



FLAGSHIP
INVESTMENTS

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Chairman's Address – Annual General Meeting

06 November 2025

Fellow Shareholders, Friends and Colleagues,

FY2025

As shared in our Annual Report, the FSI portfolio underperformed during the financial year and delivered a positive return of 5.0%, which is 4.5 percentage points below the ASX All Ordinaries Index Return of 9.5%. Importantly, the underperformance does little to impact the long-term track record of a positive 12.2% per annum since inception as compared with the ASX All Ordinaries Index Return of 4.3% over the same period.

While all participants have been subject to the turbulence of the market, the FSI portfolio was impacted very specifically by negative movements in IDP Education (IEL.ASX) and CSL (CSL.ASX) that were exposed to the fluctuating trade policies issued by the US. Dominos Pizza Enterprises (DMP.ASX) was the other main detractor where weak earnings results, leadership changes and sluggish sales momentum had a major impact on investor confidence.

As mentioned above, recurring headlines through 2025 have focused on the US trade policies, international political posturing and deal negotiation. While it seems the momentum is generally positive, it has created a back drop of uncertainty and volatility in certain sectors of the global markets – unless you happen to mention Artificial Intelligence (AI).

AI has been a major topic in the public debate and has led to some significant gains in AI-linked stocks. So much so that some pundits suggest we are in an AI bubble, pointing out the intertwining relationships of the major players. However, as noted in our Annual Report, at an investment level, it appears some companies are chasing AI because they feel they must, while others are quietly embedding it into workflows in ways that genuinely improves internal productivity and/or customer experience. In this instance, it is important to look past the hype and really understand the competitive advantages being developed within the business. As always, this will be the focus of FSI and our Investment Manager, EC Pohl & Co.



Fully Franked Dividends

FSI has maintained a growing fully franked dividend during the year. The interim dividend paid in February 2025 of 5.1cps plus the Final dividend paid in August 2025 of 5.25cps represented a 2.5% increase on the prior year and leaves sufficient reserves for future payments. The total annual dividend of 10.35cps represents a yield of 4.95% based on the closing share price as at 30 September 2025, and is a tangible benefit for yield-seeking investors.

I would like to take this opportunity to remind Shareholders of the FSI Dividend Reinvestment Plan. The DRP is an opportunity to acquire shares in lieu of a cash dividend payment. For Shareholders, this can be a convenient way of regularly increasing their investment and making use of the power of compounding for their long-term benefit.

Investment in the ECP Private Growth Fund

Later in the proceedings we shall be asking Shareholders to vote on a capital commitment in the ECP Private Growth Fund. The capital commitment is a way of ensuring FSI is afforded an opportunity to consider investment in pre-IPO companies; and can determine an appropriate investment size with regards to the offer and other opportunities available. The ECP Private Growth Fund is a strategic vehicle aligned with the investment philosophy of FSI but targeting private companies that have an intention to list within 12 to 36 months. The potential investee companies are not limited to specific industries; however, they must demonstrate the similar high-quality metrics that are used by our Manager in assessing listed equity investments. The Board believes that selectively investing in these private companies will give FSI a performance edge over the long term, realising both the upside of the IPO event and access to pre-IPO stock to increase our investment if appropriate. I look forward to discussing this further when we come to this agenda item.

Portfolio Outlook

The investment philosophy of the Manager is based on the belief that the economics of a business drives long-term investment returns. By focusing on finding great businesses: those with high returns on capital, that invest with a long-term mindset and allocating capital to the best value amongst high conviction ideas, we can maximise the likelihood of outperformance. In discussions with our Manager, the recent improvement in the P/E ratings of the companies from recent lows and the strong short-term financial metrics for the companies in the portfolio, including organic sales growth, earnings and dividend growth, gives us confidence in the outlook and should provide the impetus for a handsome improvement in future valuations and dividend payments.



I wish to record my appreciation for my fellow Board members for their support and input throughout the past year, and finally a warm thank you to our Shareholders, for your ongoing trust and support.

Dominic McGann
Chairman

6 November 2025