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## **Chairman's Address – Annual General Meeting**

**27 October 2020**

Ladies and Gentlemen, fellow Shareholders, I welcome you to the 23<sup>rd</sup> Annual General Meeting of Flagship Investments Limited.

I am pleased to present the Chairman's Report for the Company for the 2019-2020 Financial Year.

### **THE YEAR IN REVIEW**

At this stage, I think that we can all confidently predict that 2020 will forever be synonymous with COVID-19, a global pandemic that has had an impact upon all levels of society. Since the first case was announced, governments and medical organisations across the world have been working to understand the virus and develop a vaccine and thereby minimise the damage to the health of us all. That said, the isolation and social distancing measures implemented to protect the population have come at a cost and caused untold damage to the earning power of many businesses and individuals. To minimise the impact, there have been a range of fiscal stimuli by governments and central banks. In Australia, as part of the Morrison Government's stimulus commitment and recently announced Federal Budget, the measures continue in a scaled-back and targeted approach, geared towards strategic industry investment and increased household disposable income to encourage consumption in the economy.

Generally, it seems the economic support measures have helped to counterbalance some of the impact of the COVID-19 isolation measures and, anecdotally, many businesses have recovered and resumed operations. The recent labour force report showed that employment declined nationally during the quarter but by less than expectations creating somewhat positive news about the road to recovery. There still remains a question about future lockdown scenarios (particularly as concerns the position in Victoria) although as a community it seems that everyone is eager to implement sensible safety measures while still conducting business.

In terms of the equities market, over the 12 months to June 2020, the ASX All Ordinaries Index dropped by 10.4% despite having increased by 1.5% for the six months from July 2019 to December 2019. The volatility that was experienced from March 2020 to June 2020 was indicative of the fragile situation in which the whole world was operating, diminished earnings forecasts and palpable uncertainty about future global conditions. Over the financial year, our portfolio increased by 8.4%, which was a very pleasing result considering the various circumstances.

Without doubt, the key contributor to this success is the diligent application of the investment process executed by our Manager, EC Pohl & Co. On behalf of all Shareholders, I continue to be grateful for the efforts of our Manager, for the disciplined stewardship of our assets and the returns we continue to enjoy.



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## SHAREHOLDERS

On behalf of the Board, I would also like to record my gratitude to our Shareholders. One of the pleasing things through the turbulent oscillations of the market was the commitment from all Shareholders. When COVID-19 uncertainty translated into market fear, the reaction was significant. From the height of the market in February to the low in March, the volume of transactions of the ASX All Ordinaries Index totalled 37.6 billion (a 100% increase compared to same period last year), for Flagship Investments Limited there were only 386,495 shares traded (a 9.9% increase on the same period last year and only 1.5% of the register).

The commitment from our Shareholders meant that the FSI share price was not under pressure due to panic selling as occurred in the market. We are grateful for your support and look forward to sharing the rewards in the future.

## DIVIDEND

As a listed investment company, Flagship Investments Limited relies on dividend income as its primary revenue source. With many companies delaying, reducing or cancelling dividends to preserve cash, our revenue in the second half of the year reduced below expectations. This theme continued in the recent reporting season and is expected to continue for the remainder of the year. On this basis, the Board decided to reduce the final dividend for the 2020 year to 2.0 cents per share which is equivalent in total to the dividends received and to pay a special dividend of 2.25 cents per share from the realised gains on investments. This meant that the total dividend is the same as for the corresponding period and, overall, it represents a dividend for the 2020 year of 8.5 cents per share.

The Company aims to pay a dividend which over time will grow at a rate in excess of inflation. The decision to maintain the overall dividend was not taken lightly and reflects a desire to maintain a sustainable dividend during this period of uncertainty. Our reserves are still reasonable and we believe our approach will allow us to maintain the dividend in the years to come.

## THE BOARD

I wish to record my appreciation for my fellow Board members and our Company Secretary for their support and input throughout the past year. In a climate of volatility where there are new risks to consider, I am confident that the rigour and commitment from our Board and Company Secretary ensures the best interests of Shareholders and other stakeholders are managed and protected.

In conclusion, I want to again sincerely thank Shareholders for their ongoing support. Long-term, supportive shareholders are the backbone of any business, as they understand the operations, command management accountability and focus on long-term results.

**Dominic McGann**  
Chairman

27 October 2020