



**FLAGSHIP**  
ASSET MANAGEMENT

## Quarterly Telescope Q4 2025

# 01

## We are a global specialist investment boutique

Flagship is a specialist global asset manager founded in 2001.

We are 100% independent and fully owned by staff and directors.

Our mission is to be the navigators and global authority of your complete investment future, wherever it may lead.

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# 02

## We manage global portfolios in three distinct strategies

Global Equity | Global Flexible | Global Fund of Funds

We believe in a focused approach to fund management

Our longest running Funds have track records spanning over two decades

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# 03

## We are long term investors who manage diversified portfolios

We use a dynamic investment strategy and active risk management to build robust, diversified equity portfolios.

Our unconstrained approach allows us to navigate diverse market conditions and identify opportunities wherever they arise.



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# The Flagship Global Investment Team



## Philip Short BSc (Maths), CFA

Philip is a fund manager of the global funds at Flagship and brings specialist macroeconomic expertise to the global team. Philip has gained 20 years' experience in the industry at JP Morgan, Fairtree Capital and Old Mutual as an analyst and portfolio manager. He completed his Bachelor of Science in Mathematics at the University of Pretoria and is a CFA charter holder.



## James Hayward BEng (Civil), CFA

JD is a fund manager of the global funds at Flagship, having joined in 2021 as an equity analyst. At the completion of his degree, JD worked in the engineering and fintech start-up industries while pursuing further studies in investments. JD holds an Engineering degree from Stellenbosch University and is a CFA charter holder.



