

FLAGSHIP INVESTMENTS LIMITED

SHAREHOLDERS' QUARTERLY REPORT

JUNE 2020

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)

4.25 cps paid on 06 March 2020
4.25 cps paid on 30 August 2019
4.00 cps paid on 01 March 2019
4.00 cps paid on 07 September 2018

COUNTRY WHERE LISTED

Australian Securities Exchange:
December 2000

STOCK EXCHANGE CODE

ASX: FSI

RATINGS

• Independent Investment Research
– Recommended¹

DIRECTORS

Dominic M McGann

Non-Executive Chairman

Dr Emmanuel (Manny) C Pohl AM

Managing Director

Sophie A Mitchell

Non-Executive

COMPANY SECRETARY

Scott Barrett

COMPANY DETAILS

Flagship Investments Limited

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OVERVIEW

During the quarter, the Flagship Investments Limited (ASX: FSI) Net Tangible Asset Value (NTA), as at 30 June 2020 (before estimated tax on unrealised gains) was 212.9 cents per share, representing a 23.3% increase over the quarter. The share price at 180 cents per share represents a 15.5% discount to NAV, 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 [^]	23.4%	8.4%	14.9%	13.0%	12.6%	12.4%
Bloomberg Bank Bill Index	0.1%	0.8%	1.5%	1.7%	2.7%	4.2%
ASX All Ordinaries	17.4%	-10.4%	1.4%	1.9%	3.3%	3.7%
ASX All Ord Accumulation	17.8%	-7.2%	5.4%	6.2%	7.8%	7.9%

[^] 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 IDP Education (ASX: IEP) to the portfolio and included Magellan (ASX: MFG) once again its share price had declined to levels providing us with an acceptable IRR. We removed Carbon Revolution a microcap stock as it was better suited to the ECP Ex50 portfolio.

MARKET COMMENT AND OUTLOOK

After the fastest 30% decline in history which occurred in the March quarter, global markets were very strong over the June quarter producing the largest 50-day advance. This was driven by a number of key factors;

- Massive Government stimulus aimed at reducing the impact of COVID-19 on households.
- Regulatory relaxation on certain sectors to ensure that the hardship of an economic shutdown was minimised. This has been predominantly aimed at the Financial Sector.
- The gradual relaxation of social distancing rules has assisted in improving overall sentiment in the economy.
- A surge in technology related applications as individuals, households and businesses embraced the accelerated shift to online life.

These factors all saw markets post record returns for the quarter with US labour market and retail data supporting renewed optimism. The technology sector was particularly strong after what had been a substantial fall in the March Quarter. The Nasdaq was up 30.63% during the quarter and the S&P 500 was up 19.95%. Large technology names like Apple (+43.46%), Amazon (+41.50%), Facebook (+36.13%) and Google (+22.04%) really drove the rally as investors acquired not only technology exposures but exposures to quality stocks that would benefit from an accelerated shift to an online world.

In Australia the lockdown measures proved to be highly successful in containing the virus with the focus now turning to strategies for economic recovery. It is worth noting that the financial system in Australia is in much better shape and the Government and Regulators are supportive in terms of their attempts to ensure a smooth recovery with the Reserve Bank of Australia holding its interest rate steady at 0.25%.

The Australian market delivered a solid performance with the ASX All Ordinaries Index up 17.4%. Contributions across sectors in Australia were vastly different. The leading contributors included; Information Technology +48.67%, Consumer Discretionary +30.11% and Energy +28.04%. The largest detractors included; Health Care +2.30%, Utilities +4.09% and Consumer Staples +7.17% - all sectors that performed strongly over the June quarter.

The AUD appreciated against all major currencies during the quarter, posting +12.5% against the US Dollar (69.0 US cents), +12.6% against the Pound (55.7 pence), and +10.5% against the Euro (61.5 cents).

PORTFOLIO CHARACTERISTICS (as at 30 June 2020)

NTA (before tax on unrealised gains) – total	\$54,292,324
NTA (before tax on unrealised gains) – per share	212.9 cents
Concentration of the Top 20 Holdings	84.18%
Stocks in the underlying portfolio	27



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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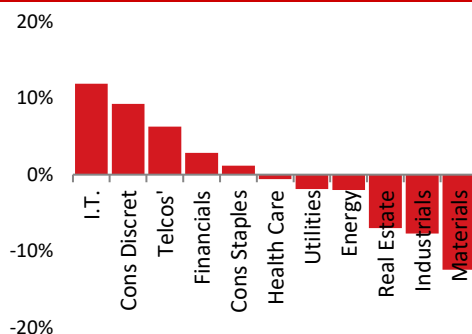
SECTOR BREAKDOWN

Financials	26.7%
Consumer Discretionary	16.1%
Information Technology	15.6%
Telecommunication Services	10.7%
Health Care	10.5%
Consumer Staples	7.0%
Materials	6.9%
Cash	4.2%
Energy	2.3%
Industrials	0.0%
Utilities	0.0%

TOP 10 STOCK HOLDINGS

Commonwealth Bank	7.4%
Rio Tinto Limited	6.9%
Domino's Pizza Enterprises	6.3%
Macquarie Group Limited	6.3%
Afterpay Limited	5.4%
ResMed Inc	5.1%
SEEK Limited	4.6%
Pendal Group Ltd	4.4%
HUB24 Ltd	3.9%
Carsales.com Ltd	3.8%

ACTIVE SECTOR WEIGHTS to the ALL ORDINARIES



PORTFOLIO CHANGES during the Quarter

ADDITIONS

IDP Education Limited	IEL
Magellan Financial Group Limited	MFG

REMOVALS

Carbon Revolution Limited	CBR
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ACTIVELY PROMOTING THE COMPANY

While from a distribution perspective the Company was less visible to the investing public as scheduled events and conferences were postponed, it was more visible in the digital spectrum and through telecommunications with industry participants.

Flagship Investments Limited continued promoting itself to Investors, Financial Advisers, Stockbrokers and Investor Associations across Australia. Despite physical limitations brought on by current travel restrictions and distancing requirements, the Company maintained an active digital communication program with Brokers, Advisers and Shareholders through voice, email and video.

Dr Manny Pohl contributed the feature article in the June quarter edition of The Investors Voice, the magazine for members of the Australian Investors Association. If you would like a copy of this article, please email the Company. The Company looks forward to engaging with its Shareholders during the coming periods through multiple digital mediums.

For further information about upcoming 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 if you would like a representative to digitally present to you, an investor function or 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. Performance fee of 15% of the annual outperformance over the Bloomberg Bank Bill Index (formerly called UBS Bank Bill Index).
MER ²	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

² Calculated in accordance with ASX defined terms as at 30 June 2019