

FLAGSHIP INVESTMENTS LIMITED

SHAREHOLDERS' QUARTERLY REPORT

JUNE 2019

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)

4.00 cps paid on 01 March 2019

4.00 cps paid on 07 September 2018

3.75 cps paid on 13 March 2018

3.75 cps paid on 13 September 2017

COUNTRY WHERE LISTED

Australian Securities Exchange:
December 2000

STOCK EXCHANGE CODE

ASX: FSI

RATINGS

- Independent Investment Research – Recommended¹

DIRECTORS

Dominic M McGann
Chairman

Dr Emmanuel (Manny) C Pohl
Managing Director

Sophie A Mitchell
Independent

COMPANY SECRETARY

Scott Barrett

COMPANY DETAILS

Flagship Investments Limited

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OVERVIEW

During the quarter the Flagship Investments Limited (ASX: FSI) share price performance was slightly below the market, posting +5.7%, compared to the All Ordinaries Index of +7.0% and the Small Ordinaries improvement of only +3.3%. Note, the share price performance on a rolling 12-month basis maintains material out performance.

By comparison, the underlying portfolio increased by 7.1%. The Company Net Tangible Asset Value (NTA), as at 30 June 2019 (before estimated tax on unrealised gains) closing at 210.9 cents per share, representing a +4.4% increase over the quarter. The share price at 175.0 cents per share represents an excellent potential investment opportunity for Shareholders.

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 [^]	7.1%	16.7%	14.8%	12.6%	13.9%	12.6%
Bloomberg Bank Bill Index	0.4%	2.0%	1.9%	2.1%	3.0%	4.4%
ASX All Ordinaries	7.0%	6.5%	8.1%	4.5%	5.4%	4.4%

[^] 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 Altium Limited (ASX: ALU) and Costa Group (ASX: CGC) which are two high quality companies that present strong growth prospects. Altium is an electronics design software for engineers who design printed circuit boards; while Costa is Australia's largest horticultural company and a major supplier of produce to food retailers. During the quarter, we removed Magellan Financial Group (ASX: MFG) and Netwealth Group (ASX: NWL) due to their valuation falling below our return threshold, and we removed PWR Holdings (ASX: PWH) due to its small market cap size.

MARKET COMMENT AND OUTLOOK

Despite mid-quarter jitters following the ongoing trade dispute, most equity markets saw incremental gains, which appear primarily influenced by the continuing decline in interest rates. On the global stage, business confidence seems to be subdued, with US indicators plunging to levels similar to the GFC, however, on the domestic front, business confidence has rebounded following the return of the Liberal-National Coalition. Europe continues to be impacted by ongoing geopolitical factors, while Asia appears to be affected by the trade war tariffs and its impact on supply chains.

In the US and despite the ongoing political uncertainty, the S&P500 set a new record high. This gain appears to be driven by the Federal Reserve's more dovish stance and expectations of progress on trade. The US jobs market has continued to remain healthy, with consumer spending appearing to be on the rise. On the corporate side, it seems that business investment has slowed, along with housing investment and manufacturing output. The S&P500 posted +3.8%, the Dow Jones +2.6% and the NASDAQ +3.6%.

In Europe, trade tensions are causing instability in equity markets and ongoing geopolitical news continues to weigh on confidence levels as evidenced in the UK where the Prime Minister Theresa May resigned. The German Dax posted +7.6%, the French CAC posted +3.5%, and the UK's FTSE delivered +2.0%, by quarter-end.

In Australia, the Australia Federal Election saw Scott Morrison lead the Liberals to a surprise election victory. The market viewed this positively, with equities and property markets rebounding on the back of improved business confidence. The RBA announced cuts to the cash rate from 1.5% to 1.25%, while the ten-year government bonds rallied from 2.6% to 1.3%, which are expected to drive further household borrowing. When combined with the expected government tax cuts, the outlook seems incrementally positive compared to the start of the year. With a renewed sense of political stability and easing monetary policy, attention turns toward corporate earnings at financial year-end. The ASX All Ords posted +7.0% for the quarter, and the Small Ordinaries posted +3.3%, respectively.

The AUD weakened against most major currencies, posting -1.1% against the US Dollar (70.2 US cents), +1.6% against the Pound (55.3 pence), and -2.4% against Euro (61.8 cents), by quarter-end.

PORTFOLIO CHARACTERISTICS (as at 30 June 2019)

NTA (before tax on unrealised gains) – total	\$53,788,391
NTA (before tax on unrealised gains) – per share	210.9 cents
Concentration of the Top 20 Holdings	83.2%
Stocks in the underlying portfolio	28



FUND MANAGER

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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 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/)

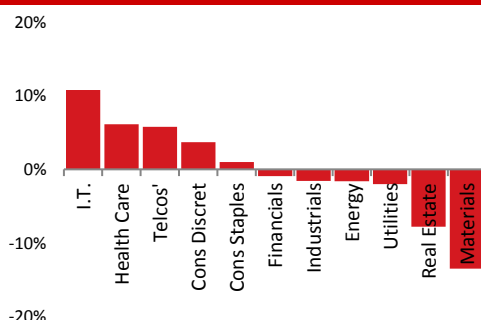
SECTOR BREAKDOWN

Financials	26.3%
Health Care	13.4%
Information Technology	12.8%
Consumer Discretionary	9.8%
Telecommunication Services	9.5%
Cash	6.9%
Industrials	6.8%
Consumer Staples	5.9%
Materials	4.7%
Energy	3.9%
Utilities	0.0%

TOP 10 STOCK HOLDINGS

Westpac Banking Corporation	6.7%
Macquarie Group Ltd	6.5%
SEEK Limited	6.3%
Commonwealth Bank	5.1%
Rio Tinto Limited	4.7%
CSL Limited	4.5%
ResMed Inc	4.3%
REA Group	4.2%
Pendal Group	4.2%
Carsales.com	4.0%

ACTIVE SECTOR WEIGHTS to the ALL ORDINARIES



PORTFOLIO CHANGES during the Quarter

ADDITIONS

Altium Limited	ALU
Costa Group Holdings	CGC

REMOVALS

Magellan Financial Group Ltd	MFG
Netwealth Group	NWL
PWR Holdings Limited	PWH

ACTIVELY PROMOTING THE COMPANY

Flagship Investments Limited (FSI) (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 Shareholders Association "Investing in the Age of Uncertainty" National Conference in Melbourne, as well as at various other Investor presentations and exhibitions. In the coming quarter the Company will be present at the Australian Investors Association Annual Conference in Gold Coast and presenting in various capital cities.

For further information about these and other events, please contact the Company on +61 7 5644 4405 or toll-free 1800 352 474, or through the website contact@flagshipinvestments.com.au - including 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 FSI and links to Announcements and Reports. The address is www.flagshipinvestments.com.au

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 (the management fee comprises only a performance fee) Performance fee of 15% of the annual outperformance over the Bloomberg Bank Bill Index (formerly called UBS Bank Bill Index).
MER	0.0%
Reporting and Correspondence	Monthly Net Tangible Asset Values on www.asx.com.au and Quarterly Reports, Half-Yearly and Annual Reports on www.flagshipinvestments.com.au
Auditor	WPIAS Pty Ltd
Registry	Boardroom Pty Limited - 1300 737 760 OR enquiries@boardroomlimited.com.au
Share price and NTA	www.flagshipinvestments.com.au and www.asx.com.au

¹ 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