

# FLAGSHIP INVESTMENTS LIMITED

## SHAREHOLDERS' QUARTERLY REPORT

JUNE 2022

### 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)

4.50 cps paid on 24 February 2022  
4.75 cps paid on 20 August 2021  
4.25 cps paid on 05 March 2021  
4.25 cps paid on 17 September 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

ABN 99 080 135 913

Level 12, Corporate Centre One

2 Corporate Court

BUNDALL QLD 4217

AUSTRALIA

1800 FLAGSHIP 1800 352 474

Tel: +61 7 5644 4405

Fax: +61 7 5574 1457

Email:

contact@flagshipinvestments.com.au

www.flagshipinvestments.com.au

### OVERVIEW

The Flagship Investments Limited (ASX: FSI) Net Tangible Asset Value (NTA), as at 30 June 2022 (before estimated tax on unrealised gains) was 193.0 cents per share, representing a 19.9% decrease since March 2022. As noted further below, the portfolio value remains under pressure due to rising inflation and uncertainty in economic forecasts.

### 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>	-17.1%	-21.1%	6.3%	11.0%	13.8%	11.8%
Bloomberg Bank Bill Index	0.1%	0.1%	0.3%	0.9%	1.7%	3.9%
ASX All Ordinaries	-13.4%	-11.1%	0.2%	3.2%	5.0%	3.8%
ASX All Ord Accumulation	-12.9%	-7.4%	3.8%	7.2%	9.4%	8.0%

<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 did not include any new investments in our portfolio, however, we removed a few positions. Fineos Corp (ASX: FCL) and Nuix (ASX: NXL) were removed from our portfolio due to tax related considerations. Wisetech Global (ASX: WTC) was removed due to valuation reasons whereby our expected Internal Rate of Return (IRR) has become less attractive relative to other names within the model portfolio. Our thesis remains intact however and we eagerly await on the sidelines for a more attractive valuation.

### MARKET COMMENT AND OUTLOOK

Equity markets in the fourth quarter have been under pressure as investor sentiment turned increasingly downbeat due to heightened concerns regarding global inflation and ongoing supply chain issues, accentuated by the Ukraine crisis, could see the world move into a recession. Equity markets have priced in interest rate rises and the potential recessionary risks, driving substantial declines in equity valuations. Inflation has continued to be a major issue for most major economies, with several central banks taking appropriate action. This year, the policy response has been far more rapid than previously thought in 2021.

In the US, investors are primarily focused on inflationary fears and the Federal Reserve's policy responses. The US equity market has recorded its worst first half period in 60 years, shifting the market into bear territory. The Fed has signalled more rate hikes to come, noting the difficulty of bringing down inflation without triggering a recession. Despite the economy slowing and early signs of a recession, the US labour market continues to remain strong. During the quarter, unemployment held steady at 3.6%, and wage growth has not kept up with inflationary pressures, with US inflation rising +8.6% compared to a year ago. The S&P500 posted -16.5%, while the Nasdaq posted -22.4% by quarter-end.

In Europe, the ongoing Ukraine conflict has continued to drive steep declines for Eurozone equities as concerns related to gas shortages continue to rise. High inflation and the increasing cost of living are affecting consumer confidence, with the European Central Bank (ECB) expected to raise rates in the coming month. Ongoing disruptions saw Germany shift into phase two of its emergency plan, with the next steps being to ration gas. In the UK, The Bank of England increased its official rate by a combined 50 bps, with equities performing relatively well due to the large cap, defensive stocks. The FTSE posted -4.6%, the CAC -11.1%, and the DAX was -11.3%.

In Australia, cost of living pressures continues to rise, however, retail sales remain resilient. The Reserve Bank of Australia (RBA) increased interest rates by 50 bps in June, as inflation continues to be a key issue. In Australia, our quarterly inflationary statistics seemed to lag compared to our US and European counterparts, with +2.1% posted in the prior quarter, bringing inflation to 5.1% for the year ending March-quarter. The unemployment rate remained stable at 3.9%, while the participate rate rose to 66.7%.

The ASX All Ordinaries posted -13.4% for the quarter, ASX 200 -12.4%, the Midcap 50 -15.0%, and the Small Ordinaries was -20.8%, respectively. The AUD depreciated during the quarter, posting -7.7% against the US Dollar (69.0 US cents), -0.5% against the Pound (56.7 pence), and -2.6% against the Euro (65.9 cents).

### PORTFOLIO CHARACTERISTICS (as at 30 June 2022)

NTA (before tax on unrealised gains) – total	\$49,893,949
NTA (before tax on unrealised gains) – per share	193.0 cents
Concentration of the Top 20 Holdings	86.1%
Stocks in the underlying portfolio	26



## FUND MANAGER

EC Pohl & Co Pty Ltd  
 ABN 68 154 399 916  
 Level 12, Corporate Centre One  
 2 Corporate Court  
 BUNDALL QLD 4217  
 AUSTRALIA

PO BOX 7536  
 GCMC BUNDALL QLD 9726  
 AUSTRALIA

Tel: +61 7 5644 4405  
 Fax: +61 7 5574 1457  
 Email: [flagship@ecpohl.com](mailto:flagship@ecpohl.com)  
[www.ecpohl.com](http://www.ecpohl.com)

## 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/)



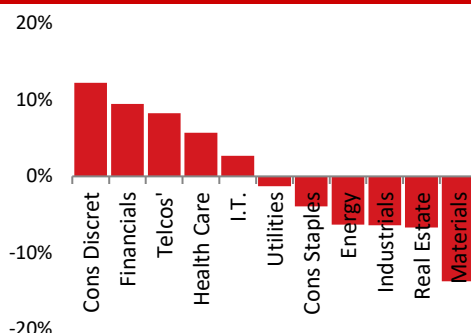
## SECTOR BREAKDOWN

Financials	32.9%
Consumer Discretionary	17.7%
Health Care	14.3%
Telecommunication Services	12.2%
Materials	9.6%
Cash	6.5%
Information Technology	5.8%
Consumer Staples	1.0%
Energy	0.0%
Industrials	0.0%
Utilities	0.0%

## TOP 10 STOCK HOLDINGS

GQG Partners	8.1%
Rio Tinto Limited	6.5%
Commonwealth Bank	6.1%
CSL Limited	6.1%
Macquarie Group Ltd	6.0%
Netwealth Group	5.7%
HUB24 Ltd	5.4%
Domino Pizza Enterprises	5.3%
Carsales.com Limited	5.1%
Lovisa Holdings Ltd	4.7%

## ACTIVE SECTOR WEIGHTS to the ALL ORDINARIES



## PORTFOLIO CHANGES during the Quarter

### ADDITIONS

### REMOVALS

Fineos Corporation Holdings PLC	FCL
Nuix Ltd	NXL
WiseTech Global Ltd	WTC

## ACTIVELY PROMOTING THE COMPANY

Flagship Investments Limited remains visible in the digital spectrum and through multiple mediums with industry participants, Investor Associations and its Shareholders. During the quarter the Company met with and presented to various Brokers, Researchers and Financial Advisers and also participated in the SMSF Professionals Day held in Sydney.

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 and Shareholders and interested parties who 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	<a href="http://www.flagshipinvestments.com.au">www.flagshipinvestments.com.au</a> and <a href="http://www.asx.com.au">www.asx.com.au</a>

<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 2022