

# GLOBAL MASTERS FUND LIMITED

## SHAREHOLDERS' QUARTERLY REPORT

JUNE 2018

### 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

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  
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](mailto:info@globalmastersfund.com.au)

[www.globalmastersfund.com.au](http://www.globalmastersfund.com.au)



GLOBAL MASTERS FUND LIMITED

### OVERVIEW

Even though there was a 5.7% decline in the Berkshire Hathaway share price, the Global Masters Fund Limited (GFL) Net Tangible Asset Value (NTA\*) increased marginally to 218.9c per share as a result of the decline in the value of the AUDUSD. The GFL share price however, declined by 6.7%.

### INVESTMENT PERFORMANCE (as at 30 June 2018)

Quarterly Return (US)		Quarterly Return (AUS)	
Berkshire Hathaway	-5.7%	Global Masters <sup>^</sup>	+0.4%
MSCI Index	+1.1%	ASX All Ordinaries Index (All Ords)	+7.2%

<sup>^</sup> Source: EC Pohl & Co Pty Ltd

During the quarter, Berkshire Hathaway (NYSE: BRK) posted a decline of 5.7%; whilst Athelney Trust (LSE: ATY) was unchanged in British Pounds. The Flagship Investments (ASX: FSI) share price increased marginally, by 1.8%.

### ECONOMIC COMMENTARY

Global markets over the June quarter were dominated by US led discussions on trade. Concerns over growth in the Chinese economy and "Trade Wars" have become a major feature of the global market. There is a risk that the US's major trading partners may now impose tariffs on US manufacturers as a retaliation measure. While the results of all this are still unclear, what is clear is that this sort of activity will create more uncertainty for markets which are already facing headwinds from future interest rate policy and a slowing Chinese economy.

During the quarter the US market was up 2.9%. This performance was relatively strong when compared to China which saw the Shanghai Comp fall 10.1%. The Chinese market remains weak on concerns related to growth in the domestic economy, the property market as well as concerns as to the impact of trade wars on the manufacturing sector. The flow on effects to commodity markets in terms of future demand are not yet fully known but investors continue to be nervous. The Hang Seng was down 3.8% during the quarter while the Nikkei was up only 4.0%. European markets were mixed with the FTSE 100 up 8.2% (driven by the movement in the GBP - in USD it was up 1.9%), the CAC 40 up 3.02% and the DAX up 1.7% while the Euro STOXX was up 1.1%.

In local currency terms the ASX All Ords Index was very strong during the quarter, up 7.2% but when converted into USD returns, this increase was 3.6%. The strong rally in the USD saw the AUDUSD cross rate fall 3.7%. Analysing the sub sectors within the ASX 200, the best performing sectors included - Energy +19.7%, Health Care +16.5% and Consumer Staples +11.9%. The largest detractors were - Telecommunications -13.7%, Financials +2.3% and Industrials +4.2%.

Commodity prices were under pressure for a large part of the quarter with concerns that economic growth in China is slowing. Both domestic consumption and the impact of trade wars has started to impact bulk commodities and we saw Iron Ore down 20.4% during the quarter. Hard Coking coal was also down 20.2%. Energy was relatively positive and is less affected by demand out of China. Thermal Coal prices were up 5.3% while Brent Crude Oil was up 14.9% to US\$75.4/bbl, which help drive the large outperformance by Energy stocks. Natural Gas was also strong, up 12.3% for the quarter.

The USD rallied strongly during the quarter also with large movements against most major currencies. The AUDUSD fell 3.7%, the EURUSD fell 5.1% and the GBPUSD fell 5.9%. Currency markets are expected to remain volatile over the next few months given some of the political uncertainties related to trade flows.

### PORTFOLIO CHARACTERISTICS (as at 30 June 2018)

NTA (before tax on unrealised gains) – total	\$23,474,010
NTA (before tax on unrealised gains) – per share	218.9 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](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
- 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

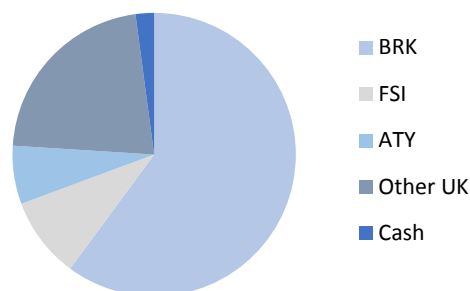
## HIGH CONVICTION PORTFOLIO OF COMPANIES

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

## PORTFOLIO ALLOCATION - as at 30 June 2018

GFL Investment Portfolio	%
Berkshire Hathaway (NYSE) (BRK)	60.1%
Flagship Investments Limited (ASX) (FSI)	9.2%
Athelney Unit Trust PLC (LSE) (ATY)	6.7%
Other UK	21.9%
Cash	2.1%

## ALLOCATION



## NTA\* BACKING LAST 5 YEARS

NTA Backing* as at	Cents per share
30 June 2018	218.9 cents
30 June 2017	196.2 cents
30 June 2016	176.4 cents
30 June 2015	166.5 cents
30 June 2014	142.2 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.

During the June quarter the Company undertook a national roadshow meeting with Brokers, Advisers and Shareholders. It also participated in the Australian Shareholders Association national conference in Sydney, amongst other events.

The September 2018 quarter will continue to see the active presence of the Company, including presenting at the Australian Investors Association Conference in Gold Coast in August, as well as various other Investor presentations and exhibitions.

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 all 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%; 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)