

# GLOBAL MASTERS FUND LIMITED

## SHAREHOLDERS' QUARTERLY REPORT

DECEMBER 2019

### 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

Murray d'Almeida  
*Chairman*

Dr Emmanuel (Manny) C Pohl AM  
*Managing Director*

Jonathan Lancelot Addison (Snr)  
*Independent*

Patrick Corrigan AM  
*Independent*

### COMPANY SECRETARY

Brian Jones

### COMPANY DETAILS

Global Masters Fund Limited  
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### OVERVIEW

For the financial year, the Global Masters Fund Limited (ASX: GFL) maintained its strong investment performance with the Net Tangible Asset Value (NTA) (before estimated tax on unrealised gains) increasing by +6.5% by quarter-end. Following prior quarter underperformance, the share price has materially improved, posting +16.8%, with a closing share price of \$2.16 representing a potential investment opportunity for Shareholders.

### INVESTMENT PERFORMANCE (as at 31 December 2019)

Quarterly Return (US)		Quarterly Return (AUS)	
Berkshire Hathaway	8.9%	Global Masters Portfolio <sup>^</sup>	6.9%
MSCI Index	8.2%	ASX All Ordinaries Index (All Ords)	0.0%
<sup>^</sup> Source: EC Pohl & Co Pty Ltd		ASX All Ord Accumulation Index	0.8%

During the quarter, Berkshire Hathaway (NYSE: BRK) posted +8.9%; whilst Athelney Trust (LSE: ATY) posted +4.4%; and Flagship Investments (ASX: FSI) +4.7%. BRK was the key performer for the quarter, driving much of the portfolios performance. We highlight that the 'Other UK' investments performed particularly well over the quarter, with the portfolio delivering +12.4% versus the FTSE which posted +1.8% (in local currency). This brings the 'Other UK' performance to +38.5% over the 2019 calendar year, representing +26.4% above the benchmark.

### ECONOMIC COMMENTARY

Equity markets closed out 2019 with another strong quarter. Throughout the world, continued support from central banks and strong consumer confidence saw headwinds of trade uncertainty and a declining manufacturing sector being mitigated. The geopolitical risks prevalent throughout the year faded this quarter, resulting in improved investor confidence. The US rebounded on the back of the first phase of the trade deal with China, while the political arena in Europe appears more favourable.

The US economy has continued to expand with unemployment declining to 3.5%, the lowest rate seen since 1969. Inflation was ahead of expectations, with the Federal Reserve stating that "the current stance of monetary policy is appropriate". Regarding US-China trade, negotiators have continued with the first phase of negotiations meaning the new planned tariffs will not go ahead, while the previous quarters' tariffs will be reduced by half. China has agreed to increase its purchase of US goods, with agricultural products being a key beneficiary. The S&P500 posted +8.5%, the Dow Jones +6.0% and the NASDAQ +12.2%.

In Europe, equities advanced toward the end of the year following robust German economic data. Christine Lagarde took over as president of the European Central Bank while Boris Johnson led a landslide general election victory for the incumbent Conservative Party. While all signs indicated the UK was heading for a recession, recent figures showed that the UK had avoided a technical recession with economic growth returning to the country. The German Dax posted +6.6%, the French CAC posted +5.3%, and the UK's FTSE posted +1.8%, by quarter-end.

In Australia, Bushfires have been the primary concern domestically with large parts of south-east Australia being affected. During the quarter, exports were better than expected with the trade surplus beating expectations. Consumer and business confidence remained high, with retail sales showing strength, while dwelling prices continuing to improve as they accelerated into the final quarter. The Australian market posted negligible gains, with the ASX All Ords posting +0.03% for the quarter.

The AUD saw a mixed performance, posting +3.9% against the US Dollar (70.2 US cents), -3.6% against the Pound (52.9 pence), and +1.1% against the Euro (62.6 cents), by quarter-end.

### PORTFOLIO CHARACTERISTICS (as at 31 December 2019)

NTA (before tax on unrealised gains) – total	\$28,337,963
NTA (before tax on unrealised gains) – per share	264.3 cents

## FUND MANAGER

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 AUSTRALIA

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[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
- 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.

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[www.globalmastersfund.com.au](http://www.globalmastersfund.com.au)



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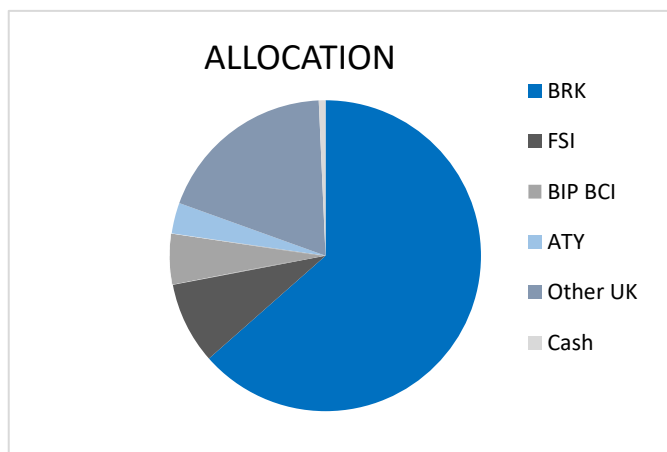


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## PORTFOLIO ALLOCATION - as at 31 December 2019

GFL Investment Portfolio	%
Berkshire Hathaway (NYSE) (BRK)	63.5%
Flagship Investments Limited (ASX) (FSI)	8.5%
BIP BCI Worldwide Flexible Fund Class B	5.3%
Athelney Unit Trust PLC (LSE) (ATY)	3.2%
Other UK	18.8%
Cash	0.7%



## NTA\* BACKING LAST 5 YEARS

NTA Backing* as at	Cents per share
31 December 2019	264.3 cents
31 December 2018	231.2 cents
31 December 2017	216.4 cents
31 December 2016	200.8 cents
31 December 2015	170.3 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.

In the coming quarter the Company will continue its active presence throughout the country.

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 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 <sup>2</sup>	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 1300 737 760 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)

<sup>2</sup> Calculated in accordance with ASX defined terms as at 30 June 2019.