

FLAGSHIP INVESTMENTS LIMITED

SHAREHOLDERS' QUARTERLY REPORT

MARCH 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 31 March 2020 (before estimated tax on unrealised gains) was 172.7 cents per share, representing a -22.7% decrease over the quarter. The share price at 140.0 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 [^]	-19.8%	-6.0%	8.0%	7.1%	8.9%	11.5%
Bloomberg Bank Bill Index	0.3%	1.2%	1.7%	1.8%	2.8%	4.3%
ASX All Ordinaries	-24.9%	-18.4%	-4.7%	-2.7%	0.4%	2.9%
ASX All Ord Accumulation	-23.9%	-15.0%	-0.7%	1.5%	4.8%	7.2%

[^] 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 removed Pushpay Holdings (ASX: PPH) due to concerns regarding their competitive environment and an uncertain future regarding profitable growth.

MARKET COMMENT AND OUTLOOK

The spread of COVID-19 has profoundly affected global equity markets as stock markets fell from the increased uncertainty and the economic impact this event would have on local economies. Stock markets across the globe have suffered steep declines, and government bond yields fell as many investors flocked to safety. Around the world, central banks have unleashed a raft of measures aimed to support businesses and households while they attempt to contain the outbreak through strict lockdown procedures. Going forward, the balancing act of social distancing and recession risk will dominate equity market uncertainty.

In the US, the equity market declined significantly as the number of COVID-19 cases increased exponentially, reaching over 100,000 by quarter-end. Within the last month, US unemployment claims have grown to historical highs, growing to over nine million claims. In response, the US Federal Reserve cut their interest rates twice and ramped up their quantitative easing, and the government announced a \$2 trillion stimulus package. While the economic impact of COVID-19 remains unclear, government intervention is doing its best to lessen the fall. The S&P500 posted -20.0%, the Dow Jones -23.2% and the NASDAQ -14.2%.

In spite of a reduction in uncertainty relating to Brexit, the election of a new ECB president and robust Germany economic data, the European stock markets were also struck hard by the spread of the virus, which has severely impacted the economies of all European nations. Italy and Spain have become two of the most affected countries, with all nations across Europe taking steps to shut down their economies and restrict the movement of people. The German Dax declined by 25.0%, the French CAC posted -26.5%, and the UK's FTSE posted -24.8%, by quarter-end.

In Australia, the baton of social responsibility amongst emergency workers was passed between our firefighters and medical professionals. With economic growth already slowing toward the end of 2019, the catastrophic bushfires further dampened segments of the economy. To compound this, the arrival of COVID-19 has had a sudden and immediate impact on economic activity, as has reduced trade, lower investment and household spending and rising unemployment with all contributing towards possibly our first recession in over 30 years. The Reserve Bank of Australia has cut interest rates twice this quarter to a record low of 0.25%. The Australian All Ords posted -24.9% for the quarter, and the Small Ordinaries posted -27.4%, respectively.

The AUD depreciated against all major currencies, posting -12.5% against the US Dollar (61.4 US cents), -6.5% against the Pound (49.5 pence), and -11.1% against the Euro (55.6 cents), by quarter-end.

PORTFOLIO CHARACTERISTICS (as at 31 March 2020)

NTA (before tax on unrealised gains) – total	\$44,046,509
NTA (before tax on unrealised gains) – per share	172.7 cents
Concentration of the Top 20 Holdings	81.0%
Stocks in the underlying portfolio	26

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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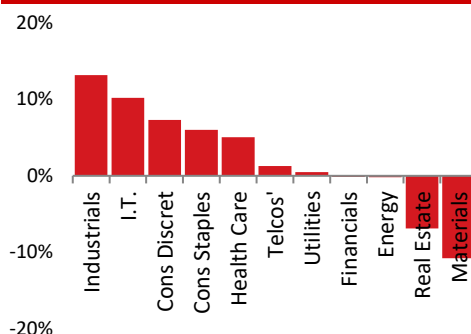
SECTOR BREAKDOWN

Financials	18.7%
Health Care	15.8%
Cash	12.7%
Consumer Discretionary	12.0%
Information Technology	11.8%
Consumer Staples	11.4%
Materials	6.6%
Telecommunication Services	5.1%
Industrials	3.5%
Energy	2.4%
Utilities	0.0%

TOP 10 STOCK HOLDINGS

ResMed Inc	7.4%
Rio Tinto Limited	6.6%
Domino's Pizza Enterprises	5.8%
Costa Group Holdings	5.8%
Macquarie Group Limited	5.4%
Commonwealth Bank	4.6%
Cochlear Limited	4.4%
The A2 Milk Company	4.3%
Carsales.com Ltd	4.2%
HUB24 Ltd	4.0%

ACTIVE SECTOR WEIGHTS to the ALL ORDINARIES



PORTFOLIO CHANGES during the Quarter

ADDITIONS

No additions this quarter

REMOVALS

Pushpay Holdings Ltd PPH

ACTIVELY PROMOTING THE COMPANY

Flagship Investments Limited (FSI) (the Company) is committed to using the current health crisis as an opportunity to grow the Company and continue 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.

Investor Association events in which FSI had been scheduled to participate in during the quarter have started to utilise video delivery to its membership, including provision of content from its fund manager supporters. 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).

MER² 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