

# GLOBAL MASTERS FUND LIMITED

JUNE 2016

SHAREHOLDERS' QUARTERLY REPORT

## 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  
Patrick Corrigan AM

## AUDITOR

Joe Pien

## REGISTRY

Boardroom Pty Ltd

## LEGAL DOMICILE

Australian Securities Exchange (ASX)  
Listed Investment Company (LIC)

## Global Masters Fund Limited

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

1300 552 660

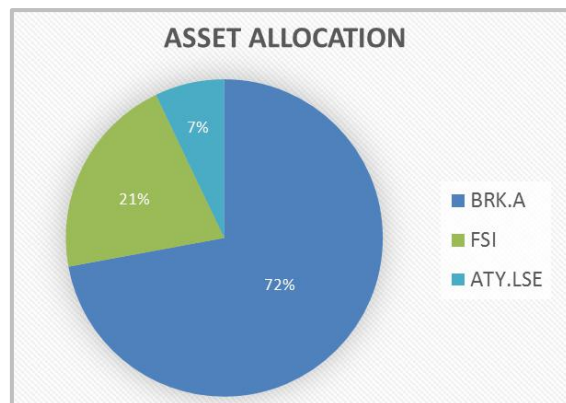
Fax: +61 2 8815 5401  
info@globalmastersfund.com.au  
www.globalmastersfund.com.au

## OVERVIEW

Global Masters Fund Limited posted a 4.1% increase in its Net Tangible Asset Value (NTA) during the quarter with the share price decreasing by -6.2% to close at 136 cents per share. The NTA over the fiscal year increased by 5.9% and by comparison, the All Ordinaries Index posted a decline of -2.6% over the same period.

## PERFORMANCE SUMMARY

During the year the Berkshire Hathaway (NYSE: BRK) share price posted a +5.9% improvement while Athelney Trust (LSE: ATY) declined by -10.1% over the year, closing at 200 cps. The investment in Flagship Investments (ASX: FSI) posted a 7.3% improvement over the year. All the base currency returns were impacted largely by the announcement of the 'Brexit' which saw the AUD strengthen over the year against the GBP and weakened against the USD posting +14.1% and -3.3% respectively.



## ECONOMIC COMMENTARY

During the past twelve months global investors have been subject to a period of heightened uncertainty and increasing volatility due to the fear of economic slowdowns in the US and Europe; undesirable side-effects of negative interest rates; lagging corporate investment in the US; and, China's increasing debt burden. Commodities have rebounded slightly but remained subdued for most of fiscal 2016. In June the world watched as Britain voted to exit ("Brexit") the European Union (EU), leaving a political crisis with some adverse economic consequences.

Despite Britain's vote to leave the EU, global markets have largely been resilient across most regions - supporting the notion that this was not a global financial crisis. In the US, the Federal Reserve raised interest rates in December causing global equity markets to come under pressure with bond markets declining significantly. The US economy is faced with the combined generational issue of retiring baby-boomers and weak gains in labour productivity. This has led to supply constraints in the labour market and it is likely that this should soon be evident in goods and services. However, despite declining energy and commodity prices and cheaper imports due to the strong dollar, the current inflation environment is close to the Fed's two percent target. Most consumer spending is in domestic services and housing — sectors not really impacted by currency or oil prices. Over the quarter, the Dow Jones and the S&P 500 posted minimal gains of 1.4% and 1.9%, respectively, while the NASDAQ declined by 0.6%.

In Europe, we have seen another year of friction amongst regional countries with risks more likely to come from politics than economics. Brexit is expected to have an adverse effect across Europe and, to a much lesser extent, the world at both an economic and political level. The UK and the Eurozone account for 6.0% and 28.0% respectively of global GDP and scepticism toward the EU and the Euro has been increasing in EU electorates and will be heightened by the Brexit vote. European markets on the whole were down, however the FTSE 100 index actually closed up 4.4% in June, and was up 5.3% for the quarter.

This financial year has proved to be another turbulent one for the Australian share market. The All Ordinaries Index posted gains over the 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.

## INVESTMENT PERFORMANCE (as at 30 June 2016)

Quarterly Return (US)	
Berkshire Hathaway	+1.65%
S&P 500	+1.90%

Total Net Market Value of GFL Assets
\$15,130,010 or 176.4 cents per share (before tax on unrealized gains)

Quarterly Return (AUS)	
Global Masters	-6.21%
ASX All Ords	+3.08%