

# GLOBAL MASTERS FUND LIMITED

## SHAREHOLDERS' QUARTERLY REPORT

MARCH 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<sup>+1</sup>

### DIRECTORS

Murray d'Almeida  
*Chairman*

Dr Emmanuel (Manny) C Pohl  
*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

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### OVERVIEW

During the quarter the Global Masters Fund Limited (ASX: GFL) share price declined by 5.3% despite the investment portfolio maintaining its performance from the prior quarter. The Company's Net Tangible Asset Value (NTA) (before estimated tax on unrealised gains) as at the end of March was \$2.31. The corresponding Share Price of \$1.96 representing a potential investment opportunity for Shareholders.

### INVESTMENT PERFORMANCE (as at 31 March 2019)

Quarterly Return (US)		Quarterly Return (AUS)	
Berkshire Hathaway	-1.6%	Global Masters Portfolio <sup>^</sup>	1.2%
MSCI Index	11.9%	ASX All Ordinaries Index (All Ords)	9.7%
<sup>^</sup> Source: EC Pohl & Co Pty Ltd		ASX All Ord Accumulation Index	11.1%

During the quarter, Berkshire Hathaway (NYSE: BRK) posted a decline of 1.6%; whilst Athelney Trust (LSE: ATY) posted -4.1%; and Flagship Investments (ASX: FSI) posted flat performance. With strong market performance this quarter, BRK and ATY presented a drag on the portfolio. We note that 'Other UK' investments performed particularly well, with the portfolio outperforming the FTSE delivering +10.3% for the quarter.

### ECONOMIC COMMENTARY

Equity markets rebounded in the first quarter as concerns from the US-China trade dispute eased and major central banks around the world appeared to be more accommodating to the low-growth environment. Notably, in some quarters even though threats of tariff imposition are frowned upon, ardent critics have conceded that the President's strategy may have worked. Nevertheless, political noise continues to be prevalent, the events of Brexit look to continue without promise, and the "witch-hunt" of President Trump didn't find evidence of collusion. We can only expect geopolitical news flow to continue to impact markets going forward.

In the US, the Fed adopted a dovish stance concerning adjustments to planned interest hikes in an attempt to compensate for slowing economic momentum. The trade tensions with China seem to be abating with a resolution to the dispute between the countries increasingly seems likely, and by quarter-end, the Fed's lowering of expectations for growth and inflation caused the Treasury yield curve to invert – a signal that is usually followed by a recession. Equities remained robust with the S&P500 posting +13.1%, Dow Jones +11.2% and the NASDAQ +16.5%.

In Europe, the EU Central Bank stepped away from tighter monetary policies which saw strong gains across the board. Interest rates have remained steady and appear likely to stay at these levels until the end of this year. As usual, growth was almost non-existent with Italy falling into a recession. The ongoing Brexit chaos continued with Theresa May's plan defeated by a near historic margin (432 against, 202 for), which gave the 'remainers' a glimmer of hope as the uncertainty and lack of agreed outcomes delayed the process further. The UK economy continues to suffer the effects of the process as the uncertainty weighed on business investment. The German Dax performed well with gains of 9.2%, the French CAC posted +13.1%, and the UK's FTSE delivered +8.2%, by quarter-end.

In Australia, an improvement in commodity prices saw the economy improve ahead of expectations. The turmoil of the Liberal party continued with some key resignations and the ongoing gender saga creating further instability within the ranks. The RBA has kept the cash rate unchanged, with some commentators wondering if we may see a cut later this year. The housing market continues to decline, and our construction activity continues to taper off. The key concerns remain on the 'wealth effect' and the potential that our property woes spill over into the broader economy. Despite this, the ASX All Ords posted +9.7% for the quarter.

The AUD saw a mixed bag of performance against the other major currencies with the AUD posting +0.6% against the US Dollar, reaching 71.0 cents, -1.5% against the Pound (54.5 pence), and +2.9% against the Euro (63.3 cents), by quarter-end.

### PORTFOLIO CHARACTERISTICS (as at 31 March 2019)

NTA (before tax on unrealised gains) – total	\$24,837,281
NTA (before tax on unrealised gains) – per share	231.6 cents

### FUND MANAGER

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 2 Corporate Court  
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 AUSTRALIA

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[www.ecpohl.com](http://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
- Revenue Growth
- Interest cover
- IPOs
- Broker Ideas
- Internal Ideas

#### FUNDAMENTAL ANALYSIS

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

#### PORTFOLIO WEIGHTING

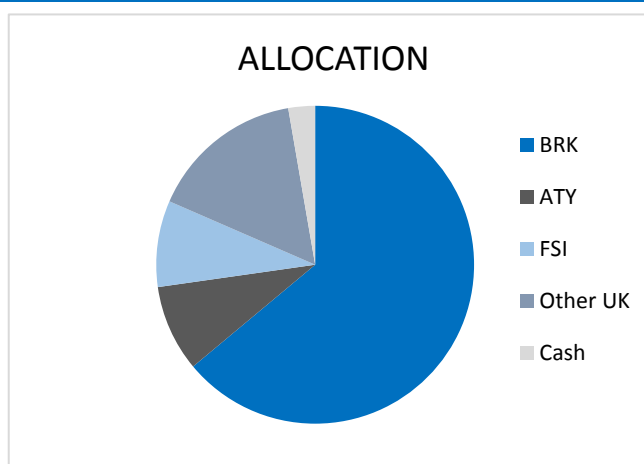
- 5 Year Risk Adjusted Total Return
- Market Risk Analysis

#### HIGH CONVICTION PORTFOLIO OF COMPANIES

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

### PORTFOLIO ALLOCATION - as at 31 March 2019

GFL Investment Portfolio	%
Berkshire Hathaway (NYSE) (BRK)	63.9%
Athelney Unit Trust PLC (LSE) (ATY)	8.8%
Flagship Investments Limited (ASX) (FSI)	8.8%
Other UK	15.8%
Cash	2.7%



### NTA\* BACKING LAST 5 YEARS

NTA Backing* as at	Cents per share
31 March 2019	231.6 cents
31 March 2018	218.7 cents
31 March 2017	194.2 cents
31 March 2016	169.4 cents
31 March 2015	174.3 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 Investors Association "Back to the Future" investment summit in Sydney as well as at various other Investor presentations and exhibitions. In the coming quarter the Company will be present at the Australian Shareholders Association National Conference in Melbourne.

Please contact the Company for further information about these and other events through [info@globalmastersfund.com.au](mailto: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](http://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 <a href="http://www.asx.com.au">www.asx.com.au</a> and Quarterly Reports, Half-Yearly and Annual Reports on <a href="http://www.globalmastersfund.com.au">www.globalmastersfund.com.au</a>
Auditor	WPIAS Pty Ltd
Registry	Boardroom Pty Limited <b>1300 737 760</b> OR <a href="mailto:enquiries@boardroomlimited.com.au">enquiries@boardroomlimited.com.au</a>
Share price and NTA	<a href="http://www.asx.com.au">www.asx.com.au</a> and <a href="http://www.globalmastersfund.com.au">www.globalmastersfund.com.au</a>

<sup>1</sup> 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](http://www.independentresearch.com.au)