

FLAGSHIP INVESTMENTS LIMITED

SHAREHOLDERS' QUARTERLY REPORT

DECEMBER 2019

OVERVIEW

During the quarter the Flagship Investments Limited (ASX: FSI) share price performance was above that of the market, posting +4.7% as compared to the All Ordinaries Index of +0.03%. By comparison, the underlying portfolio increased by 3.2%. The Company's Net Tangible Asset Value (NTA), as at 31 December 2019 (before estimated tax on unrealised gains) was 223.4 cents per share, representing a +2.7% increase over the quarter. The share price at 190.5 cents per share represents 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 [^]	3.2%	36.4%	16.9%	13.9%	11.7%	12.7%
Bloomberg Bank Bill Index	0.2%	1.5%	1.7%	1.9%	2.9%	4.3%
ASX All Ordinaries	0.0%	19.1%	6.0%	4.8%	3.4%	4.3%
ASX All Ord Accumulation	0.8%	24.1%	10.4%	9.3%	7.9%	8.7%

[^] 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 added Carbon Revolution (ASX: CBR), which is an advanced manufacturing company that develops single-piece carbon fibre wheels for OEMs. We removed Westpac Banking Corporation (ASX: WBC) due our deteriorating long-term outlook, and Fisher & Paykel (ASX: FPH) due to its valuation falling below our threshold.

MARKET COMMENT AND OUTLOOK

Equity markets closed out 2019 with another strong quarter. Throughout the world, continued support from central banks and strong consumer confidence saw headwinds of trade uncertainty and a declining manufacturing sector being mitigated. The geopolitical risks prevalent throughout the year faded this quarter, resulting in improved investor confidence. The US rebounded on the back of the first phase of the trade deal with China, while the political arena in Europe appears more favourable.

The US economy has continued to expand with unemployment declining to 3.5%, the lowest rate seen since 1969. Inflation was ahead of expectations, with the Federal Reserve stating that "the current stance of monetary policy is appropriate". Regarding US-China trade, negotiators have continued with the first phase of negotiations meaning the new planned tariffs are not going ahead, while the previous quarters' tariffs will be reduced by half. China has agreed to increase its purchase of US goods, with agricultural products being a key beneficiary. The S&P500 posted +8.5%, the Dow Jones +6.0% and the NASDAQ +12.2%.

In Europe, equities advanced toward the end of the year following robust German economic data. Christine Lagarde took over as president of the European Central Bank while Boris Johnson led a landslide general election victory for the incumbent Conservative Party. While all signs indicated the UK was heading for a recession, recent figures showed that the UK had avoided a technical recession with economic growth returning to the country. The German Dax posted +6.6%, the French CAC posted +5.3%, and the UK's FTSE posted +1.8%, by quarter-end.

In Australia, Bushfires have been the primary concern domestically with large parts of south-east Australia being affected. The economic impact is highly uncertain, with much of the country still battling one of the worst natural disasters for some time. During the quarter, exports were better than expected with the trade surplus beating expectations. Consumer and business confidence remained high, with retail sales showing strength, while dwelling prices continuing to improve as they accelerated into the final quarter. The Australian market posted negligible gains, with the ASX All Ords posting +0.03% for the quarter.

The AUD saw a mixed performance, posting +3.9% against the US Dollar (70.2 US cents), -3.6% against the Pound (52.9 pence), and +1.1% against the Euro (62.6 cents), by quarter-end.

PORTFOLIO CHARACTERISTICS (as at 31 December 2019)

NTA (before tax on unrealised gains) – total	\$56,972,433
NTA (before tax on unrealised gains) – per share	223.4 cents
Concentration of the Top 20 Holdings	87.7%
Stocks in the underlying portfolio	27

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 30 August 2019

4.00 cps paid on 01 March 2019

4.00 cps paid on 07 September 2018

3.75 cps paid on 13 March 2018

COUNTRY WHERE LISTED

Australian Securities Exchange:
December 2000

STOCK EXCHANGE CODE

ASX: FSI

RATINGS

- Independent Investment Research – Recommended¹

DIRECTORS

Dominic M McGann
Chairman

Dr Emmanuel (Manny) C Pohl AM
Managing Director

Sophie A Mitchell
Independent

COMPANY SECRETARY

Scott Barrett

COMPANY DETAILS

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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
- 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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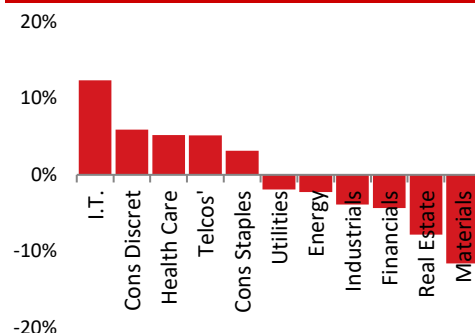
SECTOR BREAKDOWN

Financials	22.3%
Information Technology	15.1%
Health Care	14.5%
Consumer Discretionary	12.7%
Telecommunication Services	9.0%
Consumer Staples	8.4%
Materials	6.2%
Industrials	4.8%
Cash	3.5%
Energy	3.5%
Utilities	0.0%

TOP 10 STOCK HOLDINGS

Macquarie Group Ltd Macquarie	6.8%
Rio Tinto Limited	6.2%
CSL Limited	5.5%
ResMed Inc	5.2%
Corporate Travel Limited	4.9%
Pendal Group Ltd	4.8%
SEEK Limited	4.8%
Carsales.com	4.7%
Domino Pizza Enterprises	4.7%
Commonwealth Bank	4.7%

ACTIVE SECTOR WEIGHTS to the ALL ORDINARIES



PORTFOLIO CHANGES during the Quarter

ADDITIONS

Carbon Revolution CBR

REMOVALS

Westpac Banking Corporation WBC
 Fisher & Paykel Healthcare FPH

ACTIVELY PROMOTING THE COMPANY

Flagship Investments Limited (FSI) (the Company) is committed to growing the Company and promoting itself to Investors, Financial Advisers, Stockbrokers and Investor Associations across Australia.

During the quarter the Company continued an active presence meeting with Brokers, Advisers and Shareholders in various cities.

In the coming quarter the Company will continue its active presence throughout the country.

For further information about upcoming and other events, please contact the Company on +61 7 5644 4405 or toll-free 1800 352 474, or through the website contact@flagshipinvestments.com.au - including if you would like us to present at your Investor function or to visit your office.

VISIT THE WEBSITE

The Company has a website which has additional information about FSI and links to Announcements and Reports. The address is www.flagshipinvestments.com.au

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 2019