

FLAGSHIP INVESTMENTS LIMITED

SHAREHOLDERS' QUARTERLY REPORT

SEPTEMBER 2019

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 30 August 2019

4.00 cps paid on 01 March 2019

4.00 cps paid on 07 September 2018

3.75 cps paid on 13 March 2018

COUNTRY WHERE LISTED

Australian Securities Exchange:
December 2000

STOCK EXCHANGE CODE

ASX: FSI

RATINGS

- Independent Investment Research
– Recommended¹

DIRECTORS

Dominic M McGann
Chairman

Dr Emmanuel (Manny) C Pohl
Managing Director

Sophie A Mitchell
Independent

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

During the quarter the Flagship Investments Limited (ASX: FSI) share price performance was above that of the market, posting +4.0% as compared to the All Ordinaries Index of +1.5%.

By comparison, the underlying portfolio increased by 6.1%. The Company's Net Tangible Asset Value (NTA), as at 30 September 2019 (before estimated tax on unrealised gains) was 217.6 cents per share, representing a +3.2% increase over the quarter. The share price at 182 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 [^]	6.1%	16.2%	15.5%	13.8%	11.9%	12.7%
Bloomberg Bank Bill Index	0.3%	1.7%	1.8%	2.0%	2.9%	4.3%
ASX All Ordinaries	1.5%	7.5%	7.2%	5.1%	3.7%	4.4%

[^] 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 Fineos (ASX: FCL) and Netwealth (ASX: NWL) to the portfolio which are two high quality companies with strong growth prospects. Fineos is a provider of enterprise software solutions for insurance, and government social insurance while Netwealth reentered our portfolio as its valuation became attractive once again. During the quarter, we removed IPH (ASX: IPH) due to its valuation falling below our threshold, and TPG Telecom (ASX: TPM) due to a lack of clarity on its long-term strategic outlook.

MARKET COMMENT AND OUTLOOK

During the quarter under review, equity markets reflected the ongoing geopolitical issues plaguing certain parts of the globe. Global economic growth is a concern as central banks are increasingly being supportive through rate cuts or restarting of quantitative easing programs. In Hong Kong protests are on the rise, and South Korea and Japan are at loggerheads on trade. We are seeing a higher risk premium being placed on oil due to the drone attacks on the Saudi production facilities and the threat of impeachment of President Trump looms.

The ongoing US-China trade tensions continue with further threats of tariff increases and there is no end in sight. Against this backdrop, US equity markets continue to trudge along. The US yield curve inverted during the quarter, a phenomenon which often precedes a recession. The S&P500 posted +1.2%, the Dow Jones +1.2% and the NASDAQ -0.1%.

In Europe, economic data was typically lacklustre, with growth and inflation little changed from previous periods. The European Central Bank (ECB) restarted their quantitative easing programs, taking some initial steps to boost their economic region. In the UK, political uncertainty continued to plague the nation with ongoing Brexit worries being inflamed by Boris Johnson who has highlighted that he will not seek an extension to the departure date despite parliament stipulating that he will need to do so if a Brexit deal cannot be agreed upon. The German Dax posted marginal gains of +0.2%, the French CAC posted +2.5%, and the UK's FTSE posted -0.2%, by quarter-end.

In Australia, business and consumer sentiment are subdued, edging along with marginal improvements. The Reserve Bank of Australia (RBA) cut the cash rate in the hope to further boost the economy. Over the quarter, critical drivers of economic growth were from exports and government consumption. However, household and business investment presented a drag. The ASX All Ords posted +1.5% for the quarter, and the Small Ordinaries posted +2.1%, respectively.

The AUD was weaker against most major currencies, posting -3.9% against the US Dollar (67.5 US cents), -0.8% against the Pound (54.9 pence), and +0.3% against the Euro (61.9 cents), by quarter-end.

PORTFOLIO CHARACTERISTICS (as at 30 September 2019)

NTA (before tax on unrealised gains) – total	\$55,783,171
NTA (before tax on unrealised gains) – per share	217.6 cents
Concentration of the Top 20 Holdings	88.7%
Stocks in the underlying portfolio	28

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
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



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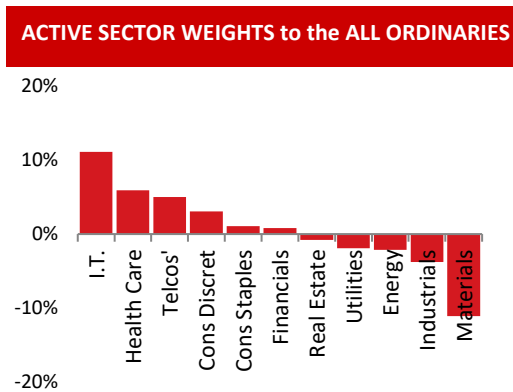
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/flagship-investments-limited-fsi/



SECTOR BREAKDOWN	
Financials	29.7%
Health Care	14.4%
Information Technology	14.1%
Consumer Discretionary	10.1%
Telecommunication Services	9.1%
Consumer Staples	6.7%
Materials	5.9%
Industrials	4.7%
Energy	3.4%
Cash	1.9%
Utilities	0.0%

TOP 10 STOCK HOLDINGS	
Westpac Banking Corporation	6.9%
Macquarie Group Ltd	6.6%
Rio Tinto Limited	5.9%
HUB24 Ltd	5.3%
Commonwealth Bank	4.9%
ResMed Inc	4.8%
CSL Limited	4.8%
REA Group	4.7%
SEEK Limited	4.7%
Carsales.com	4.5%



PORTFOLIO CHANGES during the Quarter

ADDITIONS	
Fineos Corp Holdings PLC	FCL
Netwealth Group	NWL

REMOVALS	
IPH Limited	IPH
TPG Telecom Limited	TPM

ACTIVELY PROMOTING THE COMPANY

Flagship Investments Limited (FSI) (the Company) is committed to growing the Company and promoting itself to Investors, Financial Advisers, Stockbrokers and Investor Associations across Australia.

During the quarter the Company continued an active presence meeting with Brokers, Advisers and Shareholders in various cities including as exhibitor at SMSF Professionals Days and also presenting and exhibiting at the Australian Investors Association (AIA) Annual Conference in Gold Coast, where Dr Manny Pohl, CIO of the Company's Investment Manager EC Pohl and Co - won the 2019 award of the AIA's "Champion Stock Picker" for his 2018 selection of Afterpay Touch Group Ltd. In the coming quarter the Company will continue its active presence throughout the country.

For further information about these 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 - including if you would like us to present at your Investor function or to visit 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