

GLOBAL MASTERS FUND LIMITED

SHAREHOLDERS' QUARTERLY REPORT

JUNE 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⁺¹

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

Tel: 1800 352 474
Fax: +61 7 5574 1457
Email: info@globalmastersfund.com.au

www.globalmastersfund.com.au



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 10.5% over the past year. Despite the strong performance, the share price has declined by 8.7%, with a closing share price of \$1.90 representing a potential investment opportunity for Shareholders.

INVESTMENT PERFORMANCE (as at 30 June 2019)

Quarterly Return (US)		Quarterly Return (AUS)	
Berkshire Hathaway	5.7%	Global Masters Portfolio [^]	5.1%
MSCI Index	3.4%	ASX All Ordinaries Index (All Ords)	7.0%
[^] Source: EC Pohl & Co Pty Ltd		ASX All Ord Accumulation Index	7.8%

During the quarter, Berkshire Hathaway (NYSE: BRK) posted +5.7%; whilst Athelney Trust (LSE: ATY) posted -12.8%; and Flagship Investments (ASX: FSI) +5.7%. While ATY presented a drag on the portfolio, we highlight that the 'Other UK' investments performed particularly well over the quarter, with the portfolio delivering +9.3%, which was +7.3% above the FTSE (in local currency). This brings the 'Other UK' performance to +20.6% for the six months to June 2019.

ECONOMIC COMMENTARY

Equity markets continued their momentum generated from substantial gains in the first quarter. Despite mid-quarter jitters following the ongoing trade dispute, most equity markets saw incremental gains, which appear primarily influenced by the continuing decline in interest rates. On the global stage, business confidence seems to be subdued, with US indicators plunging to levels similar to the GFC, however, on the domestic front, business confidence has rebounded following the return of the Liberal-National Coalition. Europe continues to be impacted by ongoing geopolitical factors, while Asia appears to be affected by the trade war tariffs and its impact on supply chains.

Despite the ongoing political uncertainty, the S&P500 set a new record high. The gains in equities appear to be driven by the Federal Reserve's more dovish stance and expectations of progress on trade. The US jobs market has continued to remain healthy, with consumer spending appearing to be on the rise. On the corporate side, it seems that business investment has slowed, along with housing investment and manufacturing output. The S&P500 posted +3.8%, the Dow Jones +2.6% and the NASDAQ +3.6%.

In Europe, trade tensions are driving instability in equity markets, mainly due to key export markets such as semiconductors and car manufacturers. Ongoing geopolitical news continues to weigh on confidence levels, with Spain's Sociality Party emerging as its largest party and Italy's budget deficit will breach prior agreements with the European Commission. In the UK, companies that offered defensive capabilities or had superior earnings growth have continued to outperform the market. During the quarter, Prime Minister Theresa May resigned, with the expected new Conservative leader announced shortly. The German Dax posted +7.6%, the French CAC posted +3.5%, and the UK's FTSE delivered +2.0%, by quarter-end.

In Australia, the Australian Election saw Scott Morrison lead the Liberals to a surprise election victory. The market has viewed this positively, with equities and property markets rebounding on improved business confidence. The RBA cut the cash rate to 1.25%, while ten-year government bonds rallied from 2.6% to 1.3%, which are expected to drive further household borrowing. When combined with the expected government tax cuts from, the outlook seems incrementally positive compared to the start of the year. With a renewed sense of political stability and easing monetary policy, attention turns to corporate earnings at financial year-end. The ASX All Ords posted +7.0% for the quarter, and the Small Ordinaries posted +3.3%, respectively.

The AUD weakened against most currencies, posting -1.1% against the US Dollar (70.2 US cents), +1.6% against the Pound (55.3 pence), and -2.4% against the Euro (61.8 cents).

PORTFOLIO CHARACTERISTICS (as at 30 June 2019)

NTA (before tax on unrealised gains) – total	\$25,942,593
NTA (before tax on unrealised gains) – per share	241.9 cents

FUND MANAGER

EC Pohl & Co Pty Ltd
 ABN 68 154 399 916
 Level 12, Corporate Centre One
 2 Corporate Court
 BUNDALL QLD 4217
 AUSTRALIA

Tel: +61 7 5644 4400
 Fax: +61 7 5574 1457

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
- 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.

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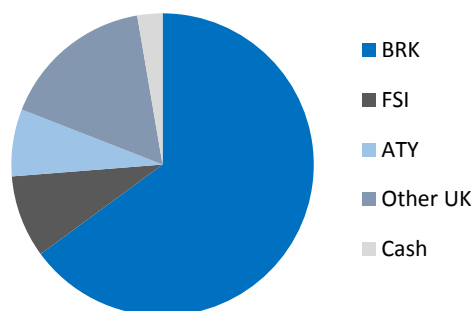
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 /global-masters-fund



PORTFOLIO ALLOCATION - as at 30 June 2019

GFL Investment Portfolio	%
Berkshire Hathaway (NYSE) (BRK)	64.9%
Flagship Investments Limited (ASX) (FSI)	8.8%
Athelney Unit Trust PLC (LSE) (ATY)	7.2%
Other UK	16.4%
Cash	2.7%

ALLOCATION



NTA* BACKING LAST 5 YEARS

NTA Backing* as at	Cents per share
30 June 2019	241.9 cents
30 June 2018	218.9 cents
30 June 2017	196.2 cents
30 June 2016	176.4 cents
30 June 2015	166.5 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. It also participated as exhibitor at the Australian Shareholders Association "Investing in the Age of Uncertainty" National Conference in Melbourne, as well as at various other Investor presentations and exhibitions. In the coming quarter the Company will be present at the Australian Investors Association Annual Conference in Gold Coast and presenting in various capital cities.

Please contact the Company for further information about these and other events through 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

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	Estimated at 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 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