



Offer of
Unsecured Convertible Notes
September 2021

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A Prospectus for the offer of securities in FSI will be made available when the securities are offered. Anyone wishing to acquire securities in FSI will need to complete the application form that will be in or will accompany the prospectus.

Offer Details

- Unsecured Redeemable Convertible note
- Total offer size of \$20.0 million
- Offer price of \$2.70
 - Interest rate of 5.50% paid quarterly until Step Up date of 30 September 2024
 - After Step up date (3 years after issue) increases to 6.50% if 2 year Bank Bill Swap rate is above 1.2832%
- 1 Convertible Note converts to 1 ordinary share
- Maturity date of 27 September 2026 (5 years)
- Priority offer to existing shareholders of FSI and Broker Firm Offer

Purpose of the Offer

- Grow the size of the company
- Increase the visibility, recognition and relevance to stockbrokers and financial planners
- Expand the coverage by research houses
- Reduce the MER and ICR ratios by spreading the limited fixed costs of operating the Company across a larger asset base
- Expose the company to a new and a wider pool of investors

Note holder protections

Noteholder exit rights	If a Change of Control Event or a Delisting Event occurs, the Noteholder may require FSI to redeem all of the Notes held prior to the Maturity Date for an amount equal to their Face Value together with any accrued (but unpaid) interest.
Events of Default	Each of the following is an Event of Default in relation to any FSI Notes: (a) (non-payment) (b) (non-issue of Ordinary Shares) (c) (breach of other obligations) (d) (cross default) (e) (insolvency) (f) (unlawfulness) (g) (vitiation)
Financial undertakings	FSI must not, without the approval of Noteholders by way of Special Resolution: (a) make any In-specie Distribution or return of capital to ordinary shareholders; (b) make any other Distribution that would result in an LTV Ratio Event immediately after such Distribution; or (c) incur any Financial Indebtedness other than Permitted Financial Indebtedness.
Permitted Financial Indebtedness	FSI may incur Financial Indebtedness in any of the following circumstances: (a) under FSI Notes issued on the Initial Issue Date; (b) where the Financial Indebtedness is incurred or guaranteed after the Initial Issue Date for the purpose of replacing, refinancing or extending the maturity of any other Permitted Financial Indebtedness; (c) where the Financial Indebtedness does not result in FSI's total Financial Indebtedness exceeding \$35million and also does not result in an LTV Ratio Event in each case immediately after the incurrence of such Financial Indebtedness; or (d) where the Financial Indebtedness has been approved by the Noteholders by way of Special Resolution pursuant to the Meeting Provisions.
Negative pledge	FSI must not create or permit to subsist any Security Interest upon the whole or any part of its present or future assets to secure any Financial Indebtedness other than a Permitted Security Interest, unless in any such case, before or at the same time as the creation of the Security Interest: (a) all amounts payable by FSI under the Notes and the FSI Trust Deed are secured equally and rateably with the Financial Indebtedness; or (b) such other Security Interest is provided in respect of all amounts payable by FSI under the Notes and the FSI Trust Deed as the Trustee shall in its absolute discretion determine to be not materially less beneficial to the interests of the Noteholders as a whole.

FSI Corporate Profile

- FSI commenced operations in April 1998 and is a Listed Investment Company (LIC) quoted on the ASX
- The portfolio is managed by EC Pohl & Co and provides investors with access to an expertly crafted quality portfolio of listed Australian growth companies
- The portfolio of investments comprise investments in capital efficient companies without excessive financial leverage and a sustainable competitive advantage enabling them to expand their economic footprint and maintain these characteristics into the future.
- The proceeds from the FSI notes will be fully incorporated into the FSI Investment Portfolio (\$71.5m as at 30 June 2021) and deployed in accordance with FSI's investment mandate and investment process.

FSI Investment Objectives

The investment objectives of the Company are to:

- achieve medium to long-term capital growth and income through investing in a diversified portfolio of Australian companies;
- preserve and enhance the NTA backing per share; and
- provide FSI Shareholders with a fully franked dividend, which, over time, will grow at a rate in excess of the rate of inflation.

