

# FLAGSHIP INVESTMENTS LIMITED

SHAREHOLDERS' QUARTERLY REPORT

DECEMBER 2021

## OBJECTIVE

Long-term capital growth and income

## STRATEGY

High-conviction portfolio of quality Australian listed equities from a research driven, bottom-up investment philosophy

## DIVIDEND INFORMATION

(Cents per share, fully franked)

4.75 cps paid on 20 August 2021  
4.25 cps paid on 05 March 2021  
4.25 cps paid on 17 September 2020  
4.25 cps paid on 06 March 2020

## COUNTRY WHERE LISTED

Australian Securities Exchange:  
December 2000

## STOCK EXCHANGE CODE

ASX: FSI

## RATINGS

- Independent Investment Research – Recommended<sup>1</sup>

## DIRECTORS

Dominic M McGann

*Non-Executive Chairman*

Dr Emmanuel (Manny) C Pohl AM

*Managing Director*

Angela Obree

*Non-Executive*

## COMPANY SECRETARY

Scott Barrett

## COMPANY DETAILS

Flagship Investments Limited

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## OVERVIEW

The Flagship Investments Limited (ASX: FSI) Net Tangible Asset Value (NTA), as at 31 December 2021 (before estimated tax on unrealised gains) was 277.3 cents per share, representing a 1.2% decrease since September 2021. This under-performance of the portfolio is due to our high PE growth stocks coming under pressure in an environment of rising inflation and increased interest rates.

## UNDERLYING PORTFOLIO PERFORMANCE

	3 months	1 year	3 years p.a.	5 years p.a.	10 years p.a.	Since Inception (1 May 1998) p.a.
Portfolio <sup>^</sup>	-1.7%	16.5%	25.4%	18.2%	17.8%	13.3%
Bloomberg Bank Bill Index	0.0%	0.0%	0.6%	1.1%	1.9%	4.0%
ASX All Ordinaries	2.0%	13.6%	10.9%	6.4%	6.6%	4.5%
ASX All Ord Accumulation	2.5%	17.7%	14.8%	10.4%	11.0%	8.8%

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

Gross performance before impact of fees, taxes and charges. Past performance no predictor of future returns

## INVESTMENT ACTIVITY

During the quarter we added GQG Partners (ASX:GQG), Judo Cap Holdings (ASX:JDO) and Nanosonics Limited (ASX:NAN) to the portfolio. We sold ARB Corporation (ASX:ARB), Magellan Financial Group Ltd (ASX:MFG) and Pental Group Ltd (ASX:PDL).

## MARKET COMMENT AND OUTLOOK

By year end, global equities were stronger as investors focused on economic resilience and corporate earnings, despite the ongoing volatility caused by Covid-19. The rising Covid case numbers seemed to become less of a concern for investors as the new variants seem to result in less severe symptoms. Across the world, service-based sectors appear to be losing their positive momentum, while manufacturing sentiment has continued to remain resilient despite supply constraints and rising input prices. The strength in corporate earnings outlooks, combined with easing supply chain pressures have seen investors remain positive as we head into the new year where monetary policy normalisation and inflation issues are becoming of central importance.

In the US, by quarter-end, equities posted robust gains as the economy remained stable with unemployment falling to 4.2% and corporate earnings remaining robust. Bond markets have priced for monetary policy normalisation, with short-dated bond yields rising more than their longer-dated counterparts indicating concerns regarding resilience to interest rate rises and sustained inflation. The S&P500 posted +10.6% while the Nasdaq posted +8.3%, by quarter-end.

In Europe, strong corporate profits and economic resilience resulted in equities posting some gains over the quarter despite Omicron concerns. While some countries in the Eurozone reintroduced restrictions, these had little effect on the markets. In the UK, equities performed well, following a similar path to that in other developed markets which recouped mid-quarter losses as investors received encouraging news regarding Omicron. The FTSE posted +4.2%, the CAC +9.7%, the DAX was +4.1% and the Euro Stoxx was +6.2%.

In Australia, investors have been acutely focused on the policy settings by the Reserve Bank of Australia (RBA) with growth related sectors underperforming. The RBA made no changes to monetary policy during the quarter but did indicate a possible re-evaluation in February. The RBA noted improvements in the economy, with unemployment falling to 4.6% while housing prices appear to be moderating. The ASX All Ordinaries posted +2.0% for the quarter, ASX 200 +1.5%, the MidCap 50 +5.5% and the Small Ordinaries was +1.6%, respectively. The AUD appreciated during the quarter, posting +0.6% against the US Dollar (72.7 US cents), +0.1% against the Pound (53.7 pence), and +2.4% against the Euro (63.9 cents).