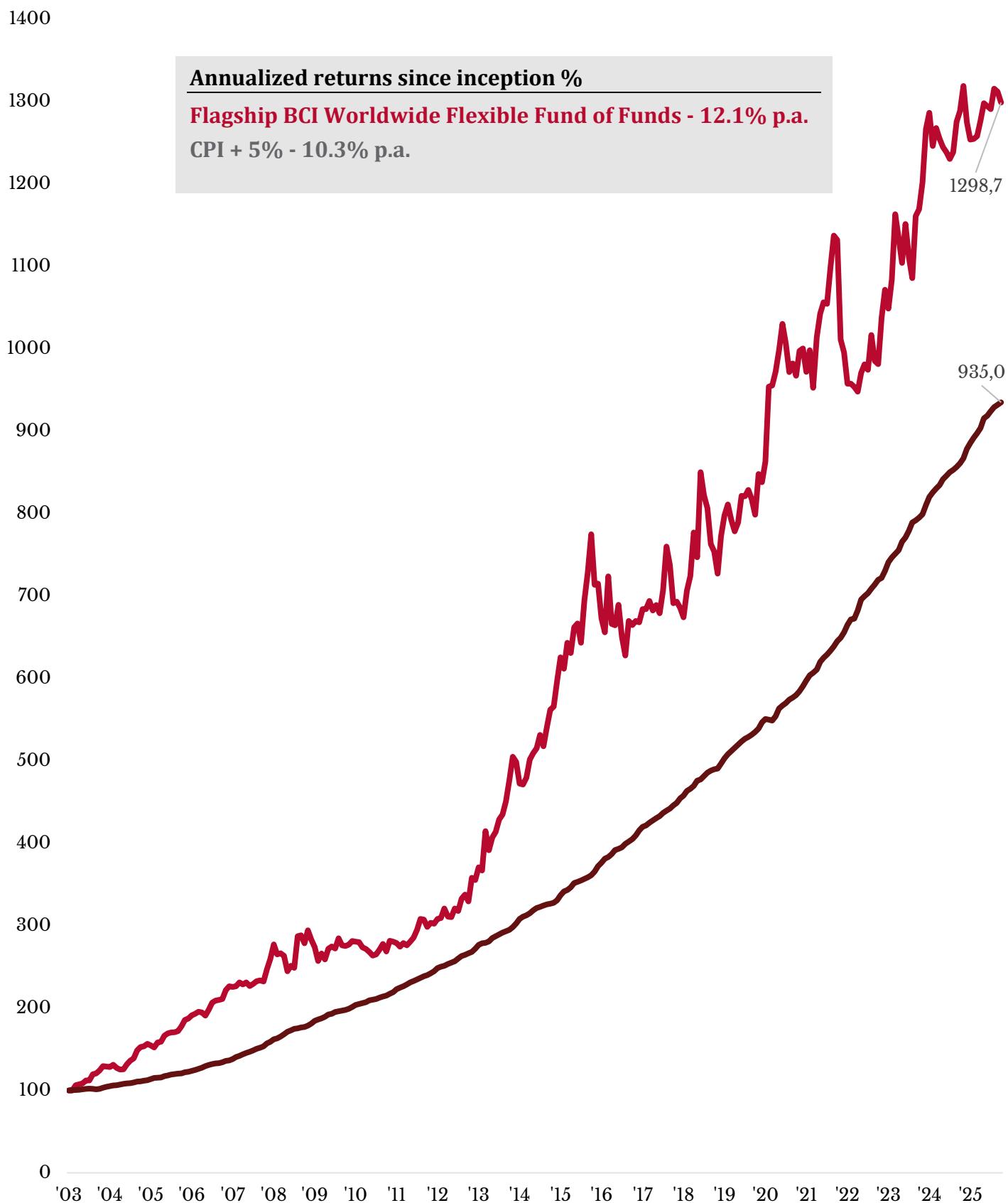
## Paul Floquet CA (SA), CFA

Paul is a fund manager of the global flexible strategies at Flagship, as well as portfolio manager of the Flagship IP Balanced Fund. He qualified as a chartered accountant in 1995 with Deloitte and Touche and gained international investment experience with JP Morgan and Merrill Lynch. He became a portfolio manager and director at Flagship in 2004. Paul is a CFA charter holder.

# The Power of Long-term Compounding

The **Flagship BCI Worldwide Flexible Fund of Funds** (net of all fees) vs. SA CPI +5%

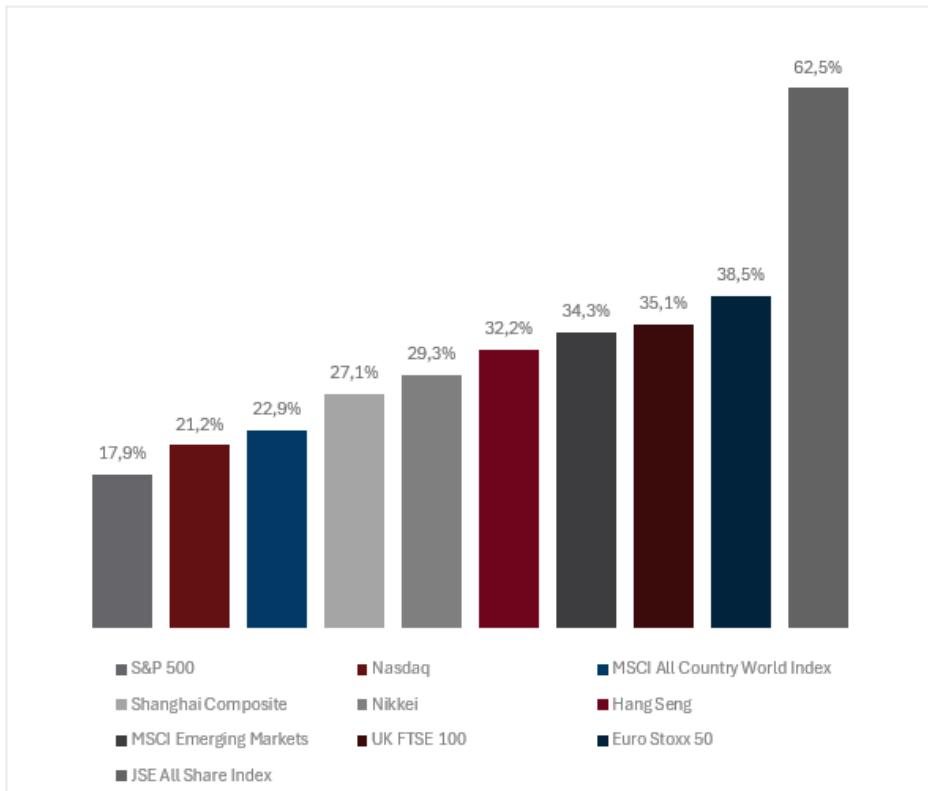
from 3 April 2003 to 31 December 2025 (22 years, 9 months)





