

Flagship Investments Limited
ABN 99 080 135 913
ASX: FSI

DIVIDEND INFORMATION

(Cents per share, fully franked)

4.75 cps paid on 26 August 2022
4.50 cps paid on 24 February 2022
4.75 cps paid on 20 August 2021
4.25 cps paid on 05 March 2021

OBJECTIVE

Long-term capital growth and income

STRATEGY

High-conviction portfolio of quality Australian listed equities from a research driven, bottom-up investment philosophy

INVESTMENT PHILOSOPHY

- ◆ High quality growth companies outperform over the longer term
- ◆ Investments should outperform the risk-free rate
- ◆ The price one pays determines the ultimate long-term return

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

NTA (Before Tax on Unrealised Gains)	Share Price	Full Year Dividend	Dividend Yield
\$2.043	\$1.890	9.25cps	4.89%
Figures as at 31 December 2022. Dividend yield based on prior 12 months of dividends paid divided by closing share price at 31 December 2022.			

INVESTMENT ACTIVITY

During the quarter, no new positions were added to the portfolio, however we removed Costa Group (ASX: CGC) from the portfolio. Costa Group was removed from the portfolio due to the CEO leaving the company, following continued changes in leadership. **Having change in key leadership presents issues in our conviction in the predictability of execution of the long-term strategy.**

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 [^]	6.2%	-17.6%	6.0%	10.4%	12.7%	11.9%
Bloomberg Bank Bill Index	0.7%	1.3%	0.5%	1.0%	1.7%	3.8%
ASX All Ordinaries Index	8.1%	-7.2%	2.0%	3.2%	4.5%	4.0%
ASX All Ord Accumulation	8.8%	-3.0%	5.8%	7.2%	8.8%	8.2%
[^] Source: EC Pohl & Co Pty Ltd Gross performance before impact of fees, taxes and charges. Past performance no predictor of future returns						

MARKET COMMENT AND OUTLOOK

By year end, equity markets closed off a tough year with some gains posted in Q4. The relaxation of China's zero-Covid policy saw regional markets perform well, while Europe and the US advanced strongly. Globally, central banks reiterated plans to tighten monetary policy, despite some early signs that inflation may be peaking.

In the US, equity markets performed on the back of strong corporate earnings in most sectors. Investors continued to balance the Federal Reserve's (Fed) cautious stance with the expectation that the pace of tightening would slow. Inflation for the year remained elevated at 7.1%, however, some expect that inflation may be cooling. The Fed raised the funds rate by 50bps to 4.25%-4.5% during its last monetary policy meeting of 2022, pushing borrowing costs to the highest level since 2007. The S&P500 increased by 7.1%, while the Nasdaq posted -1.0% over the quarter.

In Europe, equities performed strongly driven by energy, financials, industrials, and consumer discretionary sectors. In the Eurozone, inflation averaged 8.4% in 2022, however, falling gas prices due to unusually mild weather helped alleviate some cost pressures by year end. The European Central Bank (ECB) raised interest rates by 50 bps, taking the deposit facility to 2%, and the refinancing rate to 2.5%, a level not seen in fourteen years. The FTSE increased by 8.1%, the CAC 12.4%, and the DAX by 14.9%.

In Asia, the relaxation of China's zero-Covid policy saw regional markets perform well, with China, Hong Kong and Taiwan all posting strong growth. Additionally, the meeting between US President Biden and Chinese leader Xi Jinping paved the way for improving US-China relations. In Japan, corporate earnings were strong following the Yen's weakness, with many companies pursuing share buybacks indicating optimistic business confidence. The Shanghai Composite posted 2.1%, the Hang Seng 14.9%, and the Nikkei was 0.6%.

In Australia, even though the market declined by -3.5% in December, it remained in positive territory over the quarter. The Reserve Bank of Australia (RBA) hiked interest rates by 25bps to 3.1% as widely expected at their December meeting. The unemployment rate remained stable at 3.4% while the participation rate moved higher to 66.8%. While the savings rate has dropped from 8.3% to 6.9%, it remains above long-term averages meaning there remains some support against expected higher living costs.

The ASX All Ordinaries posted +8.1% for the quarter, ASX 200 +8.7%, the Midcap 50 +6.7%, and the Small Ordinaries was +7.0%, respectively. The AUD performed well during the quarter, posting a 6.5% against the US Dollar (68.0 US cents), -1.7% against the Pound (56.3 pence), and -2.5% against the Euro (63.7 cents).

FUND MANAGER

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EC.POHL
& CO



RATINGS

- Independent Investment Research
– Recommended¹

DIRECTORS

Dominic M McGann
Non-Executive Chairman

Dr Emmanuel (Manny) C Pohl AM
Managing Director

Angela Obree
Non-Executive

COMPANY SECRETARY

Scott Barrett

COUNTRY WHERE LISTED

Australian Securities Exchange:
December 2000

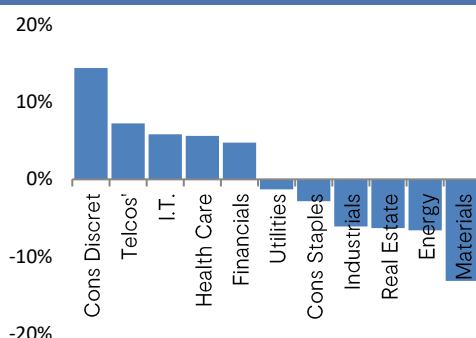
SECTOR BREAKDOWN

Financials	29.8%
Consumer Discretionary	19.9%
Health Care	14.4%
Materials	11.3%
Telecommunication Services	11.1%
Information Technology	8.8%
Cash	4.7%
Consumer Staples	0.0%
Energy	0.0%
Industrials	0.0%
Utilities	0.0%

TOP 10 STOCK HOLDINGS

Rio Tinto Limited	7.0%
HUB24 Ltd	6.8%
Commonwealth Bank	6.5%
GQG Partners	6.2%
Macquarie Group Ltd	5.8%
Lovisa Holdings Ltd	5.8%
Domino Pizza Enterprises	4.9%
CSL Limited	4.4%
SEEK Limited	4.4%
James Hardie Indust	4.3%

ACTIVE SECTOR WEIGHTS to the ALL ORDINARIES



PORTFOLIO CHANGES during the Quarter

ADDITIONS

Nil

REMOVALS

Costa Group Holdings

CGC

ACTIVELY PROMOTING THE COMPANY

Flagship Investments Limited remains visible in the digital spectrum and through multiple mediums with industry participants, Investor Associations and its Shareholders. During the quarter the Company met with and presented to various Brokers, Researchers and Financial Advisers. New interviews with the Company and Stockbrokers can be found on the Company website, Youtube and social media pages.

For further information including about other upcoming events, please contact the Company at +61 7 5644 4405 or toll-free 1800 FLAGSHIP (352 474), or via email contact@flagshipinvestments.com.au including if you would like a representative to present to you, at an investor function or your office.

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.
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	Connect National Audit 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 2022