

GLOBAL MASTERS FUND LIMITED

SHAREHOLDERS' QUARTERLY REPORT

MARCH 2017

OVERVIEW

Global Masters Fund Limited (ASX: GFL) posted a gain of 19.2% during the quarter, reducing the discount to the underlying Net Tangible Asset Value (NTA) at which it trades. The NTA on the other hand declined from 200.8 cents per share to 194.2 cents per share mostly on the back of a firming Australian dollar with the major investment showing modest gains. While we have seen this discount close substantially, the stock still currently trades at a discount to its NTA.

INVESTMENT PERFORMANCE (as at 31 March 2017)

Quarterly Return (US)	
Berkshire Hathaway	+2.4%
S&P 500	+5.5%

Total Net Market Value of GFL Assets
\$ 16,659,633 or 194.2 cents per share (before tax on unrealized gains)

Quarterly Return (AUS)	
Global Masters	+19.2%
ASX All Ords	+3.2%

During the quarter, Berkshire Hathaway (NYSE: BRK) posted marginal gains of 2.4%. Both investments, Athelney Trust (LSE: ATY) and Flagship Investments (ASX: FSI), posted negative returns of 1.6% and 0.6% respectively by quarter-end.

ECONOMIC COMMENTARY

The end of the quarter marked the 8th anniversary of the bull market. Given 2016 was the year of political surprises, the net impact on returns was somewhat limited. The shocks from both Brexit and President Trump's victory have caused high market volatility, while the economy showed continued growth and optimism. 2017 may be a similar year with the Netherlands having held their elections in this first quarter, the French elections are hotly contested and we will see Britain formally leave the European Union. Aside from the political landscape, the US Federal Reserve (Fed) continued its journey of raising interest rates in this quarter. European politics and the US Fed may prove to be key events for further uncertainty.

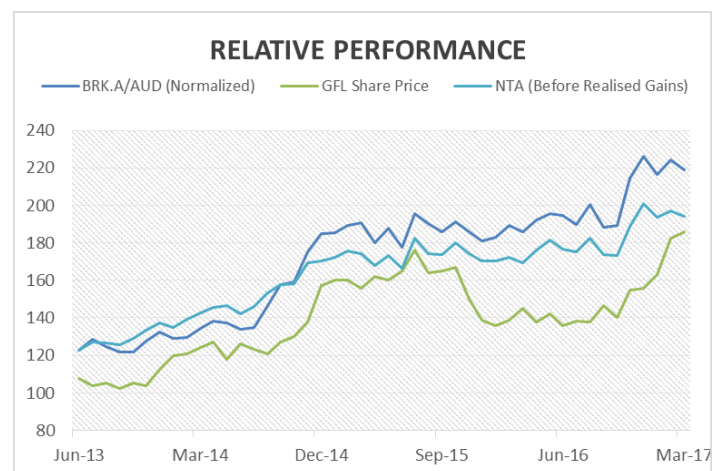
We have seen additional market enthusiasm that has been fuelled by expectations of President Trump's agenda for tax cuts, deregulation and other growth measures which will support further earnings and economic growth. In January, political news emerged which affected attitudes towards the Trump administration as well as their failure at having the house approve a new healthcare bill, saw uncertainty increase and the Dollar, as a result, depreciated against most currencies. The S&P 500 posted a gain of 5.5%, the Dow Jones posted +4.6% and the NASDAQ posted +9.8% by quarter-end.

The European economy is continuing to improve, with unemployment continuing to decline. This should continue to be supportive for consumer confidence and overall demand. The European recovery looks healthier than it has been historically, but political risks around key elections has kept investors weary. During the quarter, Article 50 was triggered in the UK, signalling the formal start of the process to leave the EU. The FTSE 100 and the DAX posted solid returns of +2.5% and +7.5% over the quarter.

In Australia, we have had little political or financial news this quarter, however we have seen continued debate around our energy sector, in particular our gas industry, and the lack of supply for the domestic market. During the quarter, the RBA announced they would hold the cash rate at 1.5%.

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OBJECTIVE

Long-term capital growth by investing in UK & US markets

FEES

Management fee – Nil
Performance fee – Nil

COUNTRIES WHERE LISTED

Australian Securities Exchange:
May 2006

STOCK EXCHANGE CODE

ASX: GFL

DIRECTORS

Jonathan Lancelot Addison (Snr)
Chairman

Dr Emmanuel (Manny) C Pohl
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