

Flagship Investments Limited

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14 June 2016

The Manager
Company Announcements Office
ASX Ltd
Exchange Centre
Level 6
20 Bridge Street
SYDNEY NSW 2000

Dear Sir

Retail Presentation – FSI as at 14 June 2016 – Additional Information

Attached is a revised retail presentation including additional slides. This will be presented on Wednesday 15 June 2016 and Thursday 16 June 2016 to various Brokers by the Investment Manager of Flagship Investments Limited.

Yours sincerely



Brian Jones
Company Secretary



ECP Asset Management

BST and FSI Year-end Update 2016-6-10

Overview



Barrack St Investments Limited



FLAGSHIP
INVESTMENTS

Our two listed investment companies, Barrack St Investments (BST) and Flagship Investments (FSI) offer investors an opportunity to invest in a portfolio of quality ASX listed companies managed by a disciplined and experienced investment manager whose objectives are to:

- ❖ achieve medium to long-term capital growth and income;
- ❖ preserve and grow the NAV per share; and
- ❖ provide shareholders with a fully franked dividend, which, over time will grow at a rate in excess of the rate of inflation.

They differ as follows:

- ❖ FSI may invest in any listed company; and
- ❖ BST is restricted to only invest in small and mid-cap ASX listed companies (EX50).



ECP Asset Management

ECPAM Brand Promise

1. We are buyers of quality businesses not share traders.
2. We will not diversify to cover up for poor due diligence; and
3. We will not speculate to generate excess returns for our clients.



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.

A disconnect exists between price and value, which requires discipline in the price paid for earnings. The combination of purchase discipline, and the appropriate investment due diligence, is crucial to ensuring long-term investment success for our clients.



We're disciplined growth managers, with a focus on quality.

Our investment process is based primarily on two hypotheses about market inefficiencies:

- ❖ On average the market undervalues extremely high quality, capital efficient, organic growth businesses; and
- ❖ The market tends to over-emphasize temporary themes and short-term factors.



A Fully Aligned Investment Team

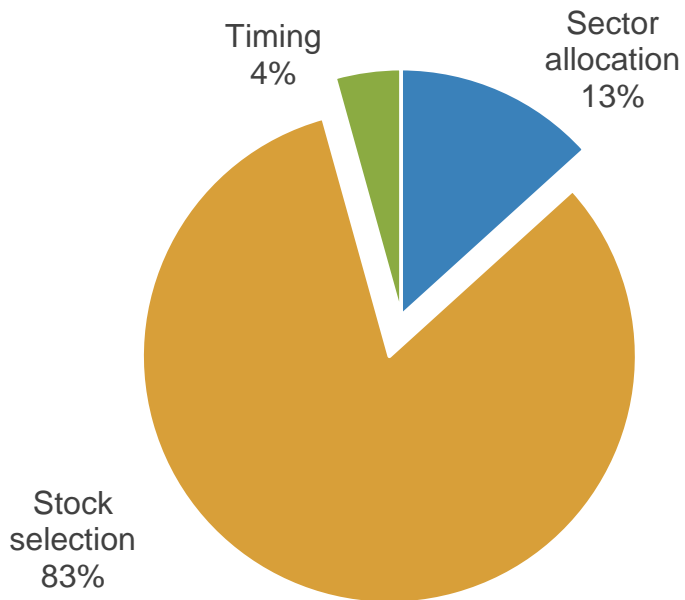



Jared Pohl	Andrew Dale	Dr Manny Pohl	Jason Pohl	Daniel Broeren
BCom. BIT. MBA	BCom. CA	B.Sc(Eng). MBA. DBA	BCom. LLB	BBus. BEng. M.Acc
Years in Industry: 10+ Years at ECPAM: 3+	Years in Industry: 15+ Years at ECPAM: 1+	Years in Industry: 30+ Years at ECPAM: 3+	Years in Industry: 2+ Years at ECPAM: 1+	Years in industry: 10+ Years at ECPAM: < 1



Alpha Attribution (BST)

We are proven stock pickers!





