Conch Cement Co Ltd-H	(1,676,151)
<b><u>Bonds, Floating Rate Notes and Swaps</u></b>	
Taurus CMBS (UK) 2006-2 PLC	9,724,976
NH Hotel Group	7,384,840
CityCenter Holdings Llc	7,366,581
Enterprise Inns PLC	4,712,026
Ulysses (European Loan Conduit No 27) PLC	3,332,592
Barclays bank PLC	2,342,900
The Blackstone Group LP Equity Swap	(683,171)
Apollo Global Management Llc Equity Swap	(960,059)
KKR & Co LP Equity Swap	(1,509,483)
United Kingdom Gilt	(3,940,584)
<b><u>Cash and Other Securities</u></b>	
Swap collateral	1,515,197
Total Cash Assets (per note 3 to the financial statements)	997,459
Futures	363,739
Currency forward contracts	(1,392,711)
Total Interest bearing liabilities (per note 3 to the financial statements)	(59,109,997)
	330,315,273

**CORPORATE GOVERNANCE**

The Company's corporate governance statement can be found on our website at the following location:  
[http://www.pmcapital.com.au/site/listed\\_companies/pm\\_capital\\_global\\_opportunities\\_fund\\_limited/Compliance\\_and\\_policies.aspx](http://www.pmcapital.com.au/site/listed_companies/pm_capital_global_opportunities_fund_limited/Compliance_and_policies.aspx)

## DIRECTORS' REPORT

The directors submit the financial report of PM Capital Global Opportunities Fund Limited ("the Company") for the year ended 30 June 2016.

### Directors' Experience and Other Directorships

The following persons were directors of the Company during the whole of the financial year, and up to the date of this report (unless otherwise indicated):

#### **Andrew McGill**

*Chairman and Non-executive Director*

*Member of the Audit Committee*

*Member of the Nomination and Corporate Governance Committee*

Mr McGill has more than 26 years' financial markets experience, including investment and management experience within the alternative asset sector and the funds management industry generally. He previously served as Managing Director and Chief Executive Officer of Pacific Current Group and in this capacity served on the board of a number of affiliated companies. Prior to joining Pacific Current Group, Mr McGill was a founding partner of Crescent Capital Partners, an independent mid-market private equity firm where he worked from 2000 to 2010. Earlier in his career, Mr McGill held senior roles within Macquarie Bank's Corporate Finance and Direct Investment teams. He was also a consultant with The LEK Partnership, an international firm of business strategy consultants. Mr McGill currently serves as a member of the Council of Kambala Girls School.

Mr McGill holds a Bachelor of Commerce and a Bachelor of Laws from the University of New South Wales and a Graduate Diploma in Applied Finance (FinSIA). He is also a Fellow of the Financial Services Institute of Australasia.

#### **Brett Spork**

*Non-executive Director*

*Chairman of the Nomination and Corporate Governance Committee*

*Member of the Audit Committee*

Mr Spork has over 21 years' experience in the financial markets industry as a trader, advisor and senior manager, both within Australia and overseas. He currently provides consulting services to a broad range of financial institutions. Such consulting services comprise the provision of commercial, business development and regulatory advice. Previously, Mr Spork was the Chief Executive Officer of InvestorFirst Limited and BTIG Australia Limited. During the period 2002 to 2006, Mr Spork was the Chief Executive Officer of E\*Trade Australia Limited. Before joining E\*Trade Australia Limited, he worked at Macquarie Bank for 14 years, the latter part as an Executive Director of Macquarie Financial Services. Mr Spork also serves as a director of PM Capital Asian Opportunities Fund Limited and Clime Capital Limited.

Mr Spork holds a Bachelor of Business from the Queensland University of Technology. In 2004, he was recognised by the Australian Stockbrokers Foundation and admitted to its "Hall of Fame".

## DIRECTORS' REPORT (continued)

### Directors' Experience and Other Directorships (continued)

#### **Tom Millner**

*Non-executive Director*

*Chairman of the Audit Committee*

*Member of the Nomination and Corporate Governance Committee*

Mr Millner has 15 years' experience in the management of investment portfolios, research and analysis of listed equities and business development. He is currently the Chief Executive Officer of listed investment company BKI Investment Company Limited ("BKI"). Mr Millner joined BKI in 2008. Prior to this, Mr Millner spent five years with Souls Funds Management Limited ("SFM") and whilst at SFM was responsible for the investment portfolio of BKI. Prior to joining SFM, Mr Millner served as an Investment Analyst with Republic Securities Limited, manager of the listed Investment Company Pacific Strategic Investments. He is also a director of Washington H. Soul Pattinson and Company Limited since January 2011 and New Hope Corporation Limited since 2015. During the past four years Mr Millner has also served as a director of listed company Exco Resources Limited.

Mr Millner holds a Bachelor of Design (Industrial), a Graduate Diploma of Applied Finance (Finsia), and is a graduate of the Australian Institute of Company Directors. He is also a Fellow of the Financial Services Institute of Australasia.

#### **Ben Skilbeck**

*Executive Director*

Mr Skilbeck has over 20 years' experience in financial markets. He joined the Investment Manager of the Company in February 2015 as the Chief Executive Officer ("CEO") and is responsible for implementing and contributing to the determination of the operational and strategic objectives of the Investment Manager's business. Mr Skilbeck has an Investment Banking background, having worked in both Australia and the US with Merrill Lynch and Credit Suisse, where he focused on mergers and acquisitions and corporate finance advisory. Before joining the Investment Manager he was most recently the CEO of Rismark, a provider of quantitative research solutions and synthetic equity exposures over the Australian residential property sector. Mr Skilbeck is also a director of PM CAPITAL Limited, and PM Capital Asian Opportunities Fund Limited.

Mr Skilbeck attended The University of Melbourne and holds a Bachelor of Engineering (with Honours) and a Bachelor of Commerce.

#### **Richard Matthews**

*Company Secretary (appointed 27 October 2015)*

*Alternate Director for Ben Skilbeck (appointed 27 October 2015)*

Mr Matthews is currently responsible for managing PM CAPITAL Limited's compliance and risk. He has over 16 years' experience in investment banking and funds management including as a Director and Chief Operating Officer of Aurora Funds Management, and a senior manager of equity capital markets at Challenger Financial Services. His overall experience includes funds management administration, establishing and administering listed/traded and unlisted investment schemes, managing equity capital market issues and/or equity swaps, and other specialised corporate structured products.

He is also the alternate director for Mr Ben Skilbeck for PM Capital Asian Opportunities Fund Limited, and Company Secretary of PM CAPITAL Limited, the Investment Manager of the Company.

Mr Matthews holds the degrees of Bachelor of Science, Bachelor of Arts, and Bachelor of Economics, as well as a Graduate Diploma in Applied Finance (Corporate Finance) and a Masters of Professional Accounting.

## DIRECTORS' REPORT (continued)

### Attendance at Meetings

#### Board of Directors Meetings

Director	Meetings Held and Entitled to Attend	Meetings Attended
Andrew McGill	5	5
Brett Spork	5	5
Tom Millner	5	5
Ben Skilbeck	5	5

#### Nomination and Corporate Governance Committee Meetings

Director	Meetings Held and Entitled to Attend	Meetings Attended
Andrew McGill	4	4
Brett Spork	4	4
Tom Millner	4	4

#### Audit Committee Meetings

Director	Meetings Held and Entitled to Attend	Meetings Attended
Andrew McGill	4	4
Brett Spork	4	4
Tom Millner	4	4

### Directors' Interests in Shares and Options

The relevant interests of the Directors and their related entities in the Securities of the Company as at 30 June 2016 was:

Director	Number of Shares	Number of Options
Andrew McGill	200,000	-
Brett Spork	15,000	-
Tom Millner	75,000	-
Ben Skilbeck	100,000	-
Richard Matthews	58,832	-

The relevant interests of the Directors and their related entities in the Securities of the Company as at 30 June 2015 was:

Director	Number of Shares	Number of Options
Andrew McGill	200,000	-
Brett Spork	-	-
Tom Millner	45,000	-
Ben Skilbeck	100,000	-
Ursula Kay	-	-

## DIRECTORS' REPORT (continued)

### Principal Activities of the Company

The Company is a listed investment company established to invest predominantly in a concentrated portfolio of listed securities across global securities markets (including Australia). The Company's investment objective is to increase the value of its portfolio by providing long term capital growth.