## Global Market Commentary

Chart 1: YTD Global Index returns in USD (Dec 31, 2024 to Dec 31, 2025)



Most global equity markets delivered another green quarter to close out 2025. While returns during the 4<sup>th</sup> quarter in general were slightly more subdued than in prior quarters this year, the total returns for 2025 were again remarkably strong.

In the US, the benchmark S&P 500 and tech-driven Nasdaq composite returned 2.6% and 2.7% respectively for the quarter, bringing their 2025 returns to 17.9% and 21.2%. This adds to the remarkable run these indices have had over the last 3 years. What is notable within these returns, is the somewhat better breadth, and increased dispersion in the fortunes of the Mag 7, with Microsoft, Apple, Amazon, Meta and Tesla all underperforming the index. Nvidia had another strong year, but the standout performer, by a long shot, was Google which was up 65% for the year.

While close to positive 20% for the US indices is nothing to look down upon, these numbers pale in comparison to what we saw from certain equity markets. In the UK and Europe, returns during the quarter were strong, with London's FTSE gaining 6.9% and the Euro Stoxx 50 closing 4.8% higher. Their YTD returns came in at 25.8% (GBP) and 18.3% (EUR), respectively. Due to continued USD weakness however (the USD weakened by 11.9% against the Euro and by 7.1% against the Pound over the course of the year), these returns increase to 35.1% and 38.5% respectively, roughly double the return of the S&P 500. The darlings in the European equity space were largely big banks and industrials, especially those exposed to the defense sector amid heightened geopolitical tensions.

In the East, Japan's Nikkei 225 had a particularly strong quarter, gaining 12.2% measured in JPY. YTD it gained 28.6%, or 29.3% measured in USD, as the USD-JPY ratio was muted compared to other currency pairs. Hong Kong's Hang Seng struggled during the Q4, declining by 4.1%. After stellar returns during the Q1-Q3 period, however, it still gained 32.2% for the year.

What is notable within these returns, is the somewhat better breadth, and increased dispersion, in the fortunes of the Mag 7...