Interim update

Half-Year Snapshot

- ❖ The All Ordinaries Index declined by 2.0% while:
 - The FSI (All Cap) portfolio increased by 12.6%; and
 - The BST (EX50) portfolio increased by 29.7%.
- ❖ Pat Corrigan retired from the FSI Board and was not replaced
- ❖ FSI Expenses reduced by removing duplicate structures
- ❖ Both companies declared interim dividends of:
 - FSI – 3.5 cps (3.5cps)
 - BST – 1.0 cps (0.5 cps)



December Quarter Summary

- ❖ Financial markets once again exhibited increased volatility on uncertainty around the global economic outlook and U.S. and European economic policy pronouncements and as the appetite for risk diminished.
- ❖ Overall monetary policy remains remarkably accommodative.
- ❖ The short-term profit results and outlook statements were generally positive for our companies.
- ❖ The online stocks continued to performed well on the back of strong organic sales growth.
- ❖ The portfolios under-performed the broader market as the materials and bank stocks rebounded



Performance of market cap segments since 2001

Year-end	All Ords	Small cap	Mid cap	Large cap
Size Range	\$0-\$133bn	\$0-\$1bn	\$1bn-\$8bn	\$8bn-\$133bn
Dec-01	10%	11%	16%	11%
Dec-02	-8%	-10%	5%	-10%
Dec-03	16%	12%	23%	12%
Dec-04	28%	27%	43%	26%
Dec-05	21%	20%	23%	23%
Dec-06	25%	34%	26%	23%
Dec-07	18%	17%	17%	16%
Dec-08	-40%	-53%	-46%	-36%
Dec-09	40%	57%	36%	36%
Dec-10	3%	13%	4%	0%
Dec-11	-11%	-21%	-16%	-9%
Dec-12	19%	7%	13%	22%
Dec-13	20%	-1%	17%	22%
Dec-14	5%	-4%	13%	5%
Dec-15	4%	10%	11%	1%
YT May-16	4%	8%	12%	2%
Years the best		4	6	5
Minimum	-40%	-53%	-46%	-36%
Maximum	40%	57%	43%	36%

- Small and mid caps:
 - Outperformed in 67% of years
 - Have significantly greater variance of returns (tendency for higher highs and lower lows) –timing entry is very important
- **ECPAM objective** - to identify well managed, high growth, small cap companies that will become mid and large caps over time



BST & FSI Metrics (10 June 2016)

BST(EX 50)

- Share Price 94 cents
- NTA 117 cents
- Discount 19.7%
- Dividend Yield 1.6%

FSI (All Cap)

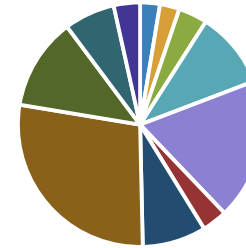
- Share Price 148 cents
- NTA 185 cents
- Discount 20.0%
- Dividend Yield 4.9%



Portfolio Holdings (31 March 2016)

Company	Weight
Macquarie Group	7.23
REA Group	6.14
Commonwealth Bank of Australia	5.96
Catapult Sports	5.49
Telstra	5.34
Westpac Banking Corp	5.06
CSL	5.05
Seek	4.92
Carsales.com	4.33
Catapult Sports	4.22

GICS Sectors



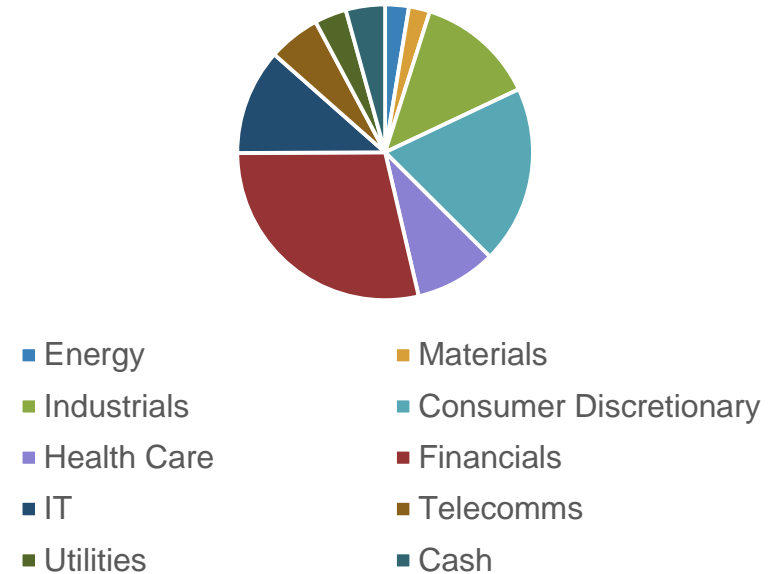
- Energy
- Utilities
- Materials
- Industrials
- Consumer Discretionary
- Consumer Staples
- Health Care
- Financials
- IT
- Telecomms
- Cash