### Review of Operations

The performance of the Company, as represented by the results of its operations, was as follows:

	2016 \$	2015 \$
(Loss)/Profit before Income Tax	(65,913,475)	71,505,767
Income Tax Benefit/(Expense)	20,749,477	(21,157,583)
(Loss)/Profit for the year attributable to members	(45,163,998)	50,348,184

Please refer to the Statement of Profit or Loss and Other Comprehensive Income for further details.

The invested position of the Company in equity securities, debt securities, cash and other assets as at 30 June 2016 is 109.0% (2015: 79.6%) in equity securities, 9.4% (2015: 4.4%) in debt securities, -17.6% (2015: 14.0%) in cash and cash equivalent assets, 0.6% (2015: 2.0%) in other assets, and -1.4% (2015: -0.4%) in financial liabilities held at fair value through profit or loss. The invested position is recognised on the balance sheet in cash and cash equivalents, financial assets held at fair value through profit or loss, interest bearing liabilities, and financial liabilities held at fair value through profit or loss.

### Dividends

On 18 August 2016, the Directors declared a fully franked final dividend of 1.5 cents per ordinary share (June 2015: \$Nil) which will be paid on 29 September 2016. The Ex-Dividend date is 7 September 2016 and the Record Date is 8 September 2016.

The amount of the proposed fully franked final dividend, which is not recognised as a liability as at 30 June 2016, is \$5,219,526 (June 2015: \$Nil).

The Dividend Reinvestment Plan will operate in conjunction with this dividend. The last date for receipt of an election notice in respect of this dividend is 9 September 2016. No discount is offered on the Dividend Reinvestment Plan in respect of this dividend.

Details of the Plan can be found on the Company's website (under ASX announcements): [http://www.pmcapital.com.au/site/listed\\_companies/pm\\_capital\\_global\\_opportunities\\_fund\\_limited.aspx](http://www.pmcapital.com.au/site/listed_companies/pm_capital_global_opportunities_fund_limited.aspx)

A fully franked interim dividend of 1.5 cents per ordinary share, amounting to \$5,210,166 (June 2015: \$Nil), was paid on 31 March 2016.

### Net Assets

As at 30 June 2016 the net assets of the Company were \$338,531,635 (2015: \$360,014,191). Please refer to the Statement of Financial Position for further details.

## DIRECTORS' REPORT (continued)

### State of Affairs

During the financial period there was no significant change in the state of affairs of the Company.

### Events Subsequent to Balance Date

No matter or circumstance has arisen since the end of the financial year that has significantly affected or may significantly affect the operations of the Company, the result of those operations or the state of affairs of the Company in subsequent financial years.

### Likely Developments

The Company will be managed in accordance with the Constitution and investment objectives as detailed in the Prospectus dated 18 November 2013.

### Indemnification of Officers

The Company has indemnified directors and officers for any actions that may arise as a result of acting in their capacity as directors and officers of the Company in respect of:

- a) Liability to third parties when acting in good faith; and
- b) Costs and expenses of defending legal proceedings and ancillary matters.

The terms of the policy preclude disclosure of the premium.

### Environmental Regulations

The Company's operations are not subject to any significant environmental regulations.

### Proceedings on behalf of the company

There are no proceedings that the directors have brought, or intervened in, on behalf of the Company.

### Non-Audit Services

Details of amount paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 8(b) to the financial statements. The directors are satisfied that the provision of non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

### Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under *Section 307C* of the *Corporations Act 2001* is set out on page 20.

## DIRECTORS' REPORT (continued)

### Remuneration Report

This remuneration report sets out information about the remuneration of the Company's directors for the year ended 30 June 2016, under the requirements of *Section 300A(1) of the Corporations Act*.

#### Key management personnel

The directors and other key management personnel of the Company during the whole of the financial year, and up to the date of this report are (unless otherwise indicated):

Andrew McGill – Chairman and Non-executive Director  
 Brett Spork – Non-executive Director  
 Tom Millner – Non-executive Director  
 Ben Skilbeck – Executive Director  
 Ursula Kay – Alternate Director for Ben Skilbeck (resigned 27 October 2015)  
 Richard Matthews – Alternate Director for Ben Skilbeck (appointed 27 October 2015)

#### Directors' Remuneration

The Company has a Nomination and Corporate Governance Committee which reviews and advises the Board on the composition of the Board and its committees.

Directors' base fees are set out in the Constitution at a maximum of \$250,000 per annum.

Directors' remuneration received or receivable for the year ended 30 June 2016 was as follows:

Director	Directors' fees \$	Superannuation \$	Total \$
Andrew McGill	36,530	3,470	40,000
Brett Spork	31,963	3,037	35,000
Tom Millner	31,963	3,037	35,000
Ben Skilbeck	-	-	-
Ursula Kay	-	-	-
Richard Matthews	-	-	-
	100,456	9,544	110,000

Directors' remuneration received or receivable for the year ended 30 June 2015 was as follows:

Director	Directors' fees \$	Superannuation \$	Total \$
Andrew McGill	36,530	3,470	40,000
Brett Spork	4,124	392	4,516
Tom Millner	31,963	3,037	35,000
Tim Gunning	20,263	1,925	22,188
Ben Skilbeck	-	-	-
Chris Donohoe	-	-	-
Ursula Kay	-	-	-
	92,880	8,824	101,704

**DIRECTORS' REPORT (continued)****Remuneration Report (continued)**Directors' Remuneration (continued)

Ben Skilbeck is the Chief Executive Officer of the Investment Manager and Richard Matthews (appointed 27 October 2015) is the Head of Risk and Compliance of the Investment Manager. They are remunerated by the Investment Manager and are not entitled to a director's fee or any other form of remuneration from the Company.

Ursula Kay was the Financial Controller and Company Secretary of the Investment Manager until 27 October 2015. She was remunerated by the Investment Manager and was not entitled to a director's fee or any other form of remuneration from the Company.

Signed at Sydney this 18<sup>th</sup> day of August 2016, in accordance with a resolution of the Board of Directors by:



**Andrew McGill**  
Chairman



**Tom Millner**  
Director

**PM CAPITAL GLOBAL OPPORTUNITIES FUND LIMITED**

**ACN 166 064 875**

**AUDITOR'S INDEPENDENCE DECLARATION**

**To the Directors of PM Capital Global Opportunities Fund Limited:**

As lead auditor for the audit of the financial report of PM Capital Global Opportunities Fund Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

Sydney, NSW  
18 August 2016



**D K Swindells**  
Partner

**HLB Mann Judd (NSW Partnership) ABN 34 482 821 289**

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HLB Mann Judd (NSW Partnership) is a member of  International. A world-wide network of independent accounting firms and business advisers.

