

GLOBAL MASTERS FUND LIMITED

SHAREHOLDERS' QUARTERLY REPORT

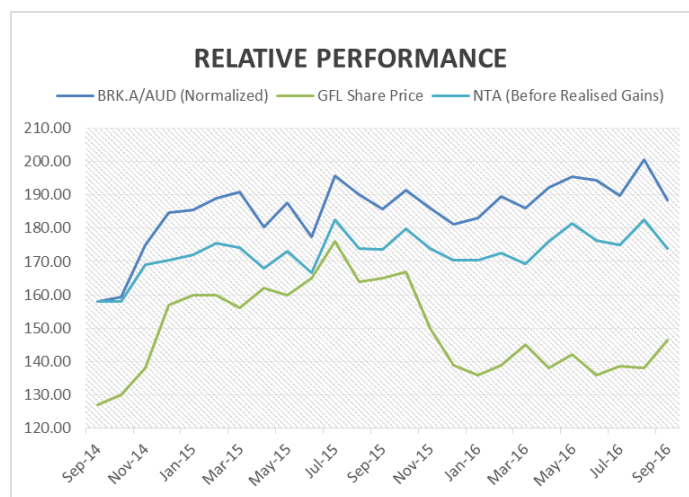
SEPTEMBER 2016

OVERVIEW

Global Masters Fund Limited (ASX: GFL) posted a gain of +7.7% during the quarter despite its Net Tangible Asset Value (NTA) decreasing by -1.42%. The slight decline in the value of the NTA is largely attributable to the strengthening of the Australian dollar and a decline of 0.35% of Berkshire Hathaway Class A shares. The solid +7.7% return on the GFL share price brings the stock closer to its underlying NTA. By comparison, the All Ordinaries Index posted +4.0% over the same period.

PERFORMANCE SUMMARY

During the quarter the Berkshire Hathaway (NYSE: BRK.A) share price declined by 0.35%, while Athelney Trust (LSE: ATY) declined by 2.5% following the UK's vote to leave the EU. Flagship Investments (ASX: FSI) was the star performer over the quarter with a 6.1% improvement. The AUD strengthen against both the USD and GBP over the quarter, increasing by +2.8% and +5.4% respectively, which further undermined the performance of BRK and ATY over the period.



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ECONOMIC COMMENTARY

Global markets have rebounded from post-BREXIT blues, regaining most of the declines that were experienced after Britain voted to leave the European Union (EU). The financial markets over the past quarter have been unusually calm after periods of high volatility prompted by economic slowdowns, fiscal policy changes and of course, the BREXIT. The US election is only six weeks away, an unexpected calling of an Italian referendum and the potential tightening by the US Federal Reserve ('Fed') of monetary policy, all appear looming and could mean a return to uncertain and volatile equity markets.

In spite of fears at the start of the year that the U.S. was headed towards recession, the US economy has performed fairly well in recent months with growth continuing at a modest pace. On the other hand, corporations in the US have reported lacklustre profit growth, in spite of extraordinarily low long-term interest rates. This quarter the Fed maintained their interest rate at previous levels and pushed the possibility of a rate hike into the final quarter or next year. The S&P 500 posted a modest improvement of +3.3%, the Dow Jones posted +2.1% and the NASDAQ posted strong gains of +9.7%.

Europe has been quite 'underwhelming' and uneventful this quarter following the UK's decision to leave the Eurozone. The BREXIT vote has had a material impact on the pound and the UK economy but apparently little effect on the rest of Europe and on investor confidence. Investors have avoided riskier asset exposures which has resulted in the major world equity markets moving back above their pre-referendum levels and well above their lows earlier in the year. The FTSE 100 and the DAX posted solid returns of +6.1% and +8.6%, respectively.

Australia was quite uneventful during the quarter in spite of the double dissolution election which saw Malcolm Turnbull and his coalition team secure a narrow, unconvincing victory with a senate that looks more challenging than the last. There appears to be little change to RBA policy as the new Governor, Philip Lowe, took office. The All Ords posted modest gains of +4.0% while the Small Ords surpassed its larger index with gains of +7.3%.

INVESTMENT PERFORMANCE (as at 30 September 2016)

| Quarterly Return (US) | |
|-----------------------|--------|
| Berkshire Hathaway | -0.35% |
| S&P 500 | +3.31% |

| Total Net Market Value of GFL Assets |
|---|
| \$14,925,482 or 173.9 cents per share (before tax on unrealized gains) |

| Quarterly Return (AUS) | |
|------------------------|--------|
| Global Masters | +7.72% |
| ASX All Ords | +4.04% |

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

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Dr Emmanuel (Manny) C Pohl
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COMPANY SECRETARY

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