

FLAGSHIP INVESTMENTS LIMITED

SHAREHOLDERS' QUARTERLY REPORT **SEPTEMBER 2020**

OVERVIEW

During the quarter, the Flagship Investments Limited (ASX: FSI) Net Tangible Asset Value (NTA), as at 30 September 2020 (before estimated tax on unrealised gains) was 232.6 cents per share, representing a 9.3% increase over the quarter. The share price at 200 cents per share represents a 14.0% discount to NAV, an excellent potential investment opportunity for Shareholders.

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^	13.1%	15.5%	19.5%	16.2%	13.4%	12.9%
Bloomberg Bank Bill Index	0.0%	0.6%	1.4%	1.6%	2.6%	4.2%
ASX All Ordinaries	0.1%	-11.6%	1.5%	3.5%	2.6%	3.6%
ASX All Ord Accumulation	1.1%	-8.8%	5.5%	7.7%	7.0%	7.9%

^ 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 removed Synlait Milk (ASX: SM1) and Woodside Petroleum (ASX: WPL). Synlait remains a high-quality business, and we believe our investment in A2 Milk (ASX: A2M) provides the best long-term opportunity for the portfolio; while Woodside no longer meets our requirements for the long-term sustainability of the business.

MARKET COMMENT AND OUTLOOK

The COVID-19 saga continues, with uncertainty and volatility reigning supreme. The pandemic continues to weigh heavily on economic activity as government intervention continues to place considerable restrictions through lockdown measures. While the previous quarter saw investors return to equities, the resurgence of COVID-19 in some regions and the upcoming US Presidential election in November has raised the level of uncertainty in these markets.

In the US, equity markets maintained the previous quarter's positive trend, with the Federal Reserve continuing to be accommodative through stimulus measures. Unemployment continued to decline to 8.4%, with better performance across manufacturing and retail. Notably, the Fed announced changes to inflation targets where they adopted an average inflation target - lengthening the equity market expansion. The S&P500 increased by +8.5%, the Dow Jones +7.6%, while the NASDAQ was up 11.0% seeing strong performance from the technology sector.

In Australia, we have been one of the lucky countries in terms of infection rates from COVID-19 and the flow-on economic impact. While our relatively strong performance and management of the pandemic has positioned us well, we have not escaped the effects as we have entered our first recession since 1991. We note, despite entering a recession, that Australia has performed materially better than many other Western countries. Despite this overall success, Victoria re-entered into strict lockdown procedures as infection rates spiralled out of control. The Australian Governments' JobKeeper and JobSeeker programs, as well as mortgage relief programs for households and small businesses, have provided robust support for the economy. The focus now as we head into the end of the calendar year, is how the Australian Government will attempt to manage the economy.

Many Australian companies reported their year-end financial results during August, with most providing earnings guidance earlier on the implications of COVID-19, which helped~~ing~~ reduce the element of (negative) surprise. Accordingly, most results were above expectations with the Australian All Ordinaries up by 0.1% for the quarter, and the Small Ordinaries up +4.9%, respectively. The AUD remained relatively stable against all major currencies during the quarter, posting +3.8% against the US Dollar (71.7 US cents), -0.4% against the Pound (55.5 pence), and -0.6% against the Euro (61.1 cents).

PORTFOLIO CHARACTERISTICS (as at 30 September 2020)

NTA (before tax on unrealised gains) – total	$59,359,794
NTA (before tax on unrealised gains) – per share	232.6 cents
Concentration of the Top 20 Holdings	82.92%
Stocks in the underlying portfolio	25

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)

4.25 cps paid on 17 September 2020
4.25 cps paid on 06 March 2020
4.25 cps paid on 30 August 2019
4.00 cps paid on 01 March 2019

COUNTRY WHERE LISTED

Australian Securities Exchange: December 2000

STOCK EXCHANGE CODE

ASX: FSI

RATINGS

- Independent Investment Research – Recommended[1]

DIRECTORS

Dominic M McGann
Non-Executive Chairman

Dr Emmanuel (Manny) C Pohl AM
Managing Director

Sophie A Mitchell
Non-Executive

COMPANY SECRETARY

Scott Barrett

COMPANY DETAILS

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FLAGSHIP INVESTMENTS

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SEPTEMBER 2020

FUND MANAGER

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INVESTMENT PHILOSOPHY

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

INVESTMENT PROCESS

INITIAL SCREENING PROCESS
- ROE
- Revenue Growth
- Interest cover
- IPOs
- Broker Ideas
- 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

FOLLOW OUR SOCIAL MEDIA

www.flagshipinvestmentslimited.com.au

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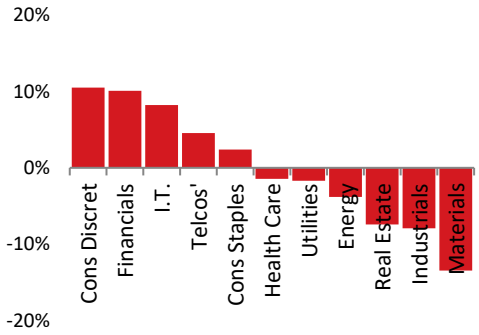
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FLAGSHIP INVESTMENTS

SECTOR BREAKDOWN	
Financials	30.6%
Consumer Discretionary	17.3%
Information Technology	12.3%
Health Care	9.2%
Telecommunication Services	8.8%
Cash	8.2%
Consumer Staples	7.5%
Materials	6.1%
Energy	0.0%
Industrials	0.0%
Utilities	0.0%

TOP 10 STOCK HOLDINGS	
HUB24 Ltd	7.2%
Commonwealth Bank	7.1%
Rio Tinto Limited	6.1%
Macquarie Group Limited	5.8%
Magellan Fin Grp Ltd	5.1%
Corporate Travel Limited	5.0%
Idp Education Ltd	4.7%
The A2 Milk Company	4.2%
SEEK Limited	4.2%
ARB Corporation	4.1%

ACTIVE SECTOR WEIGHTS to the ALL ORDINARIES



PORTFOLIO CHANGES during the Quarter

ADDITIONS

REMOVALS

Synlait Milk Ltd	SM1
Woodside Petroleum	WPL

ACTIVELY PROMOTING THE COMPANY

Flagship Investments Limited remains visible in the digital spectrum and through telecommunications with industry participants. Despite physical limitations brought on by travel restrictions the Company maintains an active digital communication program with Brokers, Advisers, Investor Associations and Shareholders through voice, email and video. The Company looks forward to engaging with its Shareholders during the coming periods through multiple digital mediums.

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

VISIT THE WEBSITE – AND SUBSCRIBE

The Company has a website which has additional information about FSI and links to Announcements and other Reports. The address is **www.flagshipinvestments.com.au.** Shareholders and interested parties are encouraged to subscribe to the monthly email sent around the last day of each month which contains regular information and updates. A recent article by Dr Manny Pohl was Financial Year 19/20 Review – Is this the "New Normal"? and was sent to Shareholders and can be found in the News section of the Flagship website. Subscription can be achieved through the website or by emailing the Company and asking to be added to the mailing list. Information about the Company on Social Media platforms can be found at the bottom left of this page.

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[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	WPIAS 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 2020