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2016**

	<b>Note</b>	<b>2016</b>	<b>2015</b>
		<b>\$</b>	<b>\$</b>
<b>Revenue</b>			
Interest		910,559	980,639
Dividends		8,549,844	2,802,086
(Losses)/gains on investments held at fair value through profit or loss		(80,610,620)	57,334,796
Gains on foreign exchange		10,935,754	16,288,559
Other income		22,957	32,439
<b>Total (loss)/revenue</b>		<b>(60,191,506)</b>	<b>77,438,519</b>
<b>Expenses</b>			
Management fees	8 (a)	3,905,790	2,163,880
Performance fees	8 (a)	-	2,794,294
Finance costs		767,570	146,995
Audit fees		49,005	44,275
Director fees		110,000	101,704
Insurance		52,358	110,217
Brokerage fees		480,596	296,078
Other operating expenses		356,650	275,309
<b>Total expenses</b>		<b>5,721,969</b>	<b>5,932,752</b>
<b>(Loss)/profit for the year before income tax</b>		<b>(65,913,475)</b>	<b>71,505,767</b>
Income tax benefit/(expense)	6 (a)	20,749,477	(21,157,583)
<b>(Loss)/profit after income tax</b>		<b>(45,163,998)</b>	<b>50,348,184</b>
Other comprehensive income for the year		-	-
<b>Total comprehensive (loss)/income attributable to shareholders</b>		<b>(45,163,998)</b>	<b>50,348,184</b>
<b>Basic (loss)/earnings per share</b>	9	<b>(13.02)</b>	<b>27.76</b>
<b>Diluted (loss)/earnings per share</b>	9	<b>(13.02)</b>	<b>27.76</b>

The above Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2016**

	Note	2016 \$	2015 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	997,459	65,973,991
Financial assets at fair value through profit or loss	2 (d)	392,973,235	328,341,234
Receivables	4	606,539	40,070,296
<b>Total current assets</b>		<u>394,577,233</u>	<u>434,385,521</u>
<b>Non-current assets</b>			
Deferred tax assets	6 (c)	12,615,584	569,224
<b>Total non-current assets</b>		<u>12,615,584</u>	<u>569,224</u>
<b>TOTAL ASSETS</b>		<u>407,192,817</u>	<u>434,954,745</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Interest bearing liabilities	3	59,109,997	11,193,735
Financial liabilities at fair value through profit or loss	2 (d)	4,545,424	1,548,844
Payables	5	945,817	43,339,597
Income tax payable		4,059,944	5,989,943
<b>Total current liabilities</b>		<u>68,661,182</u>	<u>62,072,119</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	6 (c)	-	12,868,435
<b>Total non-current liabilities</b>		<u>-</u>	<u>12,868,435</u>
<b>TOTAL LIABILITIES</b>		<u>68,661,182</u>	<u>74,940,554</u>
<b>NET ASSETS</b>		<u>338,531,635</u>	<u>360,014,191</u>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7	343,308,163	313,598,956
Share option reserve	7	-	817,599
Retained (losses)/profits		(4,776,528)	45,597,636
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<u>338,531,635</u>	<u>360,014,191</u>

The above Statement of Financial Position is to be read in conjunction with the accompanying notes.

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2016**

	<b>Note</b>	<b>2016</b>	<b>2015</b>
		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Interest received		781,202	880,187
Dividends received		8,168,534	2,629,609
Other income received		272,626	236,860
Interest paid		(687,524)	(139,224)
Management fees paid		(3,822,155)	(1,507,133)
Performance fees paid		(2,998,714)	-
Income tax paid		(5,981,693)	-
Brokerage fees paid		(480,596)	(296,078)
Other operating expenses		(676,457)	(777,922)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>10</b>	<b>(5,424,777)</b>	<b>1,026,299</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments		73,290,818	59,649,532
Purchase of investments		(205,948,375)	(188,143,841)
<b>Net cash outflow from investing activities</b>		<b>(132,657,557)</b>	<b>(128,494,309)</b>
<b>Cash flows from financing activities</b>			
Costs of share issue		(378,750)	-
Proceeds from share issue		28,596,423	145,075,777
Dividends paid (Net of DRP)		(4,649,856)	-
<b>Net cash inflow from financing activities</b>		<b>23,567,817</b>	<b>145,075,777</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(114,514,517)</b>	<b>17,607,767</b>
Impact of exchange rate changes on cash and cash equivalents		1,621,723	(491,845)
Cash and cash equivalents at the beginning of the financial year		54,780,256	37,664,334
<b>Cash and cash equivalents at the end of the financial year</b>	<b>3</b>	<b>(58,112,538)</b>	<b>54,780,256</b>

The above Statement of Cash Flows is to be read in conjunction with the accompanying notes.

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2016**

Note	Share Capital \$	Share Option Reserve \$	Retained Profits \$	Total \$
<b>Balance at 1 July 2014</b>	<b>160,050,361</b>	<b>9,290,417</b>	<b>(4,750,548)</b>	<b>164,590,230</b>
Total comprehensive income for the year	-	-	50,348,184	50,348,184
<b>Subtotal</b>	<b>160,050,361</b>	<b>9,290,417</b>	<b>45,597,636</b>	<b>214,938,414</b>
<b>Transactions with owners in their capacity as owners</b>				
Shares issued and transfer from share option reserve on exercise of options	7 152,836,458	(7,760,681)	-	145,075,777
Transfer from share option reserve on expiration of options	7 712,137	(712,137)	-	-
<b>Subtotal</b>	<b>153,548,595</b>	<b>(8,472,818)</b>	<b>-</b>	<b>145,075,777</b>
<b>Balance at 30 June 2015</b>	<b>313,598,956</b>	<b>817,599</b>	<b>45,597,636</b>	<b>360,014,191</b>
<b>Balance at 1 July 2015</b>	<b>313,598,956</b>	<b>817,599</b>	<b>45,597,636</b>	<b>360,014,191</b>
Total comprehensive loss for the year	-	-	(45,163,998)	(45,163,998)
<b>Subtotal</b>	<b>313,598,956</b>	<b>817,599</b>	<b>433,638</b>	<b>314,850,193</b>
<b>Transactions with owners in their capacity as owners</b>				
Shares issued and transfer from share option reserve on exercise of options	7 16,101,544	(817,599)	-	15,283,945
Shares issued pursuant to underwriting agreement	7 13,312,478	-	-	13,312,478
Shares issued under the Company's dividend reinvestment plan	7 560,310	-	-	560,310
Costs of share issue net of deferred tax impact	7 (265,125)	-	-	(265,125)
Dividends paid	-	-	(5,210,166)	(5,210,166)
<b>Subtotal</b>	<b>29,709,207</b>	<b>(817,599)</b>	<b>(5,210,166)</b>	<b>23,681,442</b>
<b>Balance at 30 June 2016</b>	<b>343,308,163</b>	<b>-</b>	<b>(4,776,528)</b>	<b>338,531,635</b>

The above Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**1. General information and summary of significant accounting policies**

PM Capital Global Opportunities Fund Limited (“the Company”) is a listed investment company incorporated in Australia. The Company was registered on 1 October 2013. The registered office and principal place of business of the Company is Level 27, 420 George Street Sydney NSW 2000. The Company’s principal activity is to invest predominantly in a concentrated portfolio of listed securities across global securities markets (including Australia). The investment objective is to increase the value of its portfolio by providing long term capital growth.

These general purpose financial statements are for the year ended 30 June 2016, and were authorised for issue by the Directors on 18 August 2016.

A summary of the material accounting policies adopted by the Company in the preparation of the financial statements is set out below:

**(a) Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, issued by the Australian Accounting Standards Board (“AASB”) and the Corporations Act 2001. For the purposes of preparing financial statements, the Company is a for-profit entity.

**(b) Statement of Compliance**

The financial statements and notes thereto comply with Australian Accounting Standards as issued by the AASB and International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

**(c) Reporting Currency**

All amounts are presented in Australian dollars as the functional and presentational currency of the Company.

**(d) Going Concern Basis**

The financial report has been prepared on a going concern basis.

**(e) Investments**

Investments held at fair value through profit or loss are initially recognised at fair value including any transaction costs related to their acquisition. Subsequent to initial recognition, all financial instruments held at fair value through profit or loss are accounted for at fair value, with changes to such values recognised in profit or loss.

*Fair value in an active market*

The Company values listed investments at last quoted sale price. However, at balance date it assesses the difference between that price and the last bid/(ask) price for each long/(short) quoted investment, to determine whether another price within the bid/(ask) price spread is more representative of fair value.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**1. General information and summary of significant accounting policies (continued)**

**(e) Investments (continued)**

*Fair value in an inactive or unquoted market*

The fair values of investments that are not traded in an active market are determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation techniques that provide a reliable estimate of prices obtained in actual market transactions.

Investments are recognised on a trade date basis.