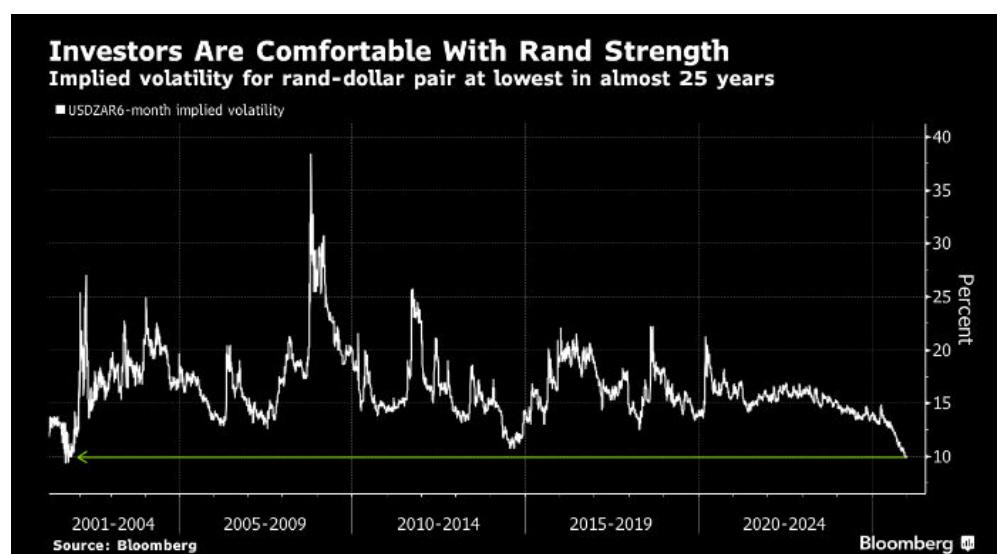


While US equity markets were still strong in 2025, the rest of the world is catching up fast. The MSCI World ex-US returned 31.8% for the year. This marks its largest outperformance vs the US since 2009. The MSCI Emerging Market index was also particularly strong, returning close to 35% in USD. Is this a case of growth and prospects outside the US being that much better in the current environment, despite the massive AI growth story (largely in the US), or is the reality of valuations simply catching up with US markets? We expand on this later in this publication.

In what feels like a copy-paste exercise from the previous edition of the Telescope, special mention has to be made of the local JSE All Share Index, as it blew most of its peers out of the water. The index gained 8.1% during the quarter in ZAR, but due to further USD weakness and ZAR strength, this return jumps to 12.6% for the quarter when measured in USD. This puts the YTD gain for the ALSI at a massive 42.5% in ZAR, and 62.5% in USD, more than 3x the return of the S&P 500! This return does come with a sizeable 'asterisk' though, as the rally was by and large driven by spectacular returns for precious metals. In fact, the ALSI ZAR return of 42.5% drops to "only" 16.4% if one excludes the contribution from precious metals.

Turning to commodities, and again in what also seems like a carbon copy from the previous Telescope, we have to mention gold and silver, both of which had their best year since 1979. The price of gold bullion at year end was 65% higher, while silver gained close to 150% during the year. Platinum (+120%) and Palladium (+74%) also saw large rallies, contributing massively to local index returns. The combination of a weak dollar making these commodities cheaper (all priced in USD), combined with one of the most unstable geopolitical backdrops of the last few decades, proved to be potent catalysts for a quite spectacular precious metal rally.

Could this metal-driven ALSI rally have more legs? There is certainly reason to believe it could. There have been several positive developments over the last year, including: removal from the financial watchdog grey list; an S&P Credit rating upgrade; improved performance at Eskom (and potentially even Transnet); adoption of a lower inflation target (potentially enabling more rate cuts this year which could spur growth); and continued ZAR strength. After gaining 14% against the US Dollar in 2025, expected volatility currently sits at a 25-year low, suggesting investors are confident in a strong outlook for the ZAR over the coming months.



After gaining 14% against the US Dollar in 2025... investors are confident in a strong outlook for the ZAR over the coming months.



We believe there are a few caveats to consider, with shifting allegiances in the global economy, increasingly aggressive geopolitical flashpoints and stretched valuations

