



GLOBAL MASTERS FUND LIMITED

ABN 84 109 047 618

Chairman's Address - Annual General Meeting

Friday 18 November 2016

Welcome to the eleventh Annual General Meeting of Global Masters Fund Limited (Company).

The 2015/16 Financial Year

This past year has been one where your Company has seen an improved Net Tangible Asset Backing (NTA) of approximately 5.9% over the previous year. In addition, the Company has shown a pre-tax profit of \$70,314. This is the best result since inception in 2006. The value of the Company's investment in Berkshire Hathaway in US dollar terms increased by 13% and the price per share of the Company's investment in Athelney Trust plc., listed on the London Stock Exchange, increased by 66 % over the previous year. The investment in Flagships Investment Limited (FSI), which is listed on the ASX increased in price per share by 7.3% at 30 June 2016, compared to the previous year-end. Athelney and FSI paid dividends of 3.67% and 4.79% respectively.

In many respects, it has been an unusual financial year with markets showing more than usual volatility, especially around the time of the Brexit vote. Whilst the result was to some extent unexpected, only time will tell what the medium to long term impacts will be on the British, European and indeed World economy. We can most likely expect a pragmatic outcome.

More recently but not affecting last year's results, we have seen the skittishness regarding the recent election of Donald Trump again, I would expect a pragmatic result. Having said that we must be aware of the risks to free trade and increased protectionism.

Domestically there has been much talk of the end of the mining boom and indeed this has affected the economies of Western Australia and Queensland, and we are currently seeing a surge in commodity prices, particularly iron ore.

At the same time interest rates are low and any interest rate increases in the foreseeable period do seem inevitable and this will have an impact on equity prices.



Nevertheless, the last financial year proved to be quite turbulent for the Australian share market. While the ASX is likely to experience some increased volatility from global uncertainty, it's important to note that only around 5% of aggregate earnings are derived from the UK and Europe. Weakness in the Australian economy was partly driven by the miners and energy stocks in the first half and a shift in sentiment toward the banks in the second half. The All Ordinaries Index posted gains over the last quarter of 3.1% although posting a decline of 2.6% for the year. The AUD/USD exchange rate has fallen 3.3% over the year closing at 0.745 US cents.

The principal activity of your Company is investing in Berkshire Hathaway Inc. on NYSE, Athelney Unit Trust Plc. on LSE and Flagship Investments Limited on the ASX. There have been no significant changes in the nature of this activity during the year, although in April we did make a modest increase in the Athelney investment, which takes our holding to 13.8%.

Throughout the year your Company has maintained its policy of not hedging its foreign currency exposure, largely because it is felt that investors are seeking international exposure through the investments in Berkshire Hathaway and Athelney and this carries with it a currency diversification. The Board has always acknowledged that, despite the global reach of the foreign investments, there is currency exposure that may increase the volatility of the Company's NTA and share price. I would not want to opine on the future direction of the Australian dollar against the \$US or sterling, particularly as we do not know the next moves from central bankers. I do feel more confident in stating that the outlook for Berkshire Hathaway and Athelney Trust, and indeed Flagships looks positive for the next year.

By way of background for new Shareholders, your Company was listed on the ASX on 16 May 2006 with the intention of creating an internationally diversified portfolio with the majority of the Company's assets invested in Berkshire Hathaway. It is well known that Berkshire Hathaway does not pay dividends, but rather, reinvests its earnings back into the Company. Over the last 11 years the capital growth of the Berkshire Hathaway shares has been good but in some years, has been overshadowed by the continued and sustained strength of the Australian dollar. In the past two years, the Company enjoyed both capital and foreign exchange gains because of Berkshire Hathaway shares upward trend on the NYSE and the fall in the value of the AUD compared to the previous years. In line with the strategy commenced a couple of years ago, in order to pay the on-going costs of running a listed company on the ASX, the Board has maintained some assets invested in Australia to generate cash. The results of the Company this year are very pleasing and have demonstrated the wisdom of this strategy. It is noted that both Athelney and FSI do pay significant dividends to Shareholders.

In addition to the focus of maintaining the investment in Berkshire Hathaway as the largest single asset of the Company, combined with the Athelney Trust Investments that provide an exposure to smaller business mainly in the UK, and the FSI Investment in Australia.



Your Board will, in line, with the initial prospectus, continue to seek alternative ways of improving Shareholder value and further diversify investments especially in the light of the Warren Buffett's age.

The Year Ahead

With the usual caveats and some trepidation, I think I can say that we remain cautiously positive about the outlook for markets generally but it is not without risks. The Australian economy has largely dealt with a depressed commodity market, but should continue to see some benefits from the lower dollar and low interest rates.

In our view, companies with strong market positions, strong balance sheets and good management, will continue to perform well and reward patient investors, although we expect market returns to be modest again in the coming year.

The underlying Global Masters investments through Berkley Hathaway, Athelney and Flagships, are well placed to continue to add value through their strategies.

The Board

I would like to particularly thank my fellow Directors and the Company Secretary for their on-going efforts during the last year.

We are also very grateful to you the Shareholders of Global Masters Fund for your continuing support.

A handwritten signature in black ink that reads "J. L. Addison". The signature is written in a cursive, slightly slanted style.

Jonathan L Addison
Chairman
18th November 2016