**(f) Foreign currency translation**

**(i) Functional and presentation currency**

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Company competes for funds and is regulated. The Australian dollar is also the Company's presentation currency.

**(ii) Transactions and balances**

Transactions during the period denominated in foreign currency have been translated at the exchange rate prevailing at the transaction date. Overseas investments and currency, together with any accrued income, are translated at the exchange rate prevailing at the balance date. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in profit or loss. Net exchange gains and losses arising on the revaluation of investments are included in gains on investments.

Hedging may be undertaken in order to minimise possible adverse financial effects of movements in exchange rates. Hedging gains or losses are included as part of gains/(losses) on foreign exchange.

**(g) Income tax**

Under current legislation, the Company is subject to income tax at 30% on taxable income. A capital gains tax concession may be available to investors where certain requirements are met.

The Company incurs withholding tax imposed by certain countries on investment income. Such income is recorded net of withholding tax in profit or loss.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on the corporate tax rate. The relevant tax rate is applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**1. General information and summary of significant accounting policies (continued)**

**(g) Income tax (continued)**

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

**(h) Goods and services tax ("GST")**

The Company is registered for GST and under current regulations can claim up to 75% of the GST incurred depending on the nature of the expense. The un-claimable portion is written off as an expense.

**(i) Revenue and expenses**

Revenue and expenses are brought to account on the accrual basis.

Changes in the fair value of investments are recognised in profit or loss.

**(j) Cash and cash equivalents**

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within Interest Bearing Liabilities in Liabilities in the Statement of Financial Position.

**(k) Receivables**

Receivables may include amounts for dividends, interest and securities sold. Dividends are receivable when they have been declared and are legally payable. Interest is accrued at the balance date from the time of last payment. Amounts receivable for securities sold are recorded when a sale has occurred.

**(l) Payables**

These amounts represent liabilities for amounts owing by the Company at period end which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**(m) Derivative financial instruments**

The Company may invest in financial derivatives. Derivative financial instruments are accounted for on the same basis as the underlying investment exposure. Gains and losses relating to financial derivatives are included in profit or loss as part of gains (losses) on investments.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**1. General information and summary of significant accounting policies (continued)**

**(n) Share capital**

Ordinary shares are classified as equity. Costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

**(o) Share option reserve**

The share option reserve is measured at the fair value of options at the date of issue, net of option issue costs. This reserve is adjusted, with a corresponding entry to share capital, on exercise of options. At the expiration of the option period, the portion of the reserve relating to unexercised options is transferred to share capital.

**(p) Earnings per share**

Undiluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares and potential ordinary shares (options) outstanding during the year.

**(q) Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Company's accounting policies, management of the Company is required to make judgements, estimates and assumptions about the carrying amounts of some assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are considered to be relevant, and reasonable under the circumstance. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The methods used in the valuation of investments are set out in Note 1(e) to these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**1. General information and summary of significant accounting policies (continued)**

**(r) New accounting standards not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting period and have not been early adopted by the Company. The directors' assessment of the impact of these new standards (to the extent relevant to the Company) and interpretations is set out below:

- AASB 9 *Financial Instruments* (and applicable amendments) (effective for financial periods beginning on or after 1 January 2018)

AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The Standard is available for early adoption. The directors do not expect this Standard to have a significant impact on the recognition and measurement of the Company's financial instruments as they are carried at fair value through profit or loss, and will remain so under the new Standard.

- AASB 15 *Revenue from Contracts with Customers* (effective for financial periods beginning on or after 1 January 2018)

AASB 15 will replace AASB 118 Revenue which covers contracts for goods and services and AASB 111 Construction Contracts which covers construction contracts. AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

The Company's main sources of income are interest, dividends and distributions and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the directors do not expect the adoption of AASB 15 to have a significant impact on the Company's accounting policies or the amounts recognised in the financial statements.

There are no other standards that are not yet effective and that are expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

**2. Financial risk management**

**(a) Objectives, strategies, policies and processes**

The objective of the Company is to provide long-term capital growth over a seven-year plus investment horizon through investment in a concentrated portfolio of global (including Australian) equities and other investment securities. As the portfolio is constructed on the merits of individual stock selection it is likely that the Company will have experienced varied return characteristics from the relevant benchmark and traditional index funds. The Company is managed from an Australian investor's perspective with tax and currency exposures forming important considerations in the daily management of the Company, whilst complying with the Company's Prospectus dated 18 November 2013. Financial risk management is carried out by the Investment Manager under the guidance of its Chief Investment Officer.

The Company's activities are exposed to different types of financial risks. These risks include market risk (including currency risk, and price risk) and credit risk. The Company may employ derivative financial instruments to hedge these risk exposures in order to minimise the effects of these risks. The use of derivatives is an essential part of proper portfolio management and is not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**2. Financial risk management (continued)**

**(a) Objectives, strategies, policies and processes (continued)**

- hedging to protect an asset of the Company against a fluctuation in market values or to reduce volatility;
- as a substitute for physical securities;
- adjusting asset exposures within the parameters set in the investment strategy;
- adjusting the duration or the weighted average maturity of fixed interest portfolios.

The use of short selling and derivatives may indirectly leverage the portfolio on a gross basis.

**(b) Market risk**

Market risk is the risk that the fair value of financial instruments will fluctuate. These fluctuations can be caused by market volatility, interest rates, economic cycles, political events and levels of economic growth, both global and domestic. The Company is materially exposed to two different types of market risks, namely foreign currency risk and price risk. Market risk exposures are assessed and minimised through employing established investment strategies.

The Company is a focused portfolio and, due to the concentrated nature of the Company's investments, considerable short term volatility may be experienced. The Company may also short specific securities that, in the opinion of the Investment Manager, are overvalued. All of the portfolio positions are subject to research and peer group review and if appropriate opportunities cannot be found the Company will hold cash until new opportunities arise. The Company may utilise leverage to enhance the portfolio's returns. Leverage is acquired through the use of derivatives, short selling and a leverage facility with the Prime Broker. The maximum leverage allowed by the Company is 30% of the portfolio's net asset value. As part of its risk management strategy, the Company uses futures, options and forward currency contracts to manage exposures resulting from changes in interest rates, foreign currencies and equity price risks.

*(i) Foreign currency risk*

Foreign currency risk is the risk that the value of a financial commitment, recognised asset or liability will fluctuate due to changes in foreign currency rates.

The Company holds assets denominated in currencies other than the Australian dollar (being the functional currency) and is therefore exposed to foreign currency risk when the value of assets denominated in other currencies fluctuates due to movements in exchange rates.

The Company may enter into foreign exchange forward contracts both to hedge the foreign exchange risk implicit in the value of portfolio securities denominated in foreign currency and to secure a particular exchange rate for a planned purchase or sale of securities. Foreign exchange instruments are principally denominated in US dollars and Euros, reflecting the denominations but not necessarily the physical locations of the majority of the Company's international security investments.

The terms and conditions of these contracts rarely exceed one year and the level of hedging will depend on the Investment Manager's expectation of future currency exchange rate movements.

As the nature of these contracts is to hedge the international investment activities of the Company, they are accounted for by marking to market at balance date in a manner consistent with the valuation of the underlying securities. The currency position of the Company is monitored on an ongoing basis by the Investment Manager.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**2. Financial risk management (continued)**

**(b) Market risk (continued)**

*(i) Foreign currency risk (continued)*

The Company's portfolios in different currencies at balance date is summarised below. The portfolios are substantially hedged into US dollars.

