

FLAGSHIP INVESTMENTS LIMITED

APRIL 2013 UPDATE

SHAREHOLDERS' QUARTERLY REPORT

OBJECTIVE

Long-term capital growth and income

STRATEGY

High-conviction portfolio of quality Australian listed equities from a research driven, bottom-up investment philosophy

LISTED

December 2000

COUNTRIES WHERE LISTED

Australian Securities Exchange

ASX CODE

FSI (formerly HIP)

RATINGS

- Independent Investment Research – Recommended¹

DIRECTORS

Henry R Smerdon AM
Chairman

Dr Emmanuel (Manny) C Pohl
Managing Director

Patrick Corrigan AM

Dominic M McGann

Sophie A Mitchell

COMPANY DETAILS

Flagship Investments Limited

ABN 99 080 135 913

Level 12, Corporate Centre One

2 Corporate Court

BUNDALL QLD 4217

AUSTRALIA

1800 FLAGSHIP 1800 352 474

Tel: +61 7 5644 4405

Fax: +61 7 5574 1457

Email: flagship@ecpohl.com

www.flagshipinvestments.com.au

OVERVIEW

Flagship Investments Limited's underlying portfolio outperformed its benchmark during the quarter. It returned 13.0% versus the All Ordinaries Index return of 6.8%. In comparison, the NAV per share increased by 8.1% over the quarter.

UNDERLYING PORTFOLIO PERFORMANCE (as at 31 March 2013)

	Since Inception (May 1998)	3 months	1 year	3 years	5 years
Portfolio [^]	12.0	13.0	30.4	5.8	7.0
UBS Bank Bill Index	5.3	0.7	3.6	4.4	4.7
ASX All Ordinaries	4.2	6.8	12.7	0.6	-1.6

[^] Source: EC Pohl & Co Pty Ltd

INVESTMENT ACTIVITY

During the March quarter, the entire holding in both The Reject Shop and in the SCA Property Group Limited (SCP), was sold from the portfolio. We increased our holding in Telstra and reduced our exposure to Platinum Asset Management, REA Group and RIO. No new stocks were added to the portfolio.

OUTLOOK

On the international scene, performances have been a Tale of Two Worlds: the Developed World performing well, the Developing World performing poorly. The disparity in performance may be attributed to the differing monetary policies being adopted in the two economic spheres, stimulus in the Developed World and anti-inflationary measures in the Developing World.

In the previous quarter the market was affected by the US fiscal cliff, while this quarter we have felt some effects from Europe where another nation state, Cyprus, fell victim to their growing debt. However, this time, the local market appeared to be less affected by the risks emanating from the US, Europe and China.

The Australian Reserve Bank has opted not to cut interest rates at its recent board meeting, pointing to the significant monetary stimulus that is underway. However, further rate cuts should not be ruled out as inflation has been low and in the event domestic demand weakens, further cuts may eventuate.

During the recent quarter, the portfolio value has improved on the back of an improvement in investor sentiment, represented by an increase in the current P/E multiple for the market to around 14. While we do not see a further major improvement in the P/E rating, the short-term financial metrics for the companies in the portfolio, including organic sales growth, earnings and dividend growth, should continue to drive valuations higher.

PORTFOLIO CHARACTERISTICS (as at 31 March 2013)

NAV (tax on realized gains only) – total	\$37,424,940
NAV (tax on realized gains only) – per share	154.3 cents
Concentration of the Top 20 Holdings	89.63%
Stocks in the underlying portfolio	24

FUND MANAGER

EC Pohl & Co Pty Ltd
 ABN 154 399 916
 Level 12, Corporate Centre One
 2 Corporate Court
 BUNDALL QLD 4217
 AUSTRALIA

PO BOX 7536
 GCMC BUNDALL QLD 9726
 AUSTRALIA

Tel: +61 7 5644 4405
 Fax: +61 7 5574 1457
 Email: flagship@ecpohl.com
www.ecpohl.com

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

- 5 Year Risk Adjusted Total Return
- Top Down Cash Analysis

HIGH CONVICTION PORTFOLIO OF COMPANIES

This process is the basis for all our Australian equities investment decisions.

