

GLOBAL MASTERS FUND LIMITED

SHAREHOLDERS' QUARTERLY REPORT

DECEMBER 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⁺¹

DIRECTORS

Murray d'Almeida
Chairman

Dr Emmanuel (Manny) C Pohl
Managing Director

Jonathan Lancelot Addison (Snr)
Independent

Patrick Corrigan AM
Independent

COMPANY SECRETARY

Brian Jones

COMPANY DETAILS

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OVERVIEW

During the quarter the Global Masters Fund Limited (ASX: GFL) share price increased by 1.5% even though the investment portfolio declined by 4.4%, significantly outperforming the All Ordinaries, which declined by 9.7%. Over the past twelve months the portfolio has outperformed the All Ords by 15.8%.

The Company's Net Tangible Asset Value (NTA) (before estimated tax on unrealised gains) as at the end of December was \$2.31. The corresponding Share Price of \$2.07 representing a potential investment opportunity for Shareholders.

INVESTMENT PERFORMANCE (as at 31 December 2018)

Quarterly Return (US)		Quarterly Return (AUS)	
Berkshire Hathaway	-4.4%	Global Masters Portfolio [^]	-4.4%
MSCI Index	-13.7%	ASX All Ordinaries Index (All Ords)	-9.7%

[^] Source: EC Pohl & Co Pty Ltd

During the quarter, Berkshire Hathaway (NYSE: BRK) posted a decline of 4.4%; whilst Athelney Trust (LSE: ATY) remained flat; and Flagship Investments (ASX: FSI) reversed the prior quarter's performance. Despite lackluster market performance, we note that our other UK investments have performed particularly well, with the portfolio significantly outperforming the FTSE by 6.5% over the past twelve months.

ECONOMIC COMMENTARY

As 2018 has drawn to a close, we reflect upon a bitter-sweet year where the world economy looked to be in good health yet heading toward more challenging times. The outlook is now tempered by continuing trade tensions, slowing Chinese growth, monetary policy normalisation, and further geopolitical noise. This year has seen some of the most influential technology companies subject to the widespread crisis, the effects of climate change are increasingly prevalent, generational inequality has led to political turmoil, and more so than ever, sustainability is becoming a prerequisite for success.

During the quarter, the US midterm elections resulted in the Republicans losing a majority in the house of representatives, which may lead to tempered growth stemming from a gridlocked Congress. Financial markets suffered significant declines despite the underlying momentum from strong consumption and extended corporate investment. The worst performing index was the NASDAQ, posting -17.5% by quarter-end. The S&P 500 posted -14.0% and the Dow Jones saw a decline of 11.8%. For the calendar year, the S&P 500 posted -6.2%, NASDAQ -3.9%, and the Dow Jones -5.6%, respectively.

European markets were mixed as EU economic growth slowed, apparently driven by ongoing Brexit headaches and the new populist party in Italy. Angela Merkel announced her ambitions to step-down, with her protégé, Annegret Kramp-Karrenbauer, taking over her role as leader of the ruling party. UK economic growth slowed with the continued uncertainty over Brexit. A weaker sterling, increased interest rates, and continued political noise have dampened the strong performance in the labour market and high consumer sentiment. The UK's FTSE fell over the period, with the BoE increasing base rates. The FTSE posted -10.4% by quarter-end, with a 12.5% decline for the calendar year. The German DAX closed the year down by 18.3% and the French CAC declined by 11.0% at year-end.

In Australia, continued political, economic, and social upheaval fostered further uncertainty and has tempered expectations for growth. Further turmoil within the Liberal Party has meant continued volatility. The Royal Commission has laid bare gross dissatisfaction with the banks and amongst some of our largest companies. The Australian cash rate has remained at 1.5% since 2016. The ASX All Ords posted -9.7% for the quarter and -7.4% for the year while the Small Ordinaries was down 14.2% and 11.3%, respectively. During the year, the AUD depreciated by 9.6% against a strong US Dollar, reaching 70.5 US cents, with declines of 4.2% against the Pound (55.3 pence), and 5.4% against the Euro (61.5 cents), respectively.

PORTFOLIO CHARACTERISTICS (as at 31 December 2018)

NTA (before tax on unrealised gains) – total	\$24,789,254
NTA (before tax on unrealised gains) – per share	231.2 cents

FUND MANAGER

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

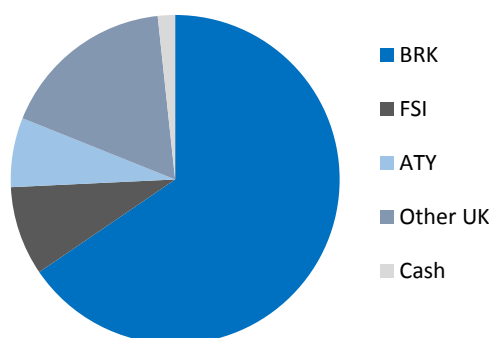
HIGH CONVICTION PORTFOLIO OF COMPANIES

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

PORTFOLIO ALLOCATION - as at 31 December 2018

GFL Investment Portfolio	%
Berkshire Hathaway (NYSE) (BRK)	65.5%
Flagship Investments Limited (ASX) (FSI)	8.8%
Athelney Unit Trust PLC (LSE) (ATY)	6.8%
Other UK	17.2%
Cash	1.7%

ALLOCATION



NTA* BACKING LAST 5 YEARS

NTA Backing* as at	Cents per share
31 December 2018	231.2 cents
31 December 2017	216.4 cents
31 December 2016	200.8 cents
31 December 2015	170.3 cents
31 December 2014	170.5 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 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 Investment Summit in Sydney, as well as at various other Investor presentations and exhibitions. In the coming quarter, the Company will be present at the "Back to the Future" Investment Summit in Sydney.

Please contact the Company for further information about these and other events through 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 Announcements and Reports. The address is 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 www.asx.com.au and Quarterly Reports, Half-Yearly and Annual Reports on www.globalmastersfund.com.au
Auditor	WPIAS Pty Ltd
Registry	Boardroom Pty Limited 1300 737 760 OR enquiries@boardroomlimited.com.au
Share price and NTA	www.asx.com.au and www.globalmastersfund.com.au

¹ 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