	<b>Australian Dollars</b>	<b>US Dollars</b>	<b>British Pounds</b>	<b>Euro</b>	<b>Other Currencies</b>	<b>Total</b>
	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>
<b>2016</b>						
<b>Assets</b>						
Cash and cash equivalents	350,568	-	-	-	646,891	997,459
Financial assets at fair value through profit or loss:						
Listed securities	26,881,903	196,180,699	28,708,023	96,245,569	12,154,774	360,170,968
Debt securities	-	7,366,581	16,171,910	7,384,840	-	30,923,331
Swap deposits and futures	-	1,878,936	-	-	-	1,878,936
Receivables	348,198	52,865	106,731	98,745	-	606,539
Deferred tax assets	12,615,584	-	-	-	-	12,615,584
<b>Total assets</b>	<b>40,196,253</b>	<b>205,479,081</b>	<b>44,986,664</b>	<b>103,729,154</b>	<b>12,801,665</b>	<b>407,192,817</b>
<b>Liabilities</b>						
Interest bearing liabilities	16,589,483	21,098,849	1,597,662	7,964,005	11,859,998	59,109,997
Financial liabilities at fair value through profit or loss	1,392,711	3,152,713	-	-	-	4,545,424
Payables	945,817	-	-	-	-	945,817
Income tax payable	4,059,944	-	-	-	-	4,059,944
<b>Total liabilities</b>	<b>22,987,955</b>	<b>24,251,562</b>	<b>1,597,662</b>	<b>7,964,005</b>	<b>11,859,998</b>	<b>68,661,182</b>
<b>Net assets</b>	<b>17,208,298</b>	<b>181,227,519</b>	<b>43,389,002</b>	<b>95,765,149</b>	<b>941,667</b>	<b>338,531,635</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**2. Financial risk management (continued)**

**(b) Market risk (continued)**

*(i) Foreign currency risk (continued)*

	<b>Australian Dollars</b>	<b>US Dollars</b>	<b>British Pounds</b>	<b>Euro</b>	<b>Other Currencies</b>	<b>Total</b>
	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>
<b>2015</b>						
<b>Assets</b>						
Cash and cash equivalents	65,343,283	457,800	-	-	172,908	65,973,991
Financial assets at fair value through profit or loss:						
Listed securities	13,611,895	141,404,374	49,345,444	94,504,165	4,773,894	303,639,772
Debt securities	-	8,819,145	7,842,624	-	-	16,661,769
Swap deposit, futures and options	-	8,039,693	-	-	-	8,039,693
Receivables	536,736	-	20,660,162	14,659,043	4,214,355	40,070,296
Deferred tax assets	569,224	-	-	-	-	569,224
<b>Total assets</b>	<b>80,061,138</b>	<b>158,721,012</b>	<b>77,848,230</b>	<b>109,163,208</b>	<b>9,161,157</b>	<b>434,954,745</b>
<b>Liabilities</b>						
Interest bearing liabilities	-	-	5,630,637	1,521,000	4,042,098	11,193,735
Financial liabilities at fair value through profit or loss	-	110,231	1,359,468	1,365,746	- 1,286,601	1,548,844
Payables	39,907,260	3,432,337	-	-	-	43,339,597
Income tax payable	5,989,943	-	-	-	-	5,989,943
Deferred tax liabilities	12,868,435	-	-	-	-	12,868,435
<b>Total liabilities</b>	<b>58,765,638</b>	<b>3,542,568</b>	<b>6,990,105</b>	<b>2,886,746</b>	<b>2,755,497</b>	<b>74,940,554</b>
<b>Net assets</b>	<b>21,295,500</b>	<b>155,178,444</b>	<b>70,858,125</b>	<b>106,276,462</b>	<b>6,405,660</b>	<b>360,014,191</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**2. Financial risk management (continued)**

**(b) Market risk (continued)**

*(i) Foreign currency risk (continued)*

*Foreign currency sensitivity*

A sensitivity of 5 per cent (2015: 5%) has been selected to account for the current level of exchange rate volatility observed in the market. As at reporting date, the Australian dollar to US dollar (AUD/USD) exchange rate was 0.7446 (2015: 0.7686), and had the Australian dollar weakened/(strengthened) by 5% against the United States Dollar with all other variables held constant, the net assets attributable to shareholders would have been \$16,911,755 higher/(\$15,301,111) lower [2015: \$18,948,115 higher/(\$17,143,533) lower].

*(ii) Price risk*

Price risk is the risk that the fair value of financial instruments will fluctuate, whether those changes are specifically related to an individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company is exposed to price risk for its investments in both listed and unlisted securities. The price risk of a security is dependent upon the financial circumstances of the companies in which the securities are purchased, including their profits, earnings and cash flows. The return on a security's investment may also be affected by the quality of company management, the general health of the sector in which it operates and government policy.

In cases where financial instruments are denominated in currencies other than the Australian dollar, future prices will also fluctuate because of changes in foreign exchange rates. Refer to Note 2(b)(i) for the management of foreign currency risk. Some securities present a risk of loss of capital and, except where securities are sold short, the maximum exposure resulting from financial instruments is determined by the fair value of those instruments. Potential losses from securities sold short can be unlimited.

The Investment Manager's stock selection process is fundamental to the management of price risk. Whilst the Morgan Stanley Capital International ('MSCI') Index is used in measuring relative performance of the Company, risk in the view of the Investment Manager is not limited to relative performance versus a benchmark, but more so the prospect of losing money (i.e. absolute returns). The Company seeks a diversified range of investments whose business and growth prospects are being undervalued by the market. As a result, the Company's securities holdings vary considerably from the composition of the index.

The Company's overall market positions are monitored on an ongoing basis by the Investment Manager.

The Company's net equity exposure as at 30 June 2016 is set out on the following page:

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**2. Financial risk management (continued)**

**(b) Market risk (continued)**

*(ii) Price risk (continued)*

<b>Industry Groups</b>	<b>2016</b>	<b>2015</b>
Diversified Financials	32%	29%
Banks	18%	22%
Software & Services	13%	14%
Real Estate	11%	11%
Food, Beverage & Tobacco	7%	9%
Consumer Durables & Apparel	7%	5%
Pharmaceuticals, Biotechnology & Life Sciences	6%	4%
Consumer Services	4%	1%
Other	2%	5%
<b>Total</b>	<b>100%</b>	<b>100%</b>

*Price sensitivity*

The directors of the Company believe that it is difficult to accurately estimate future returns. Equity market returns can be volatile and returns from year to year often have a wide variance. As such, the Company uses a long term performance average, rather than a short term performance number, when estimating sensitivity to price risk. The longer return average takes into consideration the full market cycle, whereas an estimate based solely on last year's performance is likely to be misleading when the market cycle shifts.

As at reporting date, if the listed security prices in the portfolio had increased/(decreased) by 5% [2015: 5%] with all other variables being constant, this would have increased/(decreased) the net assets attributable to shareholders by approximately +/- \$18,008,548 [2015: +/- \$15,181,989]. The impact of price movements in options and futures, fixed rate bonds, floating rate notes, other debt securities and currency contracts is unlikely to have a significant impact on the Company.

**(c) Credit risk**

Credit risk is the risk that a counterparty will fail to perform contractual obligations (i.e. default in either whole or part) under a contract causing the Company to make a financial loss.

Market prices generally incorporate credit assessments into valuations and risk of loss is implicitly provided for in the carrying value of assets and liabilities as they are marked to market at balance date.

The total credit risk for assets including fixed income and equity securities is therefore limited to the amount carried in the Statement of Financial Position.

The Investment Manager minimises the Company's concentrations of credit risk by adopting a number of procedures, including the following:

- Undertaking transactions with a large number of counterparties on recognised and reputable exchanges;
- Ensuring that these counterparties together with the respective credit limits are approved.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**2. Financial risk management (continued)**

**(c) Credit risk (continued)**

The contractual credit risk of assets is represented by the net payments or receipts that remain outstanding, and the cost of replacing the derivative position in the event of a counterparty default. There are no financial assets that are past due or impaired as at balance date.

The Company has appointed Morgan Stanley & Co. International Plc (“Morgan Stanley”) as both Prime Broker and Custodian to the Company. Morgan Stanley is subject to regulatory oversight and capital requirements imposed by the Financial Services Authority (UK) and, where applicable to its Australian operations, the Australian Securities and Investments Commission. As at the date of this report, Morgan Stanley has a credit rating of A (S&P) for long term and a rating of A-1 for short term debt.