## PORTFOLIO CHARACTERISTICS (as at 31 December 2021)

NTA (before tax on unrealised gains) – total	\$71,519,318
NTA (before tax on unrealised gains) – per share	277.3 cents
Concentration of the Top 20 Holdings	81.4%
Stocks in the underlying portfolio	28

## FUND MANAGER

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## INVESTMENT PHILOSOPHY

- ◆ High quality growth companies outperform over the longer term
- ◆ Investments should outperform the risk-free rate
- ◆ The price one pays determines the ultimate long-term return

## 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 Environment

### PORTFOLIO WEIGHTING

- 3 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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[/flagship-investments-limited-fsi/](https://www.linkedin.com/company/flagship-investments-limited-fsi/)



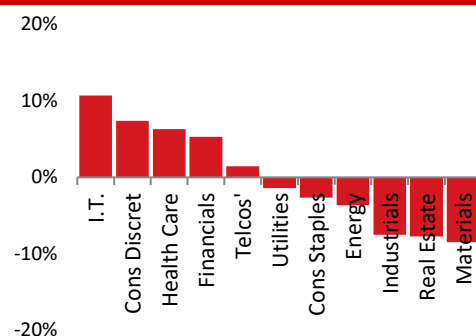
## SECTOR BREAKDOWN

Financials	28.9%
Health Care	15.0%
Information Technology	14.8%
Consumer Discretionary	14.7%
Materials	10.5%
Cash	8.0%
Telecommunication Services	6.2%
Colnsumer Staples	1.9%
Energy	0.0%
Industrials	0.0%
Utilities	0.0%

## TOP 10 STOCK HOLDINGS

Macquarie Group Ltd	6.7%
Rio Tinto Limited	6.5%
HUB24 Ltd	5.7%
GQG Partners	5.4%
Commonwealth Bank	5.0%
CSL Limited	4.8%
Cochlear Limited	4.7%
Altium imited	4.4%
Idp Education Ltd	3.9%
James Hardie Industries	3.9%

## ACTIVE SECTOR WEIGHTS to the ALL ORDINARIES



## PORTFOLIO CHANGES during the Quarter

### ADDITIONS

GQG Partners	GQG
Judo Cap Holdings	JDO
Nanosonics Limited	NAN

### REMOVALS

ARB Corporation	ARB
Magellan Financial Group Ltd	MFG
Pendal Group Ltd	PDL

## ACTIVELY PROMOTING THE COMPANY

Flagship Investments Limited remains visible in the digital spectrum and through multiple mediums with industry participants including Investor Associations and its Shareholders. During the quarter the Company met with and presented to various Brokers, Researchers and Financial Advisers. For those attending the March 2022 Australian Investors Association National Conference in Gold Coast, the Company will be participating and exhibiting. In addition, the Investment Manager, Dr Manny Pohl AM will be presenting a session. For further information including about other upcoming events, please contact the Company at +61 7 5644 4405 or toll-free 1800 352 474, or via email [contact@flagshipinvestments.com.au](mailto:contact@flagshipinvestments.com.au) including if you would like a representative to present to you, at an investor function or your office.

## VISIT THE WEBSITE – AND SUBSCRIBE TO OUR MONTHLY NEWSLETTER

The Company website [www.flagshipinvestments.com.au](http://www.flagshipinvestments.com.au) has information about Flagship Investments Limited and links to articles, videos, announcements, reports and more. A monthly email is sent to subscribers. Shareholders and interested parties can subscribe through the website or by emailing the Company asking to be added to the mailing list. Information about the Company on Social Media platforms can be found at the bottom left of this page.

## STRUCTURE AND TERMS

Dividend Reinvestment Plan	Dividend Reinvestment Plan (DRP) is an optional way of reinvesting dividends to acquire additional shares. When new shares are issued under the DRP, they are free of brokerage, commission, stamp duty and other costs.
Legal Domicile	Australian Securities Exchange (ASX) Listed Investment Company (LIC)
Fees	Management fee of NIL. Performance fee of 15% of the annual outperformance over the Bloomberg Bank Bill Index.
MER <sup>2</sup>	0.0%
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.flagshipinvestments.com.au">www.flagshipinvestments.com.au</a>
Auditor	Connect National Audit 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 [www.flagshipinvestments.com.au](http://www.flagshipinvestments.com.au) and [www.asx.com.au](http://www.asx.com.au)

<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)

<sup>2</sup> Calculated in accordance with ASX defined terms as at 30 June 2021