FSI Performance Based Fee Structure

- EC Pohl & Co is only paid a performance fee
- Dividends are paid before fee is determined
- No performance fee is paid until portfolio performance exceeds the cash rate
- The performance fee is calculated and charged annually

FSI Portfolio Performance

Historical Performance to 30 June 2021

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 [^]	13.5%	40.7%	21.2%	18.2%	16.0%	13.5%
Bloomberg Bank Bill Index	0.0%	0.1%	1.0%	1.3%	2.2%	4.1%
ASX All Ordinaries Index	8.1%	26.4%	6.4%	7.4%	5.0%	4.5%
ASX All Ord Accumulation Index	8.7%	30.2%	10.3%	11.5%	9.4%	8.8%

[^] Source: EC Pohl & Co Pty Ltd
Gross performance before impact of fees, taxes and charges. Past performance no predictor of future returns

FSI Comparative Performance

Performance to 30 June 2021[^]

COMPARATIVE PERFORMANCE						
	Market Cap \$m	1 Year Total Return	3 Year Total Return	5 Year Total Return	Prem/Disc to Pre-Tax NTA	Historical Total Distribution Yield ^{^^}
Flagship Investments (FSI)	61.8	41.20%	20.36%	17.51%	-7.7%	3.4%
Clime Capital (CAM)	126.7	31.29%	12.83%	13.56%	-6.3%	4.8%
QV Equities (QVE)	241.3	36.53%	2.45%	4.60%	-9.3%	5.5%
Thorney Opportunities (TOP)	108.1	22.89%	-3.30%	2.46%	-20.2%	3.8%
WAM Capital (WAM)	1923.5	32.57%	7.54%	9.6%	19.0%	7.1%
ASX All Ords Accumulation (XAOAI)	n/a	30.2%	10.3%	11.5%	n/a	n/a

[^] Source: ASX Spotlight – Listed Investment Entities June 30 2021
^{^^} Includes Special Dividends

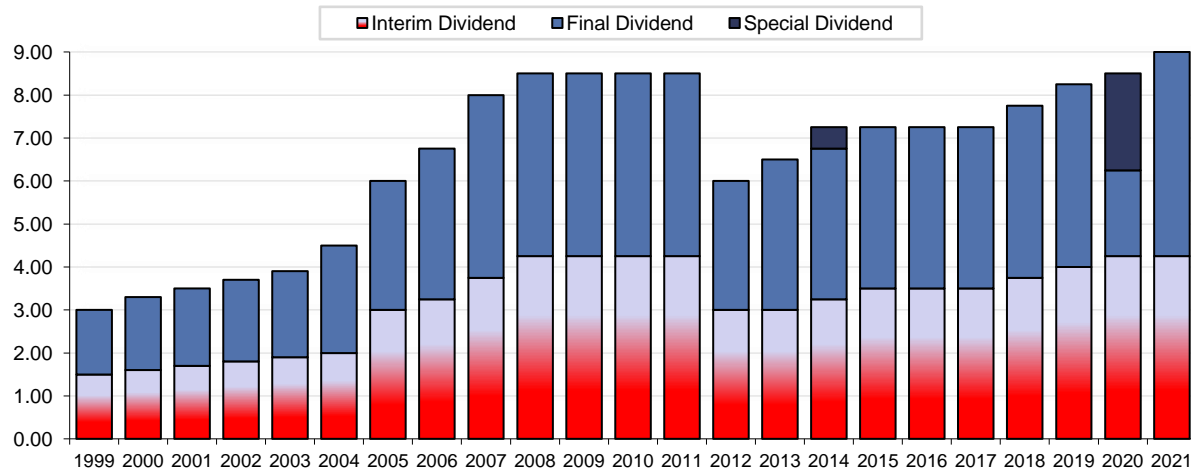
FSI Portfolio Holdings (30 June 2021)

SECTOR BREAKDOWN	
Financials	31.2%
Consumer Discretionary	17.7%
Health Care	15.5%
Information Technology	12.7%
Materials	9.4%
Telecommunication Services	7.0%
Cash	4.0%
Consumer Staples	2.5%
Energy	0.0%
Industrials	0.0%
Utilities	0.0%

TOP 10 STOCK HOLDINGS	
HUB24 Ltd	8.1%
Macquarie Group Ltd	6.3%
Magellan Fin Grp Ltd	5.8%
Rio Tinto Limited	5.4%
Commonwealth Bank	5.4%
CSL Limited	5.4%
ResMed Inc.	5.3%
Domino Pizza Enterprises	4.4%
James Hardie Industries	4.0%
Lovisa Holdings Ltd	3.8%

FSI Historical Dividends

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Dividend	8.50	8.50	6.0	6.5	6.75	7.25	7.25	7.25	7.75	8.25	8.50	9.0
Change %	0.0	0.0	-30.0	8.3	3.9	11.1	0.0	0.0	6.9	6.5	3.0	5.9
CPI	3.1	3.6	1.2	2.4	3.0	1.5	1.0	1.9	2.1	1.6	1.2	n/a



Fund Manager Profile

Independent Boutique

- EC Pohl & Co established in 2012
- 100% staff ownership
- Consistently in first quartile of Morningstar Survey
- Limited available capacity
 - Ex50 soft closed
 - All-cap still open