The terms of the Prime Broker Agreement provide that Morgan Stanley may utilise custodial assets for its own lending and financing purposes (including to borrow, lend, charge, re-hypothecate, and dispose of) up to, but not exceeding, 180% of the value of the Company’s outstanding liabilities with Morgan Stanley. These assets are owned by Morgan Stanley in its Prime Broker capacity. Under the terms of the Prime Broker Agreement, Morgan Stanley is obliged to return to the Company the equivalent custodial assets irrespective of what transpires between it and any third party with whom Morgan Stanley has transacted.

Cash holdings with Morgan Stanley are not subject to this arrangement and are always considered to be held by Morgan Stanley in its Prime Broker capacity.

All other custodial assets not subject to the Prime Broking arrangement are held by Morgan Stanley in its capacity as a Custodian in a separate asset pool, as is required by the Financial Services Authority (UK).

As at balance date, the maximum value of the Company’s gross assets available to Morgan Stanley for its lending and financing activities is \$114,579,758 [2015: \$22,936,644]. Under the Prime Broker arrangements in place, the amount does not require disclosure by Morgan Stanley. The maximum net exposure to the Prime Broking activities of Morgan Stanley, after offsetting the Company’s outstanding liabilities with Morgan Stanley, approximates \$50,924,337 [2015: \$10,194,064] as at balance date.

The credit position of the Company is monitored on an ongoing basis by the Investment Manager.

**(d) Fair Value Measurements**

The Company measures and recognises financial assets and liabilities held at fair value through profit or loss on a recurring basis.

The Company has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

The fair value measurement hierarchy is as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**2. Financial risk management (continued)**

**(d) Fair Value Measurements (continued)**

*(i) Fair value in an active market (level 1)*

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and listed equity securities) are based on quoted market prices at the close of trading at the end of the reporting period without any deduction for estimated future selling costs.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

*(ii) Fair value in an inactive or unquoted market (Level 2 and Level 3)*

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Company holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

Debt securities are valued with reference to external third party pricing information.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**2. Financial risk management (continued)**

**(d) Fair Value Measurements (continued)**

*(iii)* Recognised fair value measurements

The following table presents the Company's assets and liabilities measured and recognised at fair value at 30 June 2016 and 30 June 2015:

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>2016</b>				
<b>Financial assets at fair value through profit or loss</b>				
Listed securities	360,170,968	-	-	360,170,968
Debt securities	-	30,923,331	-	30,923,331
Swap deposits & futures	1,878,936	-	-	1,878,936
	362,049,904	30,923,331	-	392,973,235
<b>Financial liabilities at fair value through profit or loss</b>				
Currency forward contracts	-	1,392,711	-	1,392,711
Swaps	3,152,713	-	-	3,152,713
	3,152,713	1,392,711	-	4,545,424
<b>2015</b>				
<b>Financial assets at fair value through profit or loss</b>				
Listed securities	303,639,772	-	-	303,639,772
Debt securities	-	16,661,769	-	16,661,769
Swap deposits	6,989,287	-	-	6,989,287
Options & futures	1,050,406	-	-	1,050,406
	311,679,465	16,661,769	-	328,341,234
<b>Financial liabilities at fair value through profit or loss</b>				
Currency forward contracts	-	1,548,844	-	1,548,844
	-	1,548,844	-	1,548,844

*(iv)* Transfer between levels

Management's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between levels in the fair value hierarchy at the end of the reporting period.

*(v)* Fair value of financial instruments not carried at fair value

The carrying value of trade receivables and trade payables are assumed to approximate their fair values.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

2016	2015
\$	\$

**3. Cash and cash equivalents and Interest bearing liabilities**

*Cash and cash equivalents*

Deposit in Money Markets	350,568	18,401
Cash at bank (custodian) – AUD	-	65,324,882
Cash at bank (custodian) – USD	-	457,800
Cash at bank (custodian) – other currencies	646,891	172,908
	<u>997,459</u>	<u>65,973,991</u>

*Interest bearing liabilities*

Overdraft at Custodian	(59,109,997)	(11,193,735)
	<u>(58,112,538)</u>	<u>54,780,256</u>

Overdraft at Custodian is a cash facility offered by the Custodian. The Custodian in its role as Prime Broker has been granted a floating charge over the assets of the Company to secure any liabilities to the Prime Broker.

**4. Receivables**

Outstanding settlements	-	39,533,560
Interest receivable	146,269	104,728
Dividend receivable	427,913	172,477
GST receivable	9,861	259,531
Other receivable	22,496	-
	<u>606,539</u>	<u>40,070,296</u>

**5. Payables**

Trade creditors and accruals	945,817	955,546
Performance fee	-	2,998,714
Outstanding settlements	-	39,385,337
	<u>945,817</u>	<u>43,339,597</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

2016	2015
\$	\$

**6. Income Tax**

**(a) Income Tax Expense**

The aggregate amount of income tax attributable to the financial period differs from the amount of income tax that would be payable by the Company if its taxable income for the period were equal to the amount of the profit/(loss) before income tax. The difference between these amounts is explained as follows:

Profit/(Loss) for the period before income tax expense	(65,913,475)	71,505,767
Prima facie income tax (benefit)/expense calculated at 30%	(19,774,043)	21,451,730
Tax credits – current year	(967,184)	(294,147)
Prior year under/(over) provision	(8,250)	-
Income tax (benefit)/expense	<u>(20,749,477)</u>	<u>21,157,583</u>

**(b) Tax Effect of Items Credited to Equity**

Amounts credited to equity in relation to the income tax effect of amounts recognised in equity:

Share issue costs	(113,625)	-
	<u>(113,625)</u>	<u>-</u>

**(c) Deferred tax**

Deferred tax assets are represented by the following temporary differences:

Initial public offering corporate fee	257,017	385,525
Initial public offering legal fees	35,400	53,100
Initial public offering initial listing fee	127,123	39,826
Initial public offering other expenses	15,338	37,530
Insurances	23,270	36,743
Audit fees	8,765	16,500
Unrealised losses on investments	12,277,046	-
Dividends receivable	(128,375)	-
	<u>12,615,584</u>	<u>569,224</u>

Deferred tax liabilities are represented by the following temporary differences:

Unrealised gains on investments	-	12,868,435
	<u>-</u>	<u>12,868,435</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**7. Share capital and share option reserve**

Shares

There is a single class of ordinary shares on issue. For all shares issued in accordance with the Prospectus dated 18 November 2013, an option was also issued. The amount paid by each shareholder was allocated between the share and the option based on relative market prices on the first day of trading. Costs of fundraising were allocated between shares and options on the same basis.

Each Share confers on its holder equal voting rights and the right to share equally in dividends and any surplus on winding up.

Subject to the *Corporations Act 2001* and the ASX Listing Rules, Shares are fully transferable.

The rights attaching to Shares may be varied with the approval of Shareholders in general meeting by special resolution.

Movements in share capital during the year are set out as below:

	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>Number of</b>	<b>Number of</b>	<b>\$</b>	<b>\$</b>
	<b>shares</b>	<b>shares</b>		
Shares on issue at beginning of year	318,747,978	173,672,201	313,598,956	160,050,361
Reclassification from share option reserve on exercise or expiration of options	-	-	817,599	8,472,818
Shares issued on exercise of options	15,283,945	145,075,777	15,283,945	145,075,777
Shares issued under the Company's dividend reinvestment plan	623,976	-	560,310	-
Shares issued pursuant to underwriting agreement	13,312,478	-	13,312,478	-
Costs of share issue net of deferred tax impact	-	-	(265,125)	-
Shares on issue at the end of the year	<u>347,968,377</u>	<u>318,747,978</u>	<u>343,308,163</u>	<u>313,598,956</u>

Options

Under the Offer outlined in the Prospectus dated 18th November 2013, the Company offered one option for every one Share subscribed for, exercisable on or before 30 June 2015. After this date, the options expired.