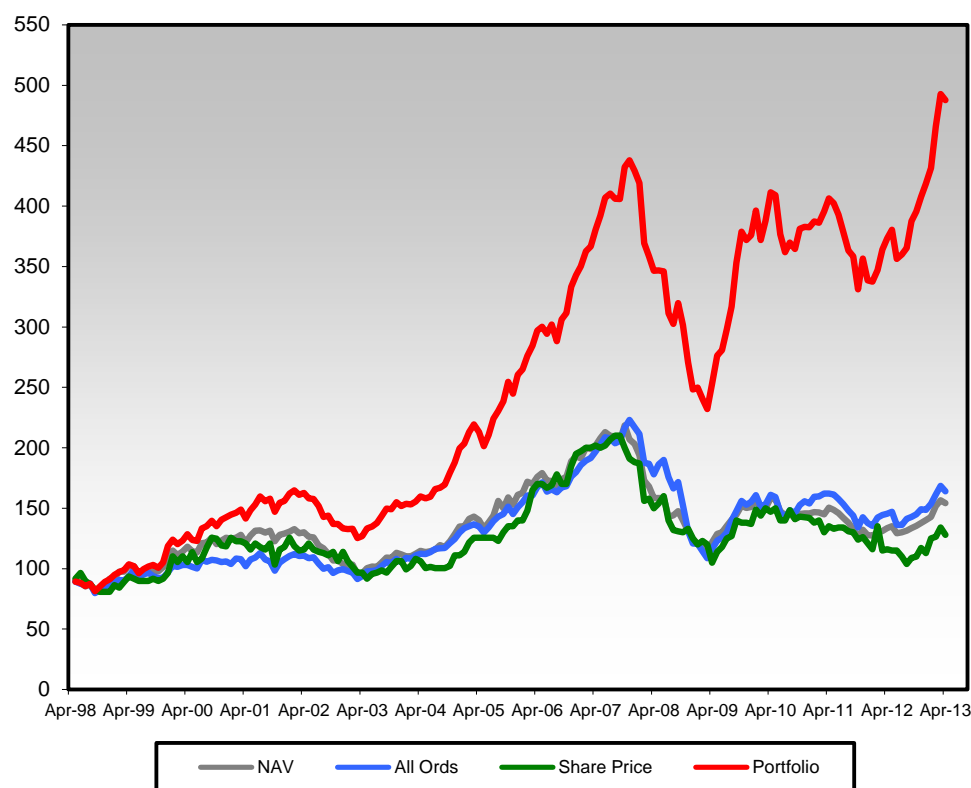
SECTOR BREAKDOWN (as at 31 March 2013)

Financials	28.35%
Consumer Discretionary	16.42%
Industrials	10.83%
Information Technology	9.88%
Materials	7.81%
Consumer Staples	5.77%
Cash and Equivalent	5.69%
Energy	5.29%
Telecommunication Services	5.15%
Health Care	4.80%

TOP 5 STOCK HOLDINGS (as at 31 March 2013)

SEEK	8.24%
Commonwealth Bank of Australia	7.41%
Carsales.com	5.82%
REA Group	5.79%
Woolworths	5.77%

SHARE PRICE (as at 31 March 2013) (after adjusting for the rights issue)



STRUCTURE AND TERMS

Legal Domicile	Australian Securities Exchange (ASX) Listed Investment Company (LIC)	
Fees	Management fee – Nil (2011/2012) Performance fee 15% of the annual outperformance over the UBS Bank Bill Index	
MER	0.0%	
Reporting and Correspondence	Monthly Net Asset Value prices on www.flagshipinvestments.com.au and www.asx.com.au also quarterly reports, half-yearly and annual reports	
Dividend Information	AUD 0.03 at 12 April 2013	AUD 0.03 at 12 October 2012
Auditor	BDO Audit Pty Ltd	
Registry	Computershare Investor Services Pty Limited	
Share price and NAV	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