

GLOBAL MASTERS FUND LIMITED

SHAREHOLDERS' QUARTERLY REPORT

DECEMBER 2016

OVERVIEW

Global Masters Fund Limited (ASX: GFL) posted a gain of +12.2% during the year as the share price has broadly tracked the performance of its underlying investments. GFL's Net Tangible Asset Value (NTA) increased by +17.9% YoY meaning the stock currently trades at a discount to its NTA. Both the BRK and ATY investments saw positive gains over the quarter on their respective exchanges while the Australian dollar weakened, which all proved to be beneficial to the underlying NTA increase at quarter-end.

INVESTMENT PERFORMANCE (as at 31 December 2016)

Quarterly Return (US)	
Berkshire Hathaway	+12.9%
S&P 500	+3.3%

Total Net Market Value of GFL Assets
\$17,225,821 or 200.8 cents per share (before tax on unrealized gains)

Quarterly Return (AUS)	
Global Masters	+6.5%
ASX All Ords	+3.5%

PERFORMANCE SUMMARY

During the quarter, Berkshire Hathaway (NYSE: BRK) posted strong gains of +12.9%; Athelney Trust (LSE: ATY) posted a particularly strong result of +25.9% as investor sentiment in the UK was more positive; and Flagship Investments (ASX: FSI) was the lowest contributor over the quarter posting a modest +3.9% improvement by quarter end. Over the quarter we saw the AUD weaken against both the USD and GBP, posting -6.0% and -1.1% respectively, which further added to this quarters solid performance.

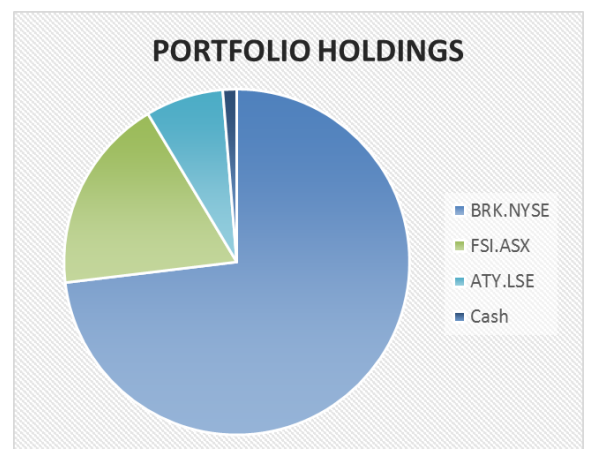
ECONOMIC COMMENTARY

It may long be remembered that 2016 was the year in which the effects of the GFC permeated into the political process, delivering Brexit and a Trump presidency. World markets recovered from the shock of the Brexit vote in late June as we saw lower bond yields, additional monetary stimulus and stable global economic data easing market concerns. Asset prices have proven to be highly sensitive to changes in these bond yields over the year as seen in sectors such as utilities, REITs and some consumer staples. Globally, economic growth has slowed as much of the world is in a maturing phase of the business cycle.

In the US, the Presidential election saw Donald Trump become President-elect with US equities posting positive gains as markets welcomed a more business-friendly incoming Trump administration. The USD increased towards the end of the year as investors expect the Fed to raise rates further. The S&P 500 posted a gain of +9.5%, the Dow Jones posted strong gains of +13.4% and the NASDAQ posted +7.5% increase over the year.

Europe continues to be a mixed bag. The post-Brexit recession did not materialise, however as we become more certain as to how Prime Minister May plans to position the UK, we will have a clearer view of the ramifications of the result. The elections in France and Germany, after the rise of populism across Europe, will be in the spotlight in the coming year as the future of the EU rides on the back of these founding states. Despite Brexit, the FTSE 100 and the DAX posted solid returns of +14.4% and +6.6%, year-on-year.

In Australia, the negative effects of the mining slowdown were still evident when, at year end, the Turnbull government downgraded their growth forecasts, giving rise to further criticism by political commentators of the Coalition government. The recovery in commodity prices by year-end was the major driver of market performance providing cautious optimism for the remainder of the market in the coming year. Unemployment is low, however underemployment has been a growing issue with most job gains this year being attributed to temporary positions. The All Ords posted modest gains of +3.5% this quarter while the Small Ords declined over the quarter by 2.9%. Over the year the respective indices posted +7.0% and +9.5%. The AUD suffered a minor depreciation against the USD, declining by 1.2% (72.0 US Cents) whilst appreciating against both the EUR and GBP at +2.0% (68.5 EU Cents) and +18.0% (58.4 UK Pence), respectively.



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
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