Portfolio Holdings (10 June 2016)

Company	Weight
Macquarie Group	7.7
REA Group	6.1
Commonwealth Bank of Australia	5.9
CSL	5.5
Telstra	5.4
Westpac Banking Corp	5.0
IPH	4.7
Seek	4.6
Catapult Sports	4.4
Carslaes.com	4.4

GICS Sectors



Portfolio Performance



Historical Performance to 31 May 2016*

Product (% change)	3m	1 year	3 Years	5 Years	10 Years	Inception (May 1998)
FSI Portfolio	9.29	9.53	14.32	13.47	9.66	12.40
S&P ASX All Ords	10.10	-5.66	3.50	2.61	0.92	3.93
Alpha	-0.81	15.19	10.82	10.86	8.74	8.47

*All returns are gross of fees and charges. Excess returns are calculated against the S&P ASX All Ordinaries Index. Returns greater than one year are expressed as per annum.



ECP Asset Management

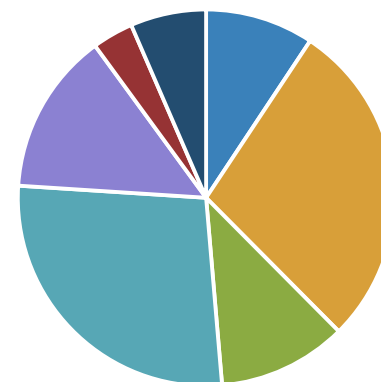
Portfolio Holdings (31 Mar 2016)



Barrack St Investments Limited

Company	Weight
IPH	9.32
Sirtex Medical	8.52
Magellan Financial Group	8.27
Blue Sky Alternatives	7.38
Trade Me Group	6.62
Carsales	6.27
Austbrokers	5.96
REA Group	5.89
Cover-more	5.78
Catapult Sports	5.64

GICS Sectors



- Industrials
- Health Care
- IT
- Cash
- Consumer Discretionary
- Financials
- Telecomms



ECP Asset Management

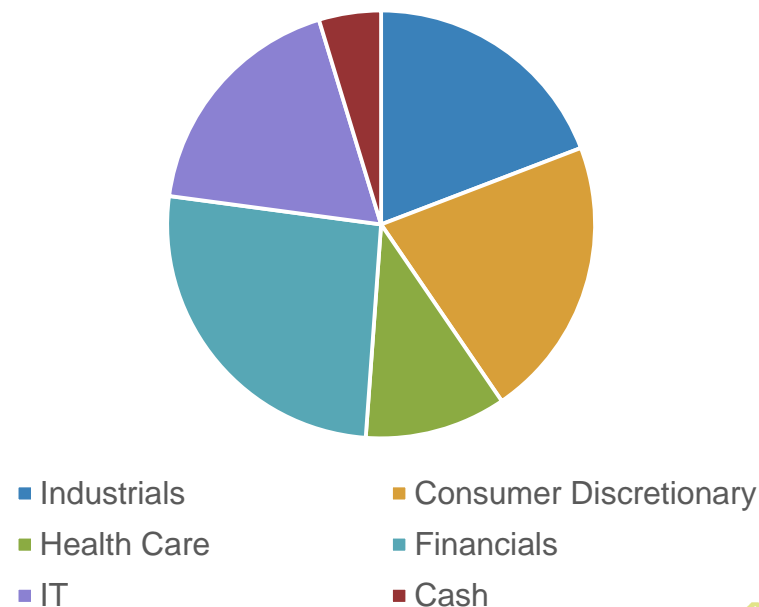
Portfolio Holdings (10 June 2016)