The terms and conditions of the options were as follows:

- An option may be transferred or transmitted in any manner approved by ASX;
- An option may be exercised by the registered holder of the option, and a share in the Company issued with payment to the Company of \$1.00 per option being exercised;
- An option may be exercised on any business day from the date of grant to 30 June 2015 (inclusive) but not thereafter.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**7. Share capital and share option reserve (continued)**

Options (continued)

Movements in share option reserve during the year are set out as below:

	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>Number of options</b>	<b>Number of options</b>	<b>\$</b>	<b>\$</b>
Options on issue at beginning of year	15,283,945	173,672,200	817,599	9,290,417
Options exercised, and related transfer to share capital	(15,283,945)	(145,075,777)	(817,599)	(7,760,681)
Options expired, and related transfer to share capital	-	(13,312,478)	-	(712,137)
Options on issue at the end of the year	-	15,283,945	-	817,599

Capital Management

The Company's objectives for managing capital are to invest the capital in investments meeting the description, risk exposure and expected return as indicated in the Company's Prospectus dated 18 November 2013.

**8. Expenses**

**(a) Fees paid to the Investment Manager**

The Company has outsourced its investment management function to PM CAPITAL Limited. A summary of the fees (GST exclusive) charged by the Investment Manager is set out below.

*(i) Management fee*

The Investment Manager is entitled to be paid a management fee equal to 1.00% p.a. (plus GST) of the portfolio Net Asset Value. The management fee is calculated and accrued on the last day of each week and paid at the end of each quarter in arrears.

*(ii) Performance Fee*

At the end of each financial year, the Investment Manager is entitled to receive a performance fee from the Company. The fee is calculated and accrued monthly using the following formula:

$$P = 15\% \times (A - B) \times \text{portfolio Net Asset Value at the end of the last day of the relevant month}$$

where:

P is the Performance Fee for the relevant month;

A is the Investment Return of the portfolio for the relevant month; and

B is the Benchmark Return for the relevant month. "Benchmark Return" means, in respect of the relevant month, the percentage by which the Morgan Stanley Capital International World Index (AUD) increases or decreases over the course of the relevant month.

The performance fee for each month in a financial year will be aggregated (including any negative amounts carried forward) and paid annually in arrears if the aggregate Performance Fee for that financial year (including any negative amounts carried forward) is a positive amount.

No performance fees was payable during the year (2015: \$2,794,294).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>8. Expenses (continued)</b>		
<b>(b) Auditor's Remuneration</b>		
Audit and review of the financial statements	47,810	44,275
Tax compliance services	15,425	11,245
Other assurance services	12,000	850
	<u>75,235</u>	<u>56,370</u>
<b>9. Earnings per share</b>		
Basic (loss)/earnings per share	(13.02) cents	27.76 cents
Diluted (loss)/earnings per share	(13.02) cents	27.76 cents
<b>Reconciliation of earnings and weighted average number of shares used in calculating basic and diluted earnings per share:</b>		
(Loss)/earnings used in calculating basic earnings per share	(45,163,998)	50,348,184
(Loss)/earnings used in calculating diluted earnings per share	(45,163,998)	50,348,184
Weighted average number of ordinary shares used in the calculation of basic earnings per share	346,976,672	181,337,774
Weighted average number of shares used in the calculation of diluted earnings per share	346,976,672	181,337,774

In the calculation of diluted earnings per share, options are not considered to have a dilutive effect, as the average market price of ordinary shares of the Company during the period did not exceed the exercise price of the options.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

2016	2015
\$	\$

**10. Cash Flow Statement**

**Reconciliation of Net Profit / (Loss) after income tax to Cash Flow from Operating Activities**

Net (Loss)/Profit after income tax	(45,163,998)	50,348,184
Net Losses/(Gains) on Investment	80,610,620	(57,038,718)
Net Gains on Foreign Exchange	(10,935,754)	(16,288,559)
<i>Changes in assets and liabilities:</i>		
(Increase) in receivables	(47,307)	(500,314)
(Decrease)/Increase in income taxes payable	(1,929,999)	21,157,583
(Increase) in deferred tax assets	(11,932,736)	-
(Decrease) in deferred tax liabilities	(12,868,435)	-
(Decrease)/Increase in payables	(3,157,168)	3,644,201
Net cash (outflow)/inflow from Operating Activities	<u>(5,424,777)</u>	<u>1,322,377</u>

**11. Segment information**

The Company has only one reportable segment and one industry. It operates predominantly in Australia and in the securities industry (though most investments are in foreign jurisdictions). It earns revenue from dividend income, interest income and other returns from the investment portfolio. The Company invests in different types of securities, as detailed at Note 2 Financial Risk Management.

**12. Related party transactions**

All transactions with related parties are conducted on normal commercial terms and conditions, and are as follows:

- The compensation arrangements with the Directors and Executive Directors (refer to Directors' Remuneration below);
- The interests in the Company held directly or indirectly by the Directors and Executive Directors (refer to remuneration report included in the director report);
- The Management Agreement between the Company and the Investment Manager (refer to Note 8 for details of fees paid to the Investment Manager); and
- As at 30 June 2016, the Company holds 8,787,407 ordinary shares [2015: 8,250,000] valued at \$8,172,289 [2015: \$7,837,500] in PM Capital Asian Opportunities Fund Limited, a company associated with the Investment Manager. The Company and PM Capital Asian Opportunities Fund Limited are both managed by the Investment Manager. Any management fee or performance fee incurred or payable by the Company in respect of the shares it holds in the PM Capital Asian Opportunities Fund Limited is reimbursable by the Investment Manager.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**12. Related party transactions (continued)**

**Directors' Remuneration**

Directors' remuneration received for the year ending 30 June 2016 was as follows:

<b>Director</b>	<b>Directors' fees</b>	<b>Superannuation</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Andrew McGill	36,530	3,470	40,000
Brett Spork	31,963	3,037	35,000
Tom Millner	31,963	3,037	35,000
Ben Skilbeck	-	-	-
Ursula Kay	-	-	-
Richard Matthews	-	-	-
	<u>100,456</u>	<u>9,544</u>	<u>110,000</u>

Directors' remuneration received for the year ending 30 June 2015 was as follows:

<b>Director</b>	<b>Directors' fees</b>	<b>Superannuation</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Andrew McGill	36,530	3,470	40,000
Brett Spork	4,124	392	4,516
Tom Millner	31,963	3,037	35,000
Tim Gunning	20,263	1,925	22,188
Ben Skilbeck	-	-	-
Chris Donohoe	-	-	-
Ursula Kay	-	-	-
	<u>92,880</u>	<u>8,824</u>	<u>101,704</u>

Ben Skilbeck is the Chief Executive Officer of the Investment Manager and Richard Matthews (appointed 27 October 2015) is the Head of Risk and Compliance of the Investment Manager. They are remunerated by the Investment Manager and are not entitled to a director's fee or any other form of remuneration from the Company.

Ursula Kay was the Financial Controller and Company Secretary of the Investment Manager until 27 October 2015. She was remunerated by the Investment Manager and was not entitled to a director's fee or any other form of remuneration from the Company.

## DIRECTORS' DECLARATION

1. In the directors' opinion:
  - (a) the financial statements and notes set out on pages 21 to 44 are in accordance with the *Corporations Act 2001*, including:
    - (i) complying with Australian Accounting Standards and the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
    - (ii) giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The notes to the financial statements include a statement of compliance with International Financial Reporting Standards.
3. The directors have been given by the Executive Director and Chief Financial Officer the declarations for the year ended 30 June 2016 required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.



**Andrew McGill**  
Chairman



**Tom Millner**  
Director

**Sydney**  
**18 August 2016**

**PM CAPITAL GLOBAL OPPORTUNITIES FUND LIMITED**

**ACN 166 064 875**

**INDEPENDENT AUDITOR'S REPORT**

To the members of PM Capital Global Opportunities Fund Limited:

We have audited the accompanying financial report of PM Capital Global Opportunities Fund Limited ("the company"), which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the company.

