

# FLAGSHIP INVESTMENTS LIMITED

SHAREHOLDERS' QUARTERLY REPORT

SEPTEMBER 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

## DIVIDEND INFORMATION

(Cents per share, fully franked)

4.75 cps paid on 20 August 2021  
4.25 cps paid on 05 March 2021  
4.25 cps paid on 17 September 2020  
4.25 cps paid on 06 March 2020

## COUNTRY WHERE LISTED

Australian Securities Exchange:  
December 2000

## STOCK EXCHANGE CODE

ASX: FSI

## RATINGS

- Independent Investment Research  
– Recommended<sup>1</sup>

## DIRECTORS

Dominic M McGann

*Non-Executive Chairman*

Dr Emmanuel (Manny) C Pohl AM

*Managing Director*

Angela Obree

*Non-Executive*

## COMPANY SECRETARY

Scott Barrett

## COMPANY DETAILS

Flagship Investments Limited

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2 Corporate Court

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## OVERVIEW

The Flagship Investments Limited (ASX: FSI) Net Tangible Asset Value (NTA), as at 30 September 2021 (before estimated tax on unrealised gains) was 280.8 cents per share, representing a 2.0% increase since June 2021.

## 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 <sup>^</sup>	5.6%	31.4%	20.8%	18.5%	18.2%	13.6%
Bloomberg Bank Bill Index	0.0%	0.0%	0.8%	1.2%	2.1%	4.0%
ASX All Ordinaries	0.6%	27.0%	6.5%	6.7%	6.5%	4.5%
ASX All Ord Accumulation	2.1%	31.5%	10.4%	10.8%	10.9%	8.8%

<sup>^</sup> Source: EC Pohl & Co Pty Ltd

Gross performance before impact of fees, taxes and charges. Past performance no predictor of future returns

## INVESTMENT ACTIVITY

During the quarter we did not add or remove any investment positions.

## MARKET COMMENT AND OUTLOOK

This quarter's performance differed between markets, with the US seeing record highs, while China was hit with sweeping regulatory action and concerns relating to their property market. Globally, many economies shifted from recovery to steady expansion, with positive corporate commentary, solid economic activity, and continued supportive fiscal policy. However some slowdowns did occur due to the Covid-19 Delta variant. Governments appear to be shifting from damage control procedures toward the endgame of a post-Covid world, which is aimed at vaccination programs and removing social distancing practices – an approach led by the US and the UK, with early indications of an acceleration of growth and economic outperformance.

The US economy appears to be entering an expansionary phase, after a year of recovery from the pandemic. Consumer spending, housing and developments, and labour markets have been particularly strong, with early signs this growth is slowing to a steadier and more reasonable pace. The US Federal Reserve appeared to have a dovish stance to further tightening of policy and with a slowdown in asset purchases, rate projections are expected to hike at a faster rate. In the US, equities were muted over the quarter with strong corporate earnings driving performance in August, while inflationary and economic growth concerns placing pressure on markets by quarter-end. The S&P500 posted +0.2% while the Nasdaq posted -0.4%, by quarter-end.

In Europe, the recent Delta variant seemed to have less of an impact since many of the larger eurozone countries are over 75% fully vaccinated – many travel restrictions and other measures are largely lifted. Similarly, inflationary issues driven by rising energy prices and supply chain bottlenecks were the key issues plaguing markets. In the UK, the Bank of England (BoE) took a more hawkish tone as inflationary pressures continued to surpass expectations. Across Europe natural gas shortages, lack of wind, and fuel shortages presented key issues for investors. The FTSE posted +0.7%, the CAC +0.2%, the DAX was -1.7% and the Euro Stoxx was -0.4%.

In Australia, the housing market has proven to be remarkably resilient in spite of Covid restrictions limiting activity. Residential building approvals posted +6.8% in August, while price gains have been +18.3% over the year. Labour markets remained strong despite the severe restrictions in place across the country with unemployment steady at 4.5%. The ASX All Ordinaries posted +0.6% for the quarter, ASX 200 +0.3%, the MidCap 50 +3.0% and the Small Ordinaries was +2.6%, respectively. The AUD depreciated during the quarter, posting -3.6% against the US Dollar (72.3 US cents), -1.0% against the Pound (53.7 pence), and -1.3% against the Euro (62.4 cents).

