



# GLOBAL MASTERS FUND LIMITED

ABN 84 109 047 618

## Chairman's Address – Annual General Meeting

Friday 30 October 2020

Ladies and Gentlemen, I am pleased to present the Annual Chairman's Report of Global Masters Fund Limited for the 2019/20 financial year.

### THE YEAR IN REVIEW:

The spread of COVID-19 has had a profound effect on global equity markets. After a relatively uneventful first six months from July 2019 to December 2019, global equity markets experienced the fastest 30% drawdown in history, followed by the largest 50-day advance. Widespread fears regarding the pandemic resulted in significant market volatility, with the ongoing socio-economic impact presenting localized issues around the world. In response, strict quarantine measures and massive government stimuli was deployed providing support for economies and stock markets around the world. In the US, the Dow Jones Index declined by 3.0% over the twelve-month period to June 2020 while the S&P 500 finished 5.4% higher by year-end, largely driven by the technology sector rally during the June quarter. In the UK, the FTSE-100 decreased by 16.9%, while in Australia, the ASX All Ordinaries declined by 10.4% over the financial year. The market volatility of currency and share prices had a mixed impact on the Global Masters Fund portfolio, with performance for the year a negative 7.2%.

While the portfolio of actively managed UK investments continues to deliver strong returns, outperforming the FTSE by 29.2 percentage points by year end, the primary investment in Berkshire Hathaway declined by 14.7% in AUD terms and was a significant detractor for the Global Masters portfolio. For Berkshire Hathaway, the losses were mainly attributed to airline investments impacted by the COVID-19 induced lockdowns which attracted a significant amount of bad press last year. Since the end of the financial year, we note the Berkshire Hathaway 13F SEC filing included the addition of Barrick Gold, a Canadian Gold Miner and also the press relating to the July 2020 acquisition of natural gas pipeline and storage assets. By the September quarter end, the value of Berkshire Hathaway has increased by 15.2% in AUD terms, recovering much of the FY2020 decline.



## THE OUTLOOK FOR GLOBAL MASTERS FUND

We are frequently asked about the market discrepancy whereby Global Masters Fund shares trade at a discount to net tangible assets. This is not unique to GFL, most LIC's trade at a discount to NTA and particularly at present, globally focussed LIC's are consistently discounted. While the discount provides an attractive investment entry point for Shareholders, it undermines the quality of our Company and our investments.

The Board monitors the trading discount but is not disheartened by it. Understanding that our Net Assets are a result of our investment performance, while Share Price is a function of individual market participants. In the analysis of trading patterns, we find that there is frequently a price mismatch between buyers and sellers. While the buyers are hunting for bargains the sellers are holding for a fair price – we are grateful that many of our Shareholders take a long-term view on their investment in Global Masters and are not prepared to sell shares for less than fair value.

A key strategy to narrow the share price to NTA discount is the ongoing awareness campaign that provides potential investors with details about our performance, builds trust in the investment process and confidence in the future direction of the Company. In the latest financial year, we have focused on the digital space providing content via our newsletter and social media platforms. We have been exceptionally pleased with the results from digital marketing, our engagement is industry-beating and we continue to see increased traffic to our website. The marketing program continues in the new financial year focusing on SEO and delivering value-content to interested investors.

An extreme scenario that has been proposed in the past is to wind up the Company distributing proceeds to Shareholders who would thereby realise the benefit of the discount. While this proposal has some merits with a crystalised short term gain, it sits in stark contrast to the mission of the Company which is to provide Australian investors, seeking long-term capital growth, exposure to Berkshire Hathaway and a portfolio of quality international investments. There are no plans to change the objectives of our Company and Shareholders can be reassured that we are diligently focused on our mission and continue to manage the Company with a long-term view.



## THE INVESTMENT MANAGEMENT TEAM

The Investment Manager continues to pursue and evaluate global investment opportunities actively. Investments that are not only meet our mission criteria for long-term capital growth, but also keep our fund relevant for investors. On this point, we have been delighted with the performance of our UK portfolio which commenced in 2017. Last financial year Global Masters acquired an investment in BIP BCI Worldwide Flexible Fund to provide exposure to emerging markets. Recently, the Company invested in the ECP Global Positive Peace Growth Fund which employs data from the Institute of Economics and Peace to aid the assessment of regions with favourable economic climates. Here, the strategy aims to identify peaceful microeconomic foundations which provide for the optimal conditions for quality-growth investments to drive superior long-term investment returns.

I wish to express my appreciation and that of the Board as a whole, to our Investment Manager EC Pohl & Co and the team led by Dr Manny Pohl AM. The Company's success could not have been achieved without the disciplined execution of the investment process undertaken by him and the very committed individuals within the team.

## THE BOARD

I wish to thank my fellow Board members for their support and input throughout the past year. In particular, I would like to acknowledge Jonathan Addison, who will be retiring from the Board at the close of this AGM. We thank Jon for his dedicated service since he joined the Board in April 2005, he has made a significant contribution during his tenure and we wish him well in his future endeavours.

In conclusion, long-term, supportive Shareholders are the backbone of any business and I sincerely thank our Shareholders for their ongoing support. I, together with my Board, are humbled to serve our dedicated Shareholders.

Murray d'Almeida

Chairman

30 October 2020