Best Practice Operations

- World class systems
- GS007 Unqualified Audit Opinion 2021
- No Compliance or Mandate Breaches
- No Regulatory Investigations
- No Legal Proceedings

YTD FUM Growth Waterfall



Committed & Aligned Team

- Outstanding team culture
- No turnover in portfolio management team
- Substantial team product investment
- Incentive based on performance

The Investment Team



Dr Manny Pohl AM

Co-Founded ECP in 2012
Joined Industry in 1989



Andrew Dale CA

Joined ECP in 2014
Joined Industry in 2001



Damon Callaghan CFA

Joined ECP in 2017
Joined Industry in 2011



Jared Pohl MBA

Co-Founded ECP in 2012
Joined Industry in 2006



Sam Byrnes CFA

Joined ECP in 2016
Joined Industry in 2008



Jason Pohl MBA

Joined ECP in 2013
Joined Industry in 2013



Justin Warton BCom

Joined ECP in 2021
Joined Industry in 2015



Justin Breen MASc

Joined ECP in 2021
Joined Industry in 2012

The Manager's Investment Philosophy

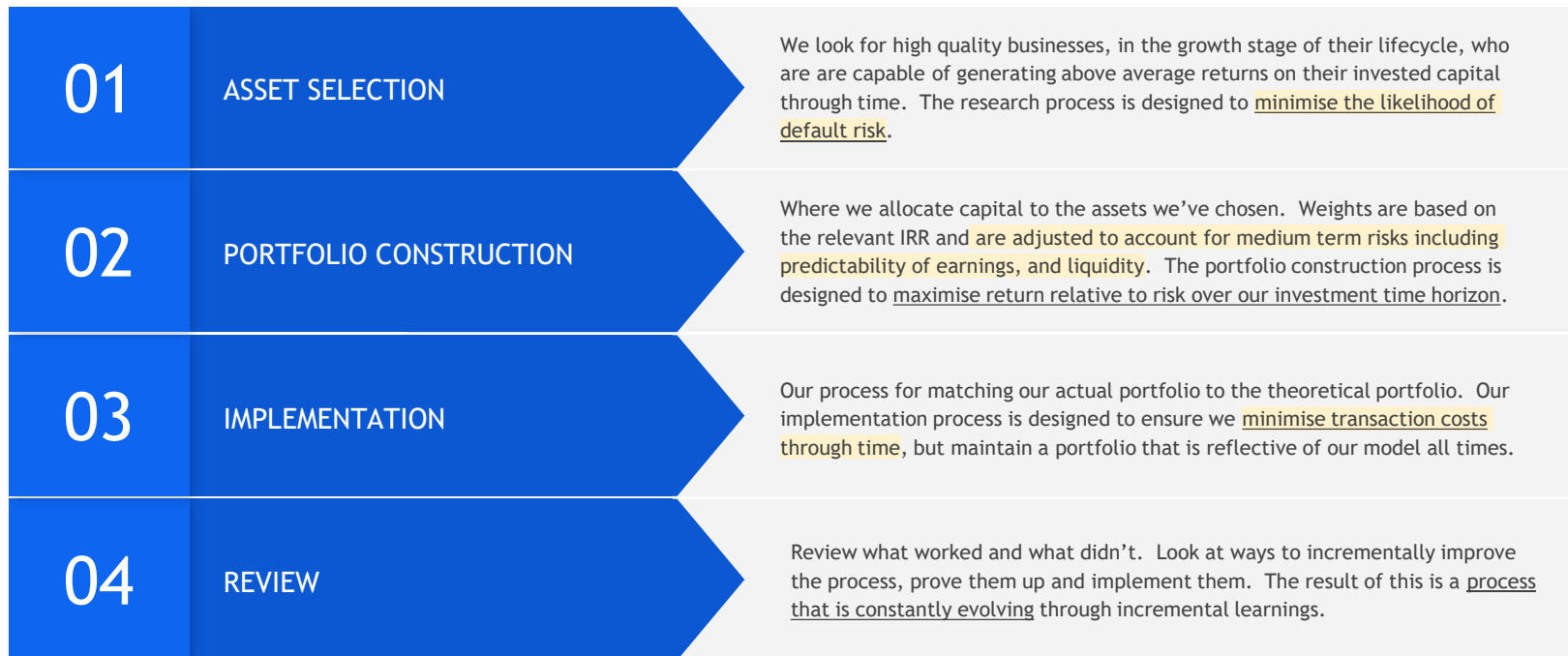
- The economics of a business drives long-term investment returns.

- Investing in **high quality, growth businesses**, that have the ability to generate predictable, above average economic returns will produce superior investment performance over the long-term.