Barrack St Investments Limited

Company	Weight (%)
IPH	12.0
BT Investment Management	9.7
Magellan Financial Group	8.4
Trade Me Group	8.4
Sirtex Medical	7.9
Aconex	7.7
REA Group	7.6
Carsales	6.9
Reliance Worldwide	4.8
Covermore	4.2

GICS Sectors



ECP Asset Management

Portfolio Performance



Barrack St Investments Limited

Historical Portfolio Performance to 31 May 2016*

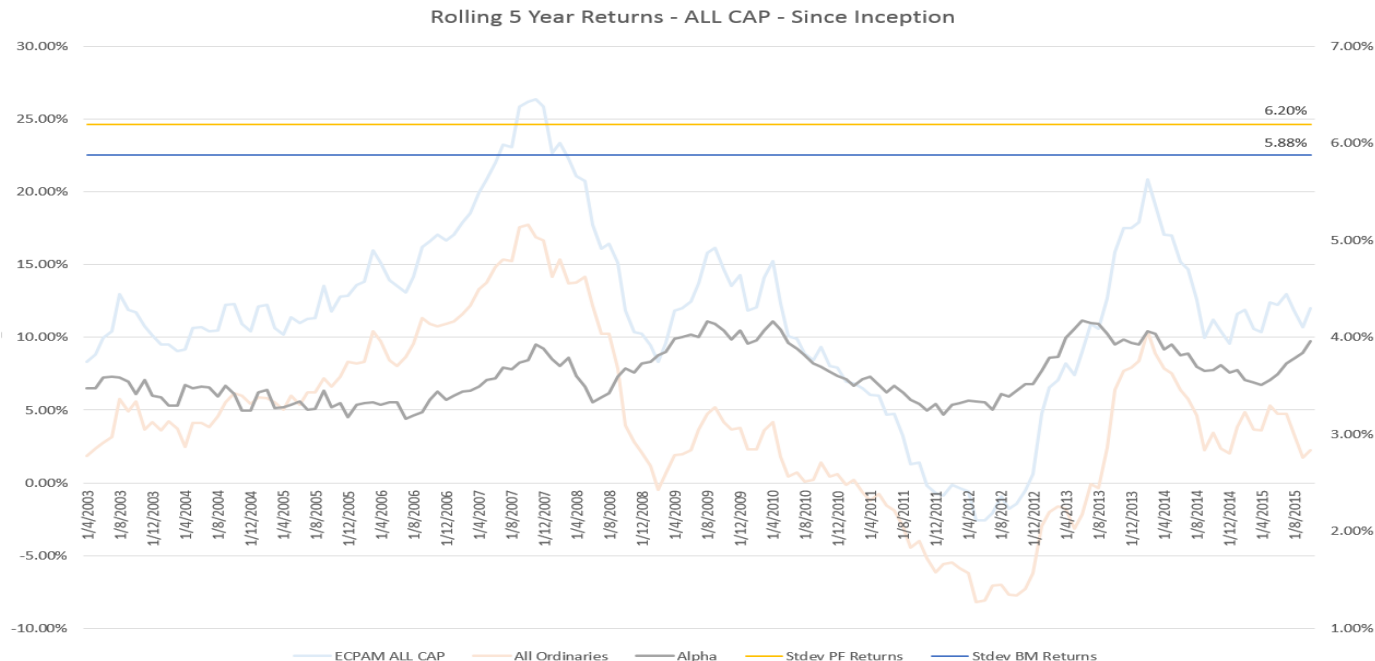
Product (% change)	3m	1 year	Inception (August 2014)
BST	9.16	24.60	19.32
S&P ASX All Ords	10.10	-5.66	-1.85
Alpha	-0.94	27.26	21.17

*All returns are gross of fees and charges. Excess returns are calculated against the All Ordinaries Index. Returns greater than one year are expressed as per annum.



ECP Asset Management

Rolling 5 Year Volatility*



We've managed to deliver rolling 5 year volatility that is in line with the market (since inception), while delivering significant alpha over the same time frame.

