

# FLAGSHIP INVESTMENTS LIMITED

SHAREHOLDERS' QUARTERLY REPORT

DECEMBER 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 17 September 2020  
4.25 cps paid on 06 March 2020  
4.25 cps paid on 30 August 2019  
4.00 cps paid on 01 March 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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www.flagshipinvestments.com.au

## OVERVIEW

During the quarter, the Flagship Investments Limited (ASX: FSI) Net Tangible Asset Value (NTA), as at 31 December 2020 (before estimated tax on unrealised gains) was 255.1 cents per share, representing a 9.7% increase over the quarter. The share price at 235 cents per share represents a 7.9% discount to NAV, 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 <sup>^</sup>	10.9%	24.0%	19.6%	15.4%	14.4%	13.2%
Bloomberg Bank Bill Index	0.0%	0.4%	1.3%	1.5%	2.4%	3.5%
ASX All Ordinaries	14.0%	0.7%	3.6%	5.1%	3.5%	4.2%
ASX All Ord Accumulation	14.4%	3.6%	7.4%	9.3%	7.9%	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 James Hardie (ASX: JHX) and Nuix (ASX: NLX). James Hardie is focused on Fiber Cement production in the US, with R&D persistently aimed at their manufacturing process which ensures the highest quality product at the lowest price. The US housing market is undersupplied, providing strong industry tailwinds. Nuix is a high-quality Australian technology company with a truly global opportunity set. Driven by an increasing amount and complexity of regulation and data, Nuix has established itself as the gold standard in data processing.

## MARKET COMMENT AND OUTLOOK

2020 was unprecedented, challenging, and full of surprises - the past year will long be remembered as a tumultuous year of change. As the pandemic continued to spread, the speed and severity of lockdowns caused mass disruption to economies, and the resulting government stimulus saw an unprecedented rebound in equities. Globally, the news has been mixed, with the US and Europe seeing rising infections in the last quarter, with these economies losing momentum in their recovery. Despite this, most major economies have survived the pandemic with relatively little long-term economic damage.

In the US, a US\$900 billion stimulus package was announced in late December, with the Federal Reserve continuing its ultra-accommodative policies seeing a continuation of the current levels of quantitative easing. Equity markets responded well to vaccine news, with several vaccines to be made available throughout 2021. With this news, the markets have seen a rotation away from technology-heavy stocks towards more cyclical, defensive, and economically sensitive sectors. The S&P 500 posted +11.7%, the Dow Jones posted +10.2%, and the NASDAQ was up 15.4%.

In Australia, we have fared better than most countries in terms of the spread of COVID, the economic impact, and the ongoing social restrictions. The Reserve Bank of Australia (RBA) has kept interest rates at 0.1% and has continued its \$100 billion quantitative easing program. Governor Philip Lowe noted that the economy is now recovering much faster than expected, with the recovery being dependent on ongoing support from both fiscal and monetary policy.

Performance between sub-sectors was very mixed. The largest performers included Energy up 26.2%, Information Technology up 24.7% and Financials up 21.8%. The detractors included Utilities -7.1%, Health care -1.1% and Industrials +4.6%. The ASX All Ordinaries posted +14.0% for the quarter, and the Small Ordinaries up +13.3%, respectively. The AUD appreciated against most currencies during the quarter, posting +7.4% against the US Dollar (77.0 US cents), +1.6% against the Pound (56.3 pence), and +3.0% against the Euro (63.0 cents).

## PORTFOLIO CHARACTERISTICS (as at 31 December 2020)

NTA (before tax on unrealised gains) – total	\$65,120,194
NTA (before tax on unrealised gains) – per share	255.1 cents
Concentration of the Top 20 Holdings	82.92%
Stocks in the underlying portfolio	27

## 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/)



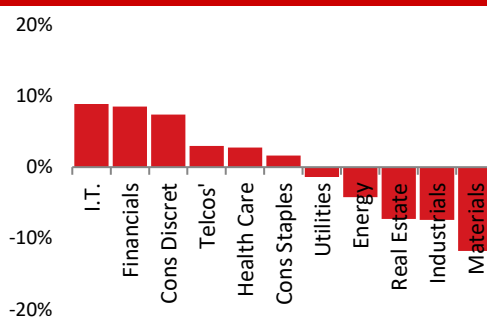
## SECTOR BREAKDOWN

Financials	31.7%
Consumer Discretionary	14.6%
Information Technology	13.7%
Health Care	12.0%
Materials	8.6%
Telecommunication Services	7.7%
Consumer Staples	6.8%
Cash	4.9%
Energy	0.0%
Industrials	0.0%
Utilities	0.0%

## TOP 10 STOCK HOLDINGS

Commonwealth Bank	8.3%
HUB24 Ltd	7.5%
Rio Tinto Limited	6.7%
Macquarie Group Limited	6.1%
ResMed Inc.	5.8%
Corporate Travel Limited	5.1%
Magellan Fin Grp Ltd Ltd	4.3%
CSL Limited	4.3%
Idp Education	3.8%
Costa Group Holdings	3.6%

## ACTIVE SECTOR WEIGHTS to the ALL ORDINARIES



## PORTFOLIO CHANGES during the Quarter

### ADDITIONS

James Hardie Industries	JHX
Nuix Limited	NXL

### 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 Announcements and Reports. A monthly email is sent to subscribers and Shareholders and interested parties can subscribe through the website or emailing the Company 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 (formerly called UBS 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 2020