

Flagship Investments Limited
ABN 99 080 135 913
ASX: FSI

DIVIDEND INFORMATION

(Cents per share, fully franked)

4.75 cps paid on 23 February 2023
4.75 cps paid on 26 August 2022
4.50 cps paid on 24 February 2022
4.75 cps paid on 20 August 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
\$2.08	\$1.66	9.5 cps	5.72%
As at 30 June 2023. Dividend yield based on prior 12 months of dividends paid divided by closing share price at 30 June 2023.			

INVESTMENT ACTIVITY

During the quarter, no positioned were added or removed from our portfolio.

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 [^]	0.5%	15.4%	8.6%	10.1%	12.2%	11.9%
Bloomberg Bank Bill Index	0.9%	2.9%	1.0%	1.2%	1.7%	3.8%
ASX All Ordinaries Index	0.4%	9.7%	7.2%	3.3%	4.5%	4.0%
ASX All Ord Accumulation	1.0%	14.8%	11.4%	7.3%	8.8%	8.3%

[^] 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

Global shares experienced gains in the second quarter, with developed markets, particularly the US, leading the way while emerging markets lagged. Technology stocks were boosted by enthusiasm over Artificial Intelligence (AI). Central banks adopted a more hawkish stance, causing market expectations to fluctuate between rate cuts and potential rate hikes in 2023, with most banks raising interest rates during the period. Inflation and employment rates varied across regions. Government bond yields rose, resulting in falling prices.

In the US, the quarter started with concerns about fragility in the U.S. banking system and contagion risk. These worries subsided as the banking fallout was contained, but there are ongoing concerns about the impact of commercial real estate valuations on bank balance sheets. Equities ended the quarter higher, with most gains occurring in June. The economy showed resilience despite higher interest rates, with Q1 GDP growth revised to 2% from the previous estimate of 1.3%. The Federal Reserve raised rates by 25 bps in May and predicted two further rate rises in 2023. The S&P500 increased by 8.3%, while the Nasdaq posted +12.8% over the quarter.

In Europe, equities saw gains in Q2, led by the financials and IT sectors. Semiconductor stocks were boosted by higher-than-expected sales projections and the growth potential of AI. Both the European Central Bank and the Bank of England raised interest rates twice during the quarter. UK equities fell over the quarter, with energy and basic materials groups being the main detractors due to weak commodity prices and concerns about the Chinese economy. The FTSE posted -1.3%, the CAC +1.1%, and the DAX by +3.3%.

In Asia, Japanese shares showed strong momentum, supported by yen weakness, foreign investment, and positive economic data. However, Asia ex Japan equities faced challenges due to a cooling Chinese economy and rising interest rates. China, Malaysia, and Thailand being the worst-performing markets in the region, with China's economic rebound cooling down, affecting factory output due to lacklustre consumer spending and weak demand for exports following interest rate rises in the US and Europe. The Shanghai Composite posted -2.2%, the Hang Seng -7.3%, and the Nikkei +18.4%.

In Australia, the Reserve Bank of Australia (RBA) raised the cash rate by 25 bps in June, to 4.1%, which saw a total increase of 375 bps over the year. While the RBA's intention to continue raising rates is clear, the impact on consumers is yet to be fully felt. Consumer spending continues to perform well, despite consumer confidence being significantly weaker since 2021. Despite mixed consumer sentiment, the labour market and wage growth are showing resilience. In May, 76,000 jobs were added, leading to a drop in the unemployment rate to 3.6%. Interestingly, the housing market is showing early signs of a turnaround, despite expectations for further rate hikes. Traditionally, house prices tend to increase when the central bank cuts rates.

The ASX All Ordinaries posted +0.4% for the quarter, ASX 200 +0.4%, the Midcap 50 +4.2%, and the Small Ordinaries was -1.0%, respectively. The AUD struggled during the quarter, posting a -0.3% against the US Dollar (66.6 US cents), -3.2% against the Pound (52.5 pence), and -1.0% against the Euro (61.1 cents).

FUND MANAGER

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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

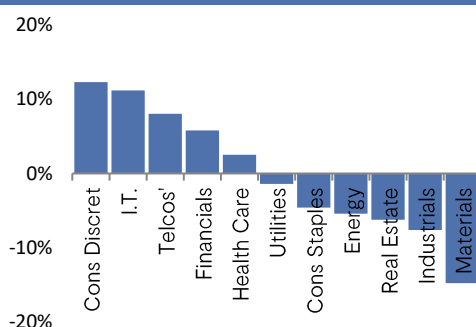
SECTOR BREAKDOWN

Financials	31.0%
Consumer Discretionary	18.5%
Information Technology	14.1%
Telecommunication Services	12.4%
Health Care	11.5%
Materials	10.0%
Cash	2.5%
Consumer Staples	0.0%
Energy	0.0%
Industrials	0.0%
Utilities	0.0%

TOP 10 STOCK HOLDINGS

Rio Tinto Limited	6.8%
GQG Partners	6.2%
HUB24 Ltd	5.5%
Domino Pizza Enterprises	5.2%
Commonwealth Bank	4.9%
Carsaes.Com Ltd	4.9%
Macquarie Group Ltd	4.8%
IDP Education Ltd	4.8%
SEEK Limited	4.4%
CSL Limited	4.1%

ACTIVE SECTOR WEIGHTS to the ALL ORDINARIES



PORTFOLIO CHANGES during the Quarter

ADDITIONS

Nil

REMOVALS

Nil

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 as well as participated in the SMSF Professionals Days in Melbourne and Sydney. New articles and interviews 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 2023