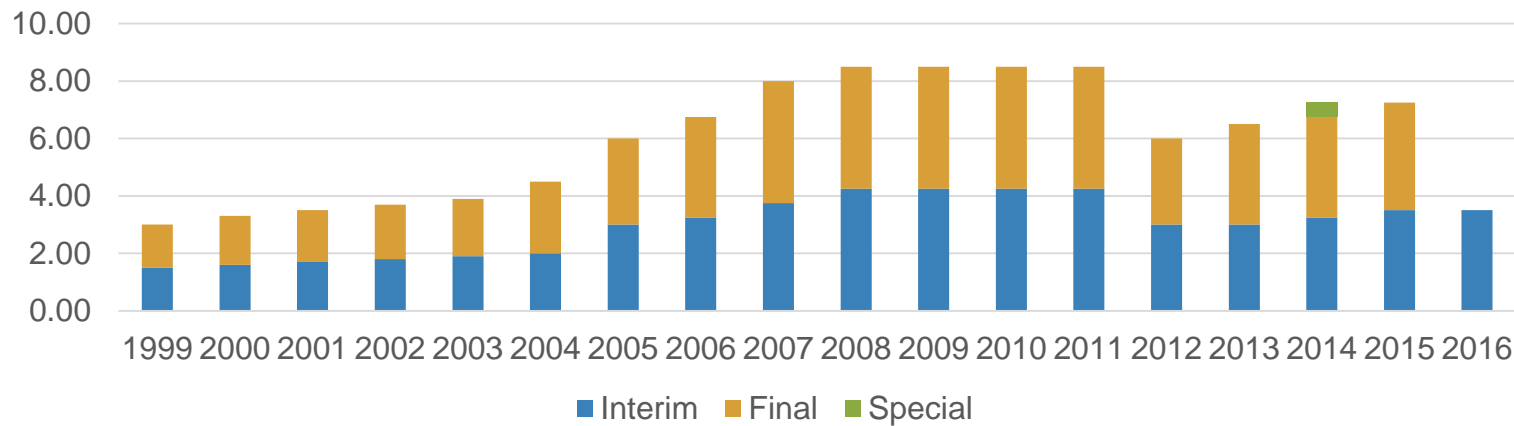
*ECPAM All Cap



FSI Historical Dividends

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Dividend	4.5	6.0	6.75	8.00	8.50	8.50	8.50	8.50	6.0	6.5	7.25*	7.25
Chg %	15.4	33.3	12.5	18.5	6.25	0.0	0.0	0.0	-30.0	8.3	3.8	11.1
CPI	2.50	2.50	4.00	2.10	4.50	1.50	3.10	3.60	1.20	2.20	2.90	1.6

* Including special dividend



Divestments from the portfolios

Large Cap Stocks

- ❖ AMP
- ❖ Woolworths

EX 50 Stocks (from both FSI and BST)

- ❖ Platinum Asset Management
- ❖ BigAir

Only from BST

- ❖ Invocare
- ❖ ARB Corporation



Additions to the portfolio

Magellan Financial Group

Baby Bunting

PWR Holdings

BT Investment Management

Reliance Worldwide

Silverchef





Future performance

Portfolio overview

- The small and mid cap stocks had a huge tailwind in the first six months which was reversed in the first quarter of the year as the oversold large caps corrected
- Quality IPO's have continued to provide new blood for the portfolio.
- Debt levels remain low across the portfolio.
- The price to prospective return gap has narrowed as a result of the excellent performance of the stocks and is reflected in the current forecast IRR for the various portfolios.



Portfolio Prospects

5 YEAR IRR (Pre Franking)

Broad Cap (FSI)	+12.4%
EX50 (BST)	+13.3%

PE Expansion

Broad Cap (FSI)	-11%
EX50 (BST)	-18%

Dividend Yield

Broad Cap (FSI)	+3.4%
EX50 (BST)	+2.2%

5 YEAR DPS Growth

Broad Cap (FSI)	+9%
EX50 (BST)	+12%



Disclaimer

This communication is not a securities recommendation.

Any person considering action on the basis of this communication must seek out individual advice relevant to their particular circumstances and investment objectives.

Past performance is no guide for future performance.