## PORTFOLIO CHARACTERISTICS (as at 30 September 2021)

NTA (before tax on unrealised gains) – total	\$72,426,613
NTA (before tax on unrealised gains) – per share	280.8 cents
Concentration of the Top 20 Holdings	82.8%
Stocks in the underlying portfolio	28

## FUND MANAGER

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## 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

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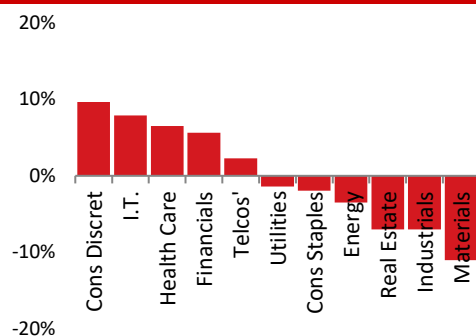
## SECTOR BREAKDOWN

Financials	28.7%
Consumer Discretionary	21.3%
Health Care	14.2%
Information Technology	14.0%
Materials	8.8%
Telecommunication Services	7.4%
Cash	3.0%
Colnsumer Staples	2.6%
Energy	0.0%
Industrials	0.0%
Utilities	0.0%

## TOP 10 STOCK HOLDINGS

HUB24 Ltd	7.3%
Macquarie Group Ltd	6.7%
Domino's Pizza Enterprises	5.7%
Commonwealth Bank	5.7%
CSL Limited	5.6%
Idp Education Ltd	4.9%
Lovisa Holdings Ltd	4.8%
James Hardie Industries	4.4%
Rio Tinto Limited	4.4%
ResMed Inc.	4.1%

## ACTIVE SECTOR WEIGHTS to the ALL ORDINARIES



## PORTFOLIO CHANGES during the Quarter

### ADDITIONS

### REMOVALS

## ACTIVELY PROMOTING THE COMPANY

Flagship Investments Limited remains visible in the digital spectrum and through multiple mediums with industry participants including brokers, researchers, advisers, Investor Associations and Shareholders. During the quarter the Company presented at the Switzer Investor Strategy Day, as well as to broking firms. For further information including about these and other events, please contact the Company at +61 7 5644 4405 or toll-free 1800 352 474, or via email [contact@flagshipinvestments.com.au](mailto:contact@flagshipinvestments.com.au) including if you would like a representative to present to you, at an investor function or your office. The Investment Manager, Dr Manny Pohl AM was interviewed by various brokers during the quarter and these can be accessed at [www.flagshipinvestments.com.au/news](http://www.flagshipinvestments.com.au/news)

## CAPITAL RAISING – FSI NOTES

On 30 September 2021 FSI settled the offer of unsecured convertible notes (FSI Notes) which raised \$20 million before costs. The FSI Notes allowed the Company to raise additional funds without diluting existing Shareholders and as such, they were well supported by Shareholders and Investors introduced by the Joint Lead Managers. The additional capital will be deployed in accordance with FSI's existing investment mandate and investment process, allowing greater leverage of the investment skill of the Manager, EC Pohl & Co Pty Ltd. For more details about the notes please visit: [www.flagshipinvestments.com.au/fsi-notes/](http://www.flagshipinvestments.com.au/fsi-notes/) Notes can be traded through the ASX, code: FSI GA.

## 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 (formerly called UBS Bank Bill Index).
MER <sup>2</sup>	0.0%
Reporting and Correspondence	Monthly Net Tangible Asset Values on <a href="http://www.asx.com.au">www.asx.com.au</a> and Quarterly Reports, Half-Yearly and Annual Reports on <a href="http://www.flagshipinvestments.com.au">www.flagshipinvestments.com.au</a>
Auditor	Connect National Audit Pty Ltd
Registry	Boardroom Pty Limited - <b>1300 737 760</b> OR <a href="mailto:enquiries@boardroomlimited.com.au">enquiries@boardroomlimited.com.au</a>

Share price and NTA [www.flagshipinvestments.com.au](http://www.flagshipinvestments.com.au) and [www.asx.com.au](http://www.asx.com.au)

<sup>1</sup> 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](http://www.independentresearch.com.au)

<sup>2</sup> Calculated in accordance with ASX defined terms as at 30 June 2021