

# FLAGSHIP INVESTMENTS LIMITED

## SHAREHOLDERS' QUARTERLY REPORT

MARCH 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)

4.25 cps paid on 05 March 2021  
4.25 cps paid on 17 September 2020  
4.25 cps paid on 06 March 2020  
4.25 cps paid on 30 August 2019

### 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*

Sophie A Mitchell

*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 March 2021 (before estimated tax on unrealised gains) was 244.6 cents per share, representing a 4.1% decrease since December 2020. During the quarter, FSI paid an interim dividend of 4.25 cents per share.

### 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>	-1.1%	53.0%	20.4%	16.4%	13.7%	13.0%
Bloomberg Bank Bill Index	0.0%	0.1%	1.1%	1.4%	2.3%	4.1%
ASX All Ordinaries	2.4%	37.3%	6.1%	6.4%	3.6%	4.2%
ASX All Ord Accumulation	3.6%	41.1%	10.1%	10.6%	8.0%	8.5%

<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 Lovisa Holdings Ltd (ASX: LOV). Lovisa is a vertically integrated jewelry designer, manufacturer and retailer. Our investment thesis for Lovisa centers around their ability to continue to rollout their store footprint internationally, particularly in Europe and the US. While COVID has presented significant headwinds for their trading capacity, their largely Australian mix of stores benefitted from the relatively more hospitable environment with fewer restrictions. While their international divisions have been challenged, the near-term store rollout remains slow, however, the longer-term outlook presents a material opportunity.

### MARKET COMMENT AND OUTLOOK

Despite the considerable ongoing uncertainty, global markets were stronger during the March quarter but volatility intra month and intra quarter was extremely high. With COVID seemingly less of an issue now, investor focus shifted to inflationary concerns and the impact on interest rates which in turn saw a large rotation from growth related stocks to value related stocks.

In the US, hopes for progress against Covid-19 with the vaccine rollout, ongoing fiscal support, and the recent election of President Joe Biden, has seen investors proceed with a sense of optimism for the new year. This quarter has seen some traditionally value-laggard stocks outperform, with the richly valued growth stocks fading. Companies that are tied to the US economy and dividend-paying stocks were amongst the best performers. Interestingly, the US market witnessed unusual, highly targeted trading activity, which saw unprecedented incidents such as the short squeeze involving GameStop. President Biden confirmed a fiscal stimulus package of \$1.9 billion and \$2.0 trillion infrastructure spending.

Australia underperformed during the quarter and was impacted by the political uncertainties that have been created by the COVID pandemic. While Australia has proven to be very successful in managing the virus, ongoing inter-state lockdowns have created uncertainty on the performance of large sectors of the market especially education and tourism. Equity markets have witnessed the growth to value rotation, while battling through flat consumer confidence despite strong economic indicators.

Performance between sub-sectors was very mixed. The best performers included Financials +11.8%, Consumer Discretionary +9.6%, and Communication Services +4.8%. The detractors were Information Technology -9.5% and Healthcare -1.7%. The ASX All Ordinaries posted +2.4% for the quarter, and the Small Ordinaries up +1.3%, respectively. The AUD had mixed performance during the quarter, posting -1.3% against the US Dollar (76.0 US cents), -2.1% against the Pound (55.1 pence), and +2.8% against the Euro (64.8 cents).

### PORTFOLIO CHARACTERISTICS (as at 31 March 2021)

NTA (before tax on unrealised gains) – total	\$62,923,615
NTA (before tax on unrealised gains) – per share	244.6 cents
Concentration of the Top 20 Holdings	82.70%
Stocks in the underlying portfolio	28



### FUND MANAGER

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[www.ecpohl.com](http://www.ecpohl.com)

### 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/)



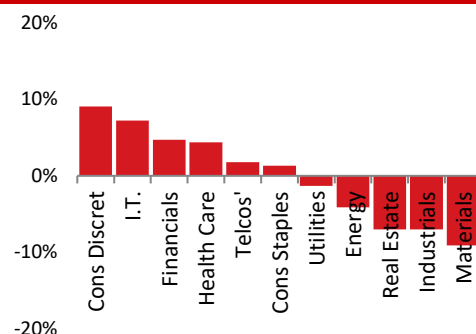
### SECTOR BREAKDOWN

Financials	30.1%
Consumer Discretionary	16.8%
Health Care	13.2%
Information Technology	11.7%
Materials	10.7%
Telecommunication Services	6.6%
Consumer Staples	6.2%
Cash	4.7%
Energy	0.0%
Industrials	0.0%
Utilities	0.0%

### TOP 10 STOCK HOLDINGS

Commonwealth Bank	7.3%
Macquarie Group Limited Ltd	7.0%
Rio Tinto Limited	6.7%
HUB24	6.7%
ResMed Inc.	5.6%
Corporate Travel Limited	5.3%
CSL Limited	4.2%
Domino Pizza Enterprises	4.0%
James Hardie Industries	3.9%
Magellan Fin Grp Ltd Ltd	3.8%

### ACTIVE SECTOR WEIGHTS to the ALL ORDINARIES



### PORTFOLIO CHANGES during the Quarter

#### ADDITIONS

Lovisa Holdings Ltd LOV

#### REMOVALS

### ACTIVELY PROMOTING THE COMPANY

Flagship Investments Limited remains visible in the digital spectrum and through telecommunications with industry participants including brokers, researchers, advisers, Investor Associations and Shareholders. The Company looks forward to engaging with the market during the coming periods through multiple mediums.

For further information including about 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. The Investment Manager, Dr Manny Pohl AM was recently interviewed by Bell Potter's LIC specialist. This can be watched at [www.flagshipinvestments.com.au/news](http://www.flagshipinvestments.com.au/news)

### 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<sup>2</sup>** 0.0%

**Reporting and Correspondence** Monthly Net Tangible Asset Values on [www.asx.com.au](http://www.asx.com.au) and Quarterly Reports, Half-Yearly and Annual Reports on [www.flagshipinvestments.com.au](http://www.flagshipinvestments.com.au)

**Auditor** Connect National Audit Pty Ltd

**Registry** Boardroom Pty Limited - 1300 737 760 OR [enquiries@boardroomlimited.com.au](mailto:enquiries@boardroomlimited.com.au)

**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 2020