



**FLAGSHIP**  
INVESTMENTS

99 080 135 913

## **Chairman's Address – Annual General Meeting**

**29 September 2026**

Fellow Shareholders, Friends and Colleagues,

I wrote in the 2026 Chair's report about the challenges FSI faced last financial year, negative portfolio performance and under-performance against the ASX All Ordinaries Index which collectively led to a regrettable decrease in Shareholder value. Fortunately, due to our retained earnings position, the Board was able to maintain the interim dividend and increase the final dividend rewarding our Shareholders with reliable income amidst the volatility. This is a core tenet of FSI; namely, to provide Shareholders with a fully franked dividend, which over time will grow at a rate in excess of the rate of inflation. Our current annual growth rate of the dividend is 4.7% compared to CPI annualised growth of 2.8%.

Pleasingly, since 30 June 2026, our portfolio has performed well. At the end of August 2026, the NTA of FSI had increased 4.1%, which is a 7.5% increase after adding back the payment of the final dividend of 5.3 cents. Our portfolio of companies has generally performed inline with the Manager's expectations resulting in increasing earnings, which has been reflected in the share prices, and validating the opinion that the prior year sell off was overdone. The portfolio recovery still has some way to go; however, the Manager's internal forecasts remain promising for long term returns.

The timing of the portfolio decline could not have been worse as we approached the maturity of the FSI Convertible Notes (FSIGA.ASX). The repayment of \$20 million to noteholders would have required selling down the portfolio at the most inopportune time. The Board took the decision to extend the convertible notes, balancing the rights of Noteholders, the current interest rate environment and the best interests of Shareholders. For the record, the other option was a new convertible note offer to payout the first. The extension proposal was put to Noteholders on the 7<sup>th</sup> of September 2026 and was supported with an on-market buy-back to ensure liquidity for Noteholders wishing to exit. Noteholders passed the resolution with 87.1% voting in favour and, hence, we are no longer offering a new convertible note and the related resolutions scheduled for this meeting have been withdrawn.



I take this opportunity to again thank the Noteholders for their support of FSI and provide further assurance that we do not intend to have a perpetual convertible note. As FSI's NTA improves, we will consider further buy-backs and opportunities to reduce the debt in FSI. In relation to the current convertible note buy-back, FSI purchased 1,437,136 notes to date, which is approximately 19.4% of the register, and intends to cancel the notes rather than sell them back to the market.

In FY2027, the investment environment is likely to remain volatile with persistent inflation, geo-political uncertainty and AI tools morphing into potentially uncontrollable threats. For FSI, we remain focused on the fundamentals, where the economics of a business drives long term investment returns and investing in high-quality business franchises that have the ability to generate predictable, above average economic returns will produce superior investment performance over the long term.

Thank you,

**Dominic McGann**  
Chairman

29 September 2026