



ABN 99 080 135 913

**FLAGSHIP INVESTMENTS LIMITED**

Chairman's Address – Annual General Meeting

7 November 2014

Ladies and gentlemen, my fellow Directors and I welcome you to the 17<sup>th</sup> Annual General Meeting of our Company.

Let me say at the outset that it has been another good year for the Company with a great investment return for the portfolio and an increase in dividend return for Shareholders.

**The 2013/14 Financial Year in Retrospect**

This time last year I made the comment in my Chair's address that the portfolio was well positioned to benefit from the generally positive outlook for the Australian economy.

It is now a matter of history that the portfolio return net of fees for the financial year was 23.5 per cent which was almost double the increase in the broad All Ordinaries Index of 12.7 per cent for the same period. It follows an increase of 29.5 per cent net of fees in the preceding year.

These are truly outstanding investment performances and are due to the outstanding skill and commitment of our Investment Manager, Dr Manny Pohl and his small team of investment professionals at EC Pohl & Co Pty Ltd.

In terms of the financials, Total Comprehensive Income decreased marginally to \$5.64m from \$5.769m in the preceding year and After Tax Profit increased to \$0.326m from \$0.204m in the preceding year. These are solid results for the Company.



### **Outlook for the 2014/15 Financial Year**

Equity markets have been somewhat subdued in the first quarter with political concerns in the Middle East and other areas, plus some concern about the outlook for economic growth in China and Europe, tending to moderate optimism that was being engendered by the economic recovery process in the USA.

Also an imminent end to Quantitative Easing in the USA and the potential impact on interest rates is fostering a slightly more cautious view of market directions, although much of this news has already been factored into market assessments.

Domestically, the decline in the value of the Australian dollar and issues around the Federal Budget have also been factors that have tended to impact on the Australian market.

Nevertheless, the portfolio returned a positive but modest 0.76 per cent for the September 2014 quarter compared with a negative return of 1.58 per cent for the All Ordinaries Index for the same period. The good performance continued in October with the portfolio returning 3.88 per cent for the month compared with 3.93 per cent for the All Ordinaries Index. In the current climate these are remarkably good results.

Overall we continue to be cautiously optimistic both domestically and internationally. While we would expect some more modest returns than we have experienced in the past couple of years, we believe the portfolio is well positioned to continue to provide positive returns for our Shareholders.

### **Dividends**

The Board was pleased to approve a final dividend for the year of 3.5 cents per share, fully franked and also to provide for a special dividend of 0.5 cents per share, also fully franked, making a total payout for the year of 7.25 cents per share.

We believed it was important to provide not only for a sustainable level of dividend, but also to share some of the benefits of what have been excellent investment performances in the past couple of years.

We will continue to keep the dividend payouts under review.

While there is no LIC attributable capital gains tax deduction available for 2013/14, we remain hopeful that the deduction will be available again.



### **The Investment Team**

We are deeply indebted to Dr Manny Pohl and his superb team at our investment manager, EC Pohl & Co Pty Ltd, for the outstanding investment returns for our portfolio. Manny's many years of experience as an investment professional and his uncompromising commitment to consistent application of fundamental investment principles have stood and continue to stand us in good stead. I and my fellow Board members have long admired the proven strengths of Manny's investment process which he applies with great intellectual rigour and success.

We congratulate Manny and his team on their efforts and look forward to continuing a long and successful relationship.

### **The Share Price**

At the end of October, the unaudited net asset backing (net of tax on realised gains) of the Company's shares was \$1.749 and after taking into account estimated tax on both realised and unrealised gains, the unaudited net asset backing was \$1.648. These numbers are greater than the current share price of around \$1.55 - \$1.60 but the gap is reflective of the situation with many LICs.

The Company's previous share buyback scheme expired in July and the Board has approved that the share buyback scheme be continued for a further 12 months expiring in July 2015. While there has been reduced activity in the share buyback scheme, we believe it continues to play an important role in providing a more stable market for the Company's shares.

### **Concluding Remarks**

In conclusion, can I thank Shareholders for their continuing support during the year. Your support is vital and while we would like to see more Shareholders take up the option of reinvesting the dividends in the Company under our Dividend Reinvestment Scheme, we appreciate that this is ultimately a decision for each Shareholder, having regard for their individual circumstance.

Can I also take the opportunity to sincerely thank my fellow Directors for their untiring efforts during the year. They are a group of very skilled and dedicated individuals with wide industry experience and make my job easier than it might otherwise be. It is a privilege for me to share the board room with them.

And finally, I am sure I speak for all of my colleagues when I say that we will continue to serve the Company and our Shareholders to the best of our ability. We are looking forward to another good year.