

# GLOBAL MASTERS FUND LIMITED

## SHAREHOLDERS' QUARTERLY REPORT

SEPTEMBER 2018

### OBJECTIVE

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

### COUNTRY WHERE LISTED

Australian Securities Exchange:  
May 2006

### STOCK EXCHANGE CODE

ASX: GFL

### RATINGS

- Independent Investment Research – Recommended<sup>+1</sup>

### DIRECTORS

Jonathan Lancelot Addison (Snr)  
*Chairman*

Dr Emmanuel (Manny) C Pohl  
*Managing Director*

Patrick Corrigan AM  
*Independent*

Murray d'Almeida  
*Independent*

### COMPANY SECRETARY

Brian Jones

### COMPANY DETAILS

Global Masters Fund Limited  
ABN 84 109 047 618  
Level 12, Corporate Centre One  
2 Corporate Court  
BUNDALL QLD 4217  
AUSTRALIA

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GLOBAL MASTERS FUND LIMITED

### OVERVIEW

During the quarter the Global Masters Fund Limited (ASX: GFL) investment portfolio generated a total return of 10.8%, significantly outperforming the All Ordinaries Accumulation Index, which generated a return of 1.9%. Over the 12 months the portfolio return of 21.2% is a continuation of the track record of outperformance since inception.

In the three months to 30 September the Company Net Tangible Asset Value (NTA) (before estimated tax on unrealised gains) increased from \$2.19 per share to close at \$2.43. The corresponding Share Price of \$2.04 representing a tremendous investment opportunity potential for Shareholders.

### INVESTMENT PERFORMANCE (as at 30 September 2018)

Quarterly Return (US)		Quarterly Return (AUS)	
Berkshire Hathaway	+13.5%	Global Masters <sup>^</sup>	+10.8%
MSCI Index	+4.5%	ASX All Ordinaries Index (All Ords)	+0.6%

<sup>^</sup> Source: EC Pohl & Co Pty Ltd

During the quarter, Berkshire Hathaway (NYSE: BRK) posted a substantial increase of 13.5%; whilst Athelney Trust (LSE: ATY) declined by 2.4% in British Pounds. The Flagship Investments (ASX: FSI) share price performed well, increasing by 8.7%.

### ECONOMIC COMMENTARY

Globally, there has been continued economic growth and strong corporate performance, led by the US on the back of the corporate tax cuts announced in the US last year. However, the actions of the Federal Reserve (Fed), current trade tensions and political uncertainty have caused incremental increases to Government bond yields. During the September Quarter, the US market was up strongly with the S&P 500 up 7.2% and the Nasdaq Composite up 7.1%. These movements meant US markets finished September on a record high which seems at odds with market commentary related to trade wars. The reality of it is, underlying economic growth and employment in the US economy remains strong and investors are buying into these stories and stocks are performing well. There are definitely some concerns as to the impact trade wars are going to have on the US and broader global economies but the real impacts are yet to be felt in terms of the data or investor sentiment. It would appear from a market perspective that China has not fared as well with the Shanghai Comp down 0.9% and the Hang Seng down 4.0% over the quarter (both in local currency terms). Unlike the US, China is also seeing some negative economic data coming through despite the Government's attempts to stimulate the economy.

European markets were mixed during the quarter. In local currency terms the FTSE was down 1.7%, which was probably reasonable given all the uncertainty related to Brexit. The CAC was up 3.2%, the Euro Stoxx was up 0.1%, while the DAX was down 0.5%. The one Asian market that performed very well was the Nikkei which was up 8.1% as they benefit from trade related issue between the US and China and as the local economy continues to track along well.

The Australian market was relatively stable during the quarter with the ASX 200 up 0.2%. While the market was relatively flat there were some very large moves within individual sectors with Telecommunications and other Tech related sectors performing well. The Telecommunications sector was up 22.6%, Information Technology was up 9.9% and Energy was up 2.7%. The Utilities sector was down 5.7%, Materials were down 2.8% and Consumer Staples were down 2.2%. The Midcap 50 had a stronger quarter with the index up 2.2% (Industrials up 3.5% and Resources down 4.1%), while the ASX Small Ordinaries was up 0.2% (Industrials up 2.3% and Resources down 7.4%).

The USD rallied strongly during the quarter with large movements against most major currencies. The AUDUSD fell 2.6%, the EURUSD fell 0.7% and the GBPUSD fell 1.4%. Currency markets are expected to remain volatile over the next few months given some of the political uncertainties related to trade flows.

