

GLOBAL MASTERS FUND LIMITED

SHAREHOLDERS' QUARTERLY REPORT

DECEMBER 2017

OBJECTIVE

Long-term capital growth by investing in UK & US markets

COUNTRIES WHERE LISTED

Australian Securities Exchange:
May 2006

STOCK EXCHANGE CODE

ASX: GFL

RATINGS

- Independent Investment Research – Recommended+¹

DIRECTORS

Jonathan Lancelot Addison (Snr)
Chairman

Dr Emmanuel (Manny) C Pohl
Managing Director

Patrick Corrigan AM
Independent

Murray d'Almeida
Independent

COMPANY SECRETARY

Brian Jones

COMPANY DETAILS

Global Masters Fund Limited
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AUSTRALIA

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OVERVIEW

Global Masters Fund Limited (GFL) has performed extremely well over 2017. By year-end the Company had returned +37.9% to Shareholders over the twelve months and currently trades at a slight discount to its Net Tangible Asset Value (NTA*). During the quarter the Company undertook promotional activities to investors and industry participants, including during the Rights Offer period, where Taylor Collison acted as sole lead arranger of the Rights Offer shortfall placement. As a result, the capital raising was successfully concluded and we welcome new Shareholders to the register.

INVESTMENT PERFORMANCE (as at 31 December 2017)

Quarterly Return (US)		Quarterly Return (AUS)	
Berkshire Hathaway	+8.3%	Global Masters [^]	-4.0%
S&P 500 Index	+6.1%	ASX All Ordinaries Index	+7.4%

[^] Source: EC Pohl & Co Pty Ltd
Gross performance before impact of fees, taxes and charges. Past performance no predictor of future returns.

During the quarter, Berkshire Hathaway (NYSE: BRK) posted gains of +8.3%; Athelney Trust (LSE: ATY) posted +8.1% for the quarter and Flagship Investments (ASX: FSI) remained flat. Following the Rights Offer we added new UK companies to the portfolio and by quarter-end these new positions had outperformed the FTSE100 with the value of these investment increasing by 4.6% as compared to the FTSE 100 of +4.3%.

ECONOMIC COMMENTARY

Globally, equity markets have ended 2017 with strong gains across many sectors and multiple geographies, leading to asset valuations reaching all-time highs, whilst volatility reached an all-time low. The macro environment has provided prolific conditions for most asset classes and has supported the global expansion which is now into its 10th year. The US continued its stellar run, buoyed by hopes of tax reform, and aided by wage gains and unemployment reaching a low of 4.1%. The US Federal Reserve raised rates for a third time, reflecting an improving economy and labour market, and reiterated that they will continue to monitor inflation which remains stubbornly below 2%. We can expect three hikes over the coming year. The S&P 500 posted +6.1% by quarter-end, and the Dow Jones posted +10.3%. By year-end, both indices posted their second-best performances since the GFC posting +19.4% and +25.1% over the past twelve months respectively. Interestingly, the NASDAQ was the best performer, posting +28.2% over the year.

Markets throughout Europe had a slower quarter in December while GDP growth was reported at +0.6% with unemployment falling to its lowest rate since the GFC of 8.8%. Political instability within Germany was in focus in November with Chancellor Angela Merkel failing to form a majority government, creating uncertainty across the region. The UK had a very mixed quarter with weakness in October and November but a large bounce in December. The movement in December was enough to see the FTSE 100 increase +4.3% for the quarter and +7.6% for the twelve-month period.

Australia continues its world class run, reaching 26 years without a recession. Whilst the lucky country has long been the envy of the world, the effect of being recession-free has meant our economy is out of sync with much of the developed world. Imbalances have continued to build within our economy which is argued to limit future growth; and prior mining drags on the economy have been replaced by constrained consumer spending and record levels of household debt. During the quarter, the RBA held the cash rate steady at 1.5%. The All Ordinaries Index posted its best quarter for 2017 with gains of +7.4% while the Small Ordinaries Index posted impressive gains of +13.2%. The twelve-month returns were +7.8% and +16.3%, respectively.

The AUD has remained stubbornly high and by year-end had appreciated +8.4% over the twelve months against the USD reaching 0.780 US Cents. However, the AUD did not perform as well against the EUR or the GBP, posting a -5.1% (0.650 EU Cents) and -1.1% (0.578 UK Pence), respectively.

PORTFOLIO CHARACTERISTICS (as at 31 December 2017)

NTA (before tax on unrealised gains) - total	\$23,199,221
NTA (before tax on unrealised gains) - per share	216.4 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
- IPOs
- Revenue Growth
- Broker Ideas
- Interest cover
- Internal Ideas

FUNDAMENTAL ANALYSIS

- Understanding the Business Model
- Sustainable Competitive Advantage
- Organic Growth Opportunities
- Assessing Management
- Assessing the Operating

PORTFOLIO WEIGHTING

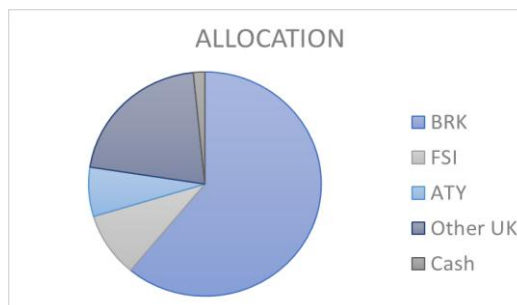
- 5 Year Risk Adjusted Total Return
- Market Risk Analysis

HIGH CONVICTION PORTFOLIO OF COMPANIES

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

PORTFOLIO ALLOCATION - as at 31 December 2017

GFL Investment Portfolio	%
Berkshire Hathaway (NYSE) (BRK)	61.1%
Flagship Investments Limited (ASX) (FSI)	9.3%
Athelney Unit Trust PLC (LSE) (ATY)	7.1%
Other UK	21.0%
Cash	1.5%



NTA BACKING LAST 5 YEARS

NTA Backing* as at	Cents per share
31 December 2017	216.4 cents
31 December 2016	200.8 cents
31 December 2015	170.3 cents
31 December 2014	170.5 cents
31 December 2013	137.1 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 and stockbrokers and investor associations across Australia.

Media coverage in The Australian

The Company was positively covered in the Australian by journalist Tim Boreham with the article commencing with: *Investment legend Warren Buffett would be proud of the company's rationale for not charging base or performance management fees. With two-thirds of Global Masters' circa \$18m of investments tied up in Buffett's investment vehicle Berkshire Hathaway, the LIC serves as a local conduit for investors who can't afford to shell out \$US284,000 (\$366,000) for a single Berkshire share. "There is no logical reason why we should be charging a management fee if we are not managing anything," Global boss Manny Pohl says. "When you have two passive investments it's not right to be charging a management fee. Mr Buffett does that for us."* Read full article at <http://www.theaustralian.com.au/business/age-catches-up-with-buffett-tracker-fund/news-story/c70c4278f615567a7738dbe4a5b75620>. If unable to access this article, please contact us we will endeavour to provide a copy to you.

Please contact the Company for further information about these and other events through info@globalmastersfund.com.au or call 1300 552 600 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 all Announcements and Reports. The address is www.globalmastersfund.com.au

STRUCTURE AND TEMS

Dividend	Nil
Reinvestment Plan	
Legal Domicile	Australian Securities Exchange (ASX) Listed Investment Company (LIC)
Fees	Management Fee: Active Investments - 1.0%; Passive Investments - Nil
MER	Estimated at 0.23%
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