

# FLAGSHIP INVESTMENTS LIMITED

## SHAREHOLDERS' QUARTERLY REPORT

MARCH 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

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### OVERVIEW

The Flagship Investments Limited (ASX: FSI) Net Tangible Asset Value (NTA), as at 31 March 2022 (before estimated tax on unrealised gains) was 241.0 cents per share, representing a 13.1% decrease since December 2021. As noted further below, the portfolio value remains under pressure due to rising inflation and likely increases in interest rates.

### 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>	-8.3%	8.0%	15.8%	15.8%	15.6%	12.8%
Bloomberg Bank Bill Index	0.0%	0.0%	0.5%	1.0%	1.8%	3.9%
ASX All Ordinaries	0.1%	11.0%	7.5%	5.7%	5.8%	4.4%
ASX All Ord Accumulation	1.6%	15.5%	11.5%	9.8%	10.2%	8.7%

<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 re-included ARB Corp (ASX: ARB) to the portfolio due to the valuation becoming more attractive. We note that Afterpay (ASX: APT) was acquired by Square, a US fintech company known for its CashApp. Square has been renamed Block (ASX: SQ2) and is in the early stages of monetising its 70million annual active users in the Cash App user base. When combined with the 3.5million merchant base in Square Seller and Afterpay's two sided network, a large opportunity exists to accelerate network effects to drive revenue growth.

### MARKET COMMENT AND OUTLOOK

The start of 2022 has presented an unpredictable, yet not unprecedented, set of geopolitical events that have plagued world markets. At year-end, manufacturing sectors had proven resilient in the face of ongoing restrictions. The new year saw a return to service-based sectors – building strong support for economic momentum. Globally, concerns are centered on the lower growth environment than inflationary fears due to a supply-side, rather than demand-side, shock resulting from Covid and the Russia-Ukrainian war. The war continues to amplify energy and food price issues, and continued disruptions to global supply chains will see continued rises in inflation.

In the US, economic activity slowed sharply during the quarter as Covid variants swept across the country and increased concern over the Federal Reserve's asset tapering. Bond markets have priced for monetary policy normalisation, with short-dated bond yields rising more than their longer-dated counterparts indicating concerns regarding resilience to interest rate rises and sustained inflation. While equity markets had begun to price monetary policy normalisation before the Russian invasion, the Federal Reserve's indication of six rate hikes in 2022 will continue to pressure equities. During the quarter, unemployment fell to 3.6%, and wage growth has not kept up with inflationary pressures, with US inflation reaching +7.9% in February. The S&P500 posted -5.0% while the Nasdaq posted -9.1% by quarter-end.

In Europe, equities fell sharply due to the Eurozone's close ties with Ukraine and Russia – particularly Russian oil and gas. While Europe has already experienced higher energy prices over the past year, the invasion has led to energy security fears. The European Central Bank (ECB) announced plans to end bond purchases, with inflation hitting 7.5% in March. In the UK, equities have remained resilient given their significant exposure to mining, healthcare, and banking sectors. The FTSE posted +1.8%, the CAC -6.9%, the DAX was -9.3%, and the Euro Stoxx was -0.2%.

In Australia, investors flocked toward defensive sectors, with growth-related sectors facing increased pressure. Energy and consumer staples were key outperformers, while IT and consumer discretionary were the poorest performers. The Reserve Bank of Australia (RBA) held onto their policy settings despite seemingly taking a hawkish view considering the inflationary environment. Wage growth is increasingly moving into the spotlight, as wage growth remains below inflation and well below in real terms. Unemployment is stable at 4.2%, while the housing market appears to be softening in major markets. The ASX All Ordinaries posted +0.1% for the quarter, ASX 200 +0.7%, the MidCap 50 -3.5%, and the Small Ordinaries was -5.1%, respectively. The AUD appreciated during the quarter, posting +3.0% against the US Dollar (74.8 US cents), +6.0% against the Pound (57.0 pence), and +5.8% against the Euro (67.6 cents).

### PORTFOLIO CHARACTERISTICS (as at 31 March 2022)

NTA (before tax on unrealised gains) – total	\$62,305,695
NTA (before tax on unrealised gains) – per share	241.0 cents
Concentration of the Top 20 Holdings	86.3%
Stocks in the underlying portfolio	29

### FUND MANAGER

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### 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/)



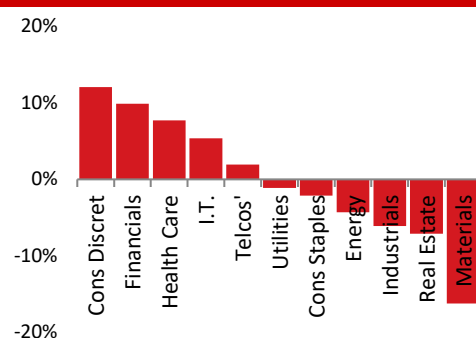
### SECTOR BREAKDOWN

Financials	34.5%
Consumer Discretionary	18.7%
Health Care	15.6%
Materials	9.4%
Information Technology	9.4%
Telecommunication Services	6.3%
Cash	3.9%
Consumer Staples	2.2%
Energy	0.0%
Industrials	0.0%
Utilities	0.0%

### TOP 10 STOCK HOLDINGS

Macquarie Group Ltd	7.4%
HUB24 Ltd	7.0%
GQG Partners	6.4%
Rio Tinto Limited	6.2%
Commonwealth Bank	5.8%
Netwealth Group	5.8%
Cochlear Limited	5.5%
Lovisa Holdings Ltd	5.2%
CSL Limited	5.0%
Domino Pizza Enterprises	4.3%

### ACTIVE SECTOR WEIGHTS to the ALL ORDINARIES



### PORTFOLIO CHANGES during the Quarter

#### ADDITIONS

ARB Corporation ARB

#### REMOVALS

### 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. The Investment Manager Dr Manny Pohl AM, was also a featured speaker at the Australian Investors Association National Conference held in Gold Coast and his presentation is able to be viewed through the Company website. 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 2021