***Directors' Responsibility for the Financial Report***

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In Note 1(b), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial statements of PM Capital Global Opportunities Fund Limited comply with International Financial Reporting Standards.

***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**HLB Mann Judd (NSW Partnership) ABN 34 482 821 289**

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PM CAPITAL GLOBAL OPPORTUNITIES FUND LIMITED

ACN 166 064 875

INDEPENDENT AUDITOR'S REPORT (continued)

**Independence**

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

**Opinion**

In our opinion:

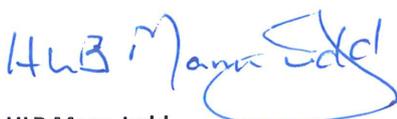
- (a) the financial report of PM Capital Global Opportunities Fund Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2016 and its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(b).

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 18 to 19 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**Opinion**

In our opinion the Remuneration Report of PM Capital Global Opportunities Fund Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in blue ink that reads 'HLB Mann Judd'.

HLB Mann Judd  
Chartered Accountants

Sydney, NSW  
18 August 2016

A handwritten signature in blue ink that reads 'D K Swindells'.

D K Swindells  
Partner

## SHAREHOLDER INFORMATION

### Additional Information

The additional information required by the Australian Securities Exchange Limited Listing Rules is set out below.

### 20 Largest Shareholders

Details of the 20 largest ordinary shareholders and their respective holdings as at 19 July 2016.

Holder name	Ordinary Shares held	% of Issued Shares
HSBC Custody Nominees (Australia) Limited	17,056,769	4.90%
Roaring Lion Pty Ltd	13,440,215	3.86%
Forsyth Barr Custodians Ltd	11,137,550	3.20%
PM Capital Limited	10,158,533	2.92%
Citicorp Nominees Pty Limited	4,500,000	1.29%
Taycol Nominees Pty Ltd	3,440,000	0.99%
HSBC Custody Nominees (Australia) Limited - A/C 2	3,222,310	0.93%
Becjohn Pty Limited	2,900,000	0.83%
Mr Alister John Forsyth	2,397,400	0.69%
Mr Victor John Plummer	2,000,000	0.57%
J P Morgan Nominees Australia Limited	1,769,752	0.51%
Navigator Australia Ltd	1,744,825	0.50%
Nulis Nominees (Australia) Limited	1,556,040	0.45%
Chriswall Holdings Pty Limited	1,500,000	0.43%
UBS Nominees Pty Ltd	1,403,402	0.40%
Bond Street Custodians Limited	1,239,598	0.36%
Mr John Steven Page & Mrs Gillian Kay Page	1,019,000	0.29%
Australian Executor Trustees Limited	1,011,496	0.29%
Mordant Investments Pty Ltd	1,000,000	0.29%
Mrs Jennifer Coral Spencer & Mr David Frederick Spencer	754,700	0.22%
	<b>83,251,590</b>	<b>23.93%</b>

### Substantial Shareholders

Details of substantial shareholders and their respective holdings as at 19 July 2016.

Holder name	Ordinary Shares held	% of Issued Shares
Paul Moore, Roaring Lion Pty Ltd as trustee for the Roaring Lion Super Fund, PM CAPITAL Limited and associated entities	28,626,334	8.23%
	<b>28,626,334</b>	<b>8.23%</b>

## SHAREHOLDER INFORMATION (continued)

### Distribution of Shares

Analysis of numbers of equity security holders, by size of holding, as at 19 July 2016.

Holding	Number of shareholders	Ordinary shares held	% of Issued Shares
1 - 1,000	151	101,596	0.03%
1,001 - 5,000	514	1,860,987	0.53%
5,001 - 10,000	994	8,531,758	2.45%
10,001 - 100,000	4,845	172,956,712	49.70%
100,001 and over	432	164,517,324	47.28%
	<b>6,936</b>	<b>347,968,377</b>	<b>100.00%</b>

The number of holders possessing less than a marketable parcel of the Company's ordinary shares, based on the closing market price as at 19 July 2016 is 52.

### Other Stock Exchanges Listing

Quotation has been granted for all Ordinary Shares and Options of the Company on all Member Exchanges of the ASX.

### Restricted Securities

There is no issue of restricted securities by the Company currently.

### Unquoted Securities

There are no unquoted securities on issue by the Company.

### Buy-Back

There is currently no on market buy-back.

### Use of Funds

For the purposes of ASX Listing Rule 4.10.19, the Company confirms that it has used its cash and assets in a form readily convertible to cash, that it had at the time of admission, in a manner consistent with its business objectives, for the period from the Company's admission to the Official List of ASX Limited on 11 December 2014 to 30 June 2016.

### Investment Transactions

The total number of transactions in securities during the reporting period was 336.

The total brokerage paid (net of RITC) on these transactions was \$480,596.

## SHAREHOLDER INFORMATION (continued)

### Investment Management Agreement

The Company has appointed PM CAPITAL Limited (“Investment Manager”) to manage the investment portfolio of the Company, and to calculate the value of the portfolio and net tangible assets at least monthly. The Investment Manager must, from time to time and on behalf of the Company, invest portfolio money, including money received on disposal of investments or distributions from investments, to make or hold investments, and realise or dispose of investments.

Additional duties of the Investment Manager include assisting the Company’s auditors as required, keeping proper books of account and records, providing or procuring the provision of administrative support services reasonably required by the Company, and keeping the Company informed in respect of the management of the portfolio.

In consideration for the performance of its duties as Investment Manager of the Company, the Investment Manager is paid a management fee of 1% per annum of the portfolio net asset value, calculated on the last day of each month, and a performance fee of 15% of the investment return above the benchmark return multiplied by the portfolio net asset value. The performance fee for each month for the year will be aggregated and will be payable if it is a positive amount at 30 June of each year.

The Agreement remains in force for 5 years (“Initial Term”) from the IPO allotment date unless terminated earlier by either party in certain circumstances. The Investment Manager may terminate the Agreement at any time after the first anniversary of the Agreement by giving the Company at least 3 months’ written notice. The Company may terminate the Agreement after the Initial Term and on delivery of 3 months’ prior written notice, or with immediate effect in certain cases, including in the case of the Investment Manager’s insolvency, the Investment Manager’s material default or breach under the Agreement or the Investment Manager consistently investing outside of the investment strategy.

## CORPORATE INFORMATION

<b>Directors:</b>	Andrew McGill - Chairman and Non-executive Director Tom Millner - Non-executive Director Brett Spork - Non-executive Director Ben Skilbeck - Executive Director Ursula Kay - Alternate Director for Ben Skilbeck (resigned 27 October 2015) Richard Matthews - Alternate Director for Ben Skilbeck (appointed 27 October 2015)
<b>Company Secretary:</b>	Ursula Kay (resigned 27 October 2015) Richard Matthews (appointed 27 October 2015)
<b>Investment Manager:</b>	PM CAPITAL Limited Level 27, 420 George Street Sydney NSW 2000 (AFSL 230222)
<b>Auditor:</b>	HLB Mann Judd (NSW Partnership) Chartered Accountants Level 19, 207 Kent Street Sydney NSW 2000
<b>Country of Incorporation:</b>	Australia
<b>Registered Office:</b>	Level 27, 420 George Street Sydney NSW 2000 Telephone: (+612) 8243 0888
<b>Share Registry:</b>	Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000 Telephone: (+612) 9290 9600
<b>ASX code:</b>	Shares: PGF.AX
<b>Website:</b>	<a href="http://www.pmcapital.com.au/site/listed_companies/pm_capital_global_opportunities_fund_limited.aspx">www.pmcapital.com.au/site/listed_companies/pm_capital_global_opportunities_fund_limited.aspx</a>
<b>Charters and Policies:</b>	<a href="http://www.pmcapital.com.au/site/listed_companies/pm_capital_global_opportunities_fund_limited.aspx">www.pmcapital.com.au/site/listed_companies/pm_capital_global_opportunities_fund_limited.aspx</a> Click on [Compliance and policies] under Investor Relations