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Chairman's Address – Annual General Meeting

29 September 2021

CHAIRMAN'S REPORT

Dear Fellow Shareholders,

I am pleased to present the Chairman's Report of Flagship Investments Limited for the 2020-2021 Financial Year. The result for the year is very pleasing given the backdrop of ongoing uncertainty and market volatility caused by the global COVID-19 pandemic. Our investment performance continues to impress and our Net Tangible Assets grew by 29.3% over the year while also paying dividends of 8.5 cents per share.

THE YEAR IN REVIEW

It is remarkable to consider the current market position against the outlook from 12 months ago. Prior to July 2020, we witnessed an unprecedented market decline against the backdrop of the global COVID-19 pandemic. The future prospects of the economy, at home and abroad, relied heavily on development and rollout of vaccines and the ongoing co-ordinated stimulus from the governments and central banks. Understandably, health officials were nervous, businesses were defensive, consumers were cautious and we all braced ourselves for an unknown future.

As the financial year progressed, job keeper and job seeker packages helped maintain employment and targeted stimulus in housing and infrastructure have assisted key areas of the economy with the additional boost as demand for mining output remained high. And, while there was a lot of speculation of what would happen as the stimulus measures were withdrawn, the reality has proven to be that trading returned to sustainable levels and the perceived cliff-face was avoided.

For FSI, the investment performance in the second half of the financial year was not as strong as the first half, however, the full financial year portfolio performance result of positive 40.7% is particularly pleasing. Importantly, it adds to the performance since inception, which is now 13.5%, 9.0 percentage points higher than the ASX All Ordinaries Index over the same period of time.

The ongoing performance of the Company is a direct result of the consistent and disciplined efforts of the Manager. As I have done always, I wish to acknowledge and thank Dr Manny Pohl AM and his team for their disciplined application of the investment process and their reliable stewardship of our assets (which generated such outstanding returns).



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SHAREHOLDERS

As a result of the investment performance, Shareholders have benefited from strong share price appreciation throughout the year. Total Shareholder Return (TSR), which measures the change in the share price and dividends paid over the financial year, was 38.1% (and last financial year it was 7.7%).

Notably, this measure does not include the benefit attached to the dividends of franking credits and LIC Attributable Gains received by Shareholders. This result is also particularly pleasing; in that it provides a reward to our long-term Shareholders and encourages new Shareholders to participate in the Company.

On the 31st of August 2021, FSI launched a Convertible Note Offer. The listed, redeemable, unsecured notes are an invitation for new investors to take an interest in the Company and to provide existing Shareholders with a further avenue to benefit from their ownership in the Company. Importantly, the Convertible Note Offer will provide additional capital to be deployed in accordance with the Company's existing investment mandate and does not immediately dilute existing Shareholders.

The Board fully supports the Convertible Note Offer and is recommending that Shareholders vote in favour of the resolution which will be tabled during our meeting today.

THE BOARD

Finally, I wish to record my appreciation for my fellow Board members for their support and input throughout the past year. In particular, I would like to thank Sophie Mitchell, who will not be standing for re-election at today's AGM. Sophie has been a Director of FSI since 2008 and, given her depth of industry knowledge and experience, has played a vital part in steering the successful strategy of the Company. In her role as Chairman of the Audit and Risk Committee, she has led the oversight of our corporate reporting, governance, risk management and internal control framework. She has been a valuable member of the Board, a consummate professional and a good friend, and we wish her all the best in her future endeavours.

Dominic McGann
Chairman

29 September 2021