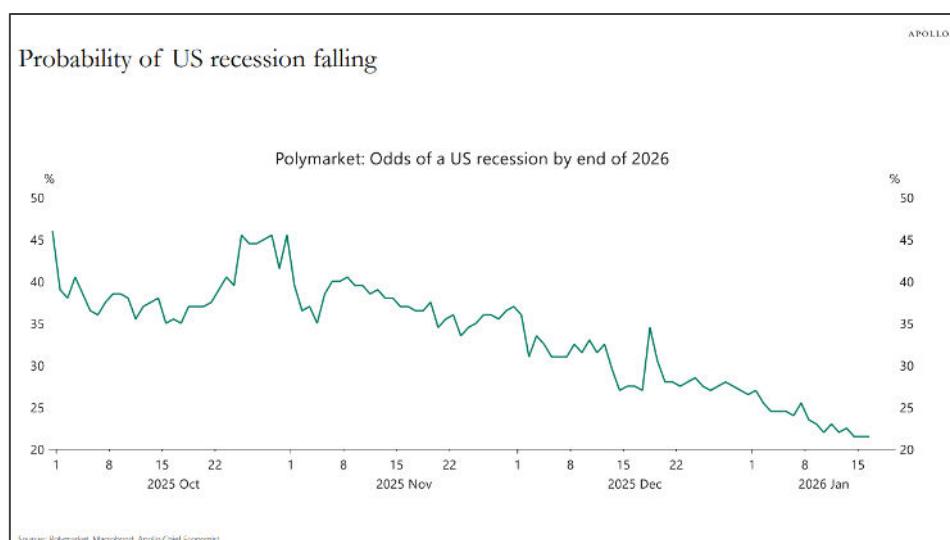
## How did we get here?

Despite index returns painting a picture of a year of easy returns and smooth sailing, this masks turbulent waters underneath. Nowhere was this more evident than during Trump's announcement of his "Liberation Day" tariffs, placing a baseline tariff on virtually every country on earth. Markets had a mini-meltdown, resulting in the S&P 500 recording its steepest ever four-day loss in history. Implementation, delays and new trade deals were omnipresent throughout the year, regularly resulting in volatile moves. Regardless of this uncertainty, the recovery was swift after nearly entering bear-market territory.

Although these tariffs ignited inflationary fears, almost a year later, these fears have largely subsided, allowing the Fed to cut borrowing rates, which gave markets even more reason to rally. Further adding to uncertainty was the outlook for US fiscal discipline. Ballooning deficits that, despite efforts from DOGE (Department of Government Efficiency), have global investors concerned. This can clearly be seen in the DXY (US dollar index vs a basket of peers) being down close to 10%, its worst performance in decades. A few standout examples include the Mexican Peso appreciating by 15.6% against the greenback, the ZAR by 13.8%, the Euro by 13.5%, the Brazilian Real by 12.8% and the Pound Sterling by 7.7%.

## The outlook

So, after a year of tariff turmoil and geopolitical flashpoints, what lies in store for us? Relative calm if the betting markets are to be believed. Data from Apollo Global Management show the odds of a US recession in 2026 are now the lowest it has been during the past year.



Could it be that simple? We keep roaring ahead? While there are several encouraging data points, such as global growth remaining remarkably resilient, oil supply outpacing demand leading to lower inflation input costs, etc., we believe there are a few caveats to consider, with shifting allegiances in the global economy, increasingly aggressive geopolitical flashpoints and stretched valuations being top of the list.

At the start of 2026, the US has already made two moves that are unprecedented in recent times. First was the removal of Venezuelan president Nicolas Maduro from power. This was, to some extent, tolerated by the international community because of the dictatorial nature of Maduro's regime i.e. it can easily enough be explained as the 'greater good'. The second event has, however, sparked the biggest security risk for NATO since the end of the Cold War as Trump stepped up his efforts to acquire Greenland - if not by economic means, then by force, claiming the island is integral in the defense of the Western Hemisphere and the



...latest reading shows that equity valuations are currently near all-time highs, only trailing those seen during the dotcom

US is the only country capable of effectively protecting it. Upon Denmark's (and the EU's) refusal to give in to this demand, new US tariffs were introduced, reigniting trade war fears and leading to gold and silver extending their rallies. At the time of writing, this situation is unfolding. It is, without a doubt, one of the defining moments in the history of NATO.

This aggressive type of rhetoric has also, no doubt, played a role in easing agreements between Canada and China, with the latter identifying this as an opportunity to increase its sphere of influence. The Canadian Prime Minister's reference to a "new world order" seems to point to this gradual shift in alliances.

