



FLAGSHIP

INVESTMENTS

99 080 135 913

Chairman's Address – Annual General Meeting

07 November 2024

Fellow Shareholders, Friends and Colleagues,

FY2024

First up, I would like to give a brief recap of the performance from FY2024, as shared in our Annual Report. The FSI portfolio performed very well during the financial year and delivered a positive return of 29.0%. In doing so, FSI outperformed the ASX All Ordinaries Index by 20.7 percentage points. This adds to FSI's sustained long-term performance, which is 12.5% since inception, compared to the ASX All Ordinaries Index which has returned 4.2% per annum over the same period.

One of the key objectives of FSI is to provide Shareholders with a fully franked dividend that will grow at a rate more than the rate of inflation and provide income for our Shareholders as a reward for their investment. FSI has maintained this commitment growing the dividend at a rate of 4.8% per annum compared to CPI annual growth rate of 2.8%.

The portfolio performance achieved in FY2024 also allowed the Board to increase the interim dividend by 3.2% to 4.9 cps, and to increase the final dividend to 5.2 cps. This makes the total FY24 dividend 10.1 cps, a 4.7% increase on the prior year and a 5.2% yield on the closing share price at 30 June 2024. Additionally, FSI is able to maintain this dividend level for many years, given the existing retained earnings and franking account balance.

Convertible Notes

For holders of the FSI Convertible Notes, the bank bill hurdle was met and therefore the interest rate stepped up to 6.5% per annum. The convertible notes remain "out of the money" based on the current FSI share price, and with two years to maturity it might be a stretch to stimulate material conversion. Importantly, the Board maintains that growing the size of FSI is an important strategic objective and it will consider all options to achieve growth without diluting existing Shareholders.



Outlook

In the current financial year, the ASX continues to achieve new highs, while our portfolio continues to deliver outperformance. As at the end of October 2024, portfolio performance is positive 9.8% compared to the ASX All ordinaries Index of positive 5.1%. The Australian economy appears to be slowing with poor productivity and inflation is moderating. However, given recent events, it is still difficult to forecast when the RBA might follow its international contemporaries and lower rates.

The FSI portfolio contains quality growth companies that have a fundamental sustainable competitive advantage that allows them to thrive in challenging times compared to their peers. Given the economic back-drop, including a tight labour market, inflation driven cost pressures and sustained high interest rates, it is these companies that are able to maintain earnings and profit margins to deliver superior investment performance. On behalf of Shareholders, I wish to thank Dr Manny Pohl and the team at EC Pohl & Co for their stewardship of FSI's portfolio.

Finally, I wish to record my appreciation for my fellow Board members for their support and input throughout the past year. The commitment from our Board ensures the best interests of Shareholders are managed and protected as we continue to grow FSI for the benefit of all Shareholders

Thank you for your time, and your ongoing support of Flagship Investments Limited.

Dominic McGann
Chairman

7 November 2024