- 1 Valuing potential, not just performance
- 2 Choosing high quality growing businesses
- 3 Ignoring temporary market turbulence



Investment Process & Outcomes



Asset Selection - Redefining Active investing

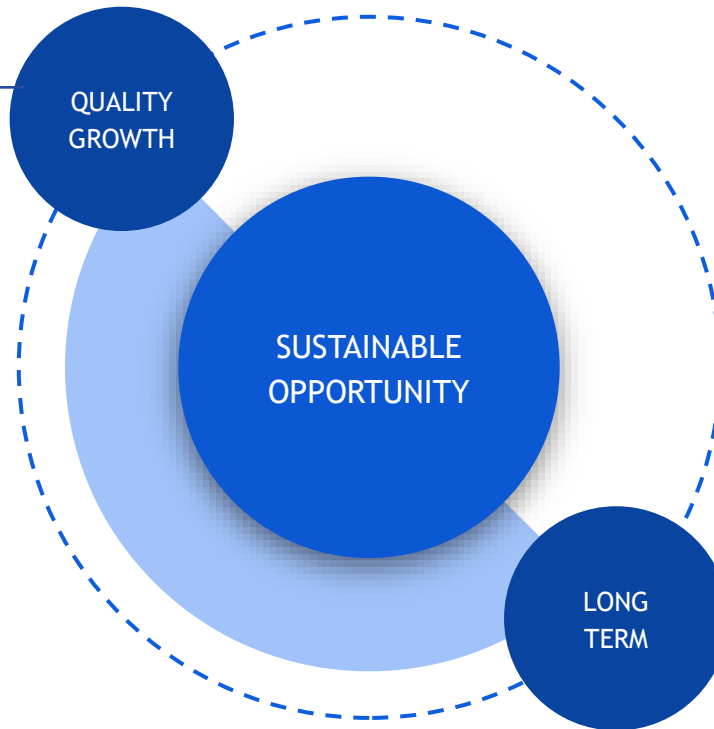
There's no substitute for due diligence.

Through in-depth, detailed analysis, we come to a conclusion as to whether a business is a quality franchise, has a **sustainable competitive advantage**, is operating in a favourable industry and has the appropriate management in place to execute on an appropriate strategy.



THE SIX PILLARS OF A **QUALITY FRANCHISE** ARE INTERDEPENDENT & INTERRELATED

Market Inefficiencies We Exploit



Growth Anomaly

On average the market **undervalues** extremely high-quality, capital efficient, organic growth businesses.

Time Arbitrage

The market tends to **overemphasize** temporary themes and short-term factors.

ESG & Sustainability

Our Quality Franchise framework ensures superior sustainability and stewardship requirements.

We assess Sustainability and Management within two distinct pillars which account for ~40% of our research process.

- The **sustainability pillar** focuses on areas of a business where there may be risk to the predictability of business operations through time. This assists our mitigation of default risk and uncertainty of business expansion.
- The **management pillar** focuses on the trustworthiness of management. This assists our mitigation of uncertainty by reducing the risk of managerial conduct or failure of business strategy execution.

We exclude the following sectors due to ESG issues:

- Gambling
- Pornography
- Weapons / Armaments
- Tobacco
- Thermal Coal*
- Petroleum*
- Old-forest logging*
- Palm Oil*
- Pesticides*

Our relative carbon footprint is low:

- Growth Companies CO2e is **61t** vs 153t
- Emerging Companies CO2e is **8t** vs 168t

ESG & Sustainability

Sustainable Business is Good Business.

ECP is committed to responsible investment and we believe that ESG factors have a material impact on long-term investment outcomes.



Signatory to the Principles of Responsible Investment (PRI)



Supporter of the Task Force of Climate-Related Disclosures (TFCD)



Ownership Matters Proxy Voting (Research)



Ongoing commitment ESG & Sustainable Investing practices

- Recently commissioned carbon and ESG analysis on our portfolios
- Annual Sustainability and Responsible Investment Report
- Climate Active Certification & our own commitment to Net Zero
- Associations/memberships under review (RIAA, Net Zero Asset Managers, Terra Carta)



Benefits to investors

- Reduced share investment risk through a quality investment portfolio
- Top quartile investment performance since inception
- No historical gearing on the balance sheet
- Professional, disciplined management of an investment portfolio by EC Pohl & Co's highly rated and experienced team
- Anticipated continued growth in fully franked dividend income
- No fixed management fees
- the Manager is only remunerated on a performance basis
- 1:1 Conversion ratio of notes to shares

Indicative Timetable

Event	Date
Priority Offer Record Date	27 August 2021
Announce offer and lodge prospectus	30 August 2021
Notice of Meeting issued to shareholders	30 August 2021
Offer opens	7 September 2021
Offer closes	24 September 2021
AGM of shareholders	29 September 2021
Issue of convertible notes	1 October 2021



FLAGSHIP
INVESTMENTS