### PORTFOLIO CHARACTERISTICS (as at 30 September 2018)

NTA (before tax on unrealised gains) – total	\$26,016,109
NTA (before tax on unrealised gains) – per share	242.6 cents

## FUND MANAGER

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 2 Corporate Court  
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 AUSTRALIA

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 Fax: +61 7 5574 1457

[www.ecpohl.com](http://www.ecpohl.com)

## INVESTMENT PHILOSOPHY

- Investments should outperform the risk-free rate
- The price one pays determines the ultimate long-term return
- High quality growth companies outperform over the longer term

## INVESTMENT PROCESS

### INITIAL SCREENING PROCESS

- ROE
- IPOs
- Revenue Growth
- Broker Ideas
- Interest cover
- Internal Ideas

### FUNDAMENTAL ANALYSIS

- Understanding the Business Model
- Sustainable Competitive Advantage
- Organic Growth Opportunities
- Assessing Management
- Assessing the Operating

### PORTFOLIO WEIGHTING

- 5 Year Risk Adjusted Total Return
- Market Risk Analysis

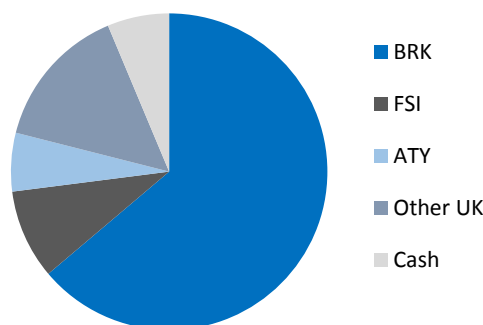
### HIGH CONVICTION PORTFOLIO OF COMPANIES

This process is the basis for all our Australian equities investment decisions.

## PORTFOLIO ALLOCATION - as at 30 September 2018

GFL Investment Portfolio	%
Berkshire Hathaway (NYSE) (BRK)	63.8%
Flagship Investments Limited (ASX) (FSI)	9.2%
Athelney Unit Trust PLC (LSE) (ATY)	6.0%
Other UK	14.7%
Cash	6.3%

## ALLOCATION



## NTA\* BACKING LAST 5 YEARS

NTA Backing* as at	Cents per share
30 September 2018	242.6 cents
30 September 2017	206.2 cents
30 September 2016	173.9 cents
30 September 2015	173.7 cents
30 September 2014	157.9 cents

\*NTA is after all fees, expenses and tax on realised gains, but before tax payable on unrealised gains

## ACTIVELY PROMOTING THE COMPANY

Global Masters Fund Limited (the Company) is committed to growing the Company and promoting itself to Investors, Financial Advisers, Stockbrokers and Investor Associations across Australia.

During the September quarter the Company continued an active presence meeting with Brokers, Advisers and Shareholders in various cities. It also participated as exhibitor at the Australian Investors Association national conference in Gold Coast, where Investment Manager Dr Manny Pohl was a key speaker, as well as at various other Investor presentations and exhibitions.

Please contact the Company for further information about these and other events through [info@globalmastersfund.com.au](mailto:info@globalmastersfund.com.au) or call 1800 352 474 if you would like us to present at your investor function or to visit your office.

## VISIT THE WEBSITE

The Company has a website which has additional information about Global Masters Fund and links to all Announcements and Reports. The address is [www.globalmastersfund.com.au](http://www.globalmastersfund.com.au)

## STRUCTURE AND TERMS

Fees	Management Fee: Active Investments - 1.0% p.a.; Passive Investments - Nil. Performance Fee: Applicable to Active Investments only - 20% of the annual outperformance over the FTSE 100 index.
MER	Estimated at 0.23%
Dividend Reinvestment Plan	Nil
Legal Domicile	Australian Securities Exchange (ASX) Listed Investment Company (LIC)
Reporting and Correspondence	Monthly Net Tangible Asset Values on <a href="http://www.asx.com.au">www.asx.com.au</a> and Quarterly Reports, Half-Yearly and Annual Reports on <a href="http://www.globalmastersfund.com.au">www.globalmastersfund.com.au</a>
Auditor	WPIAS Pty Ltd
Registry	Boardroom Pty Limited <b>1300 737 760</b> OR <a href="mailto:enquiries@boardroomlimited.com.au">enquiries@boardroomlimited.com.au</a>
Share price and NTA	<a href="http://www.asx.com.au">www.asx.com.au</a> and <a href="http://www.globalmastersfund.com.au">www.globalmastersfund.com.au</a>

<sup>1</sup> This opinion is provided by Independent Investment Research and must be read together with whole report including the disclaimer and relevant legal notices which can be found at [www.independentresearch.com.au](http://www.independentresearch.com.au)