Lastly, it is certainly worth keeping a close eye on equity valuations around the world. As mentioned in our previous Telescope, the cyclically adjusted price/earnings ratio, also known as the Shiller P/E, attempts to smooth out business cycle volatility by averaging 10 years' inflation adjusted earnings. The latest reading shows that equity valuations are currently near all-time highs, trailing only those seen during the dotcom era.

It is also worth pointing out that, from the S&P's current P/E ratio of about 23x, the subsequent 10-year annualized return has always fallen between 2% and -2%, not exactly confidence inspiring. Could this time be different...?

## Flagship Strategy Performance

The performance of the Flagship strategies over Q4 '25 and 1 yr to 30 Dec '25, net of fees, is shown below:

Global Equity Strategy	Q4 '25	%Δ 1YR
Flagship Global Equity Fund (USD) *	-1.3%	15.7%
Flagship BCI Global Icon Feeder Fund (ZAR)	-4.8%	1.8%
Flexible Strategy	Q4 '25	%Δ 1YR
Flagship Worldwide Flexible Fund (USD)*	-1.8%	15.4%
Flagship BCI Worldwide Flexible Fund (ZAR)	-5.3%	1.2%
Fund of Funds Strategy	Q4 '25	%Δ 1YR
Flagship BCI Worldwide Flexible Fund of Funds (ZAR)	0.6%	0.8%

\*1 year performance is based on the actual returns data of a live portfolio managed under current portfolio processes and philosophies, net of real trading costs and management fees, albeit official inception date of these funds is 23 April 2025.

The ZAR experienced another strong quarter against the USD, with the latter losing 4.1% of its value over the quarter and 12.1% over the course of the year. We would like to highlight this fact and make sure our investors are aware of the implications of a strong ZAR. As was the case during both the second and third quarters of the year, the ZAR strengthening will detract from the performance of our ZAR denominated funds which invest, by and large, offshore. Given our global focus, we believe our investors are specifically looking for offshore exposure - companies and industries not readily available in the local market - and in the long term, ZAR depreciation will be a tailwind to performance. Short-term underperformance on the back of a strong ZAR, although still very painful, is to be expected.

The **Flagship Global Equity Fund (USD)** experienced a disappointing quarter, declining by 1.3%, well below the performance of its MSCI ACWI benchmark which gained around 3.3%. The fund outperformed its benchmark during December, but the relative underperformance in the previous two months dragged the fund down. The biggest contributors to performance during the quarter were Celestica, Alphabet and ACS, while the main detractors were



**Blu Label is still up around 250% since being added to the funds and remains one of the largest contributors to performance over the longer term.**

Stride, Adtalem Education and Blu Label Unlimited – all of which experienced significant declines during the quarter. As an example of how volatile stock movements on results currently are, Stride (an online education company) announced technical issues experienced during the rollout of a new registration platform that will hurt sign-ups in the short term. The stock declined by 50% in a single trading session, despite a fantastic long-term earnings growth outlook. Blu Label Unlimited has experienced a sizeable pullback during the last two quarters as the market tried to digest the long-planned spinout and public listing of Cell C. Despite being a detractor during recent quarters, Blu Label is still up around 250% since being added to the funds, and remains one of the largest contributors to performance over the longer term.

For the full year, the fund returned 15.7% in USD, vs its ACWI benchmark of 22%, dragged down by disappointing performance during the second half of the year.

The **Flagship Worldwide Flexible Fund (USD)** declined by 1.8% during the quarter, but was up 15.4% for the full year, reflecting a slightly lower equity weight than the pure equity fund.

The **Flagship Worldwide Flexible Fund (ZAR)** returned -5.3% for the quarter and 1.2% for the full year. (The lower return compared to the USD fund being solely due to ZAR strength over both the quarter and full year periods).

As is the case with the global equity fund, the biggest contributors to performance during the quarter were Celestica, Alphabet and ACS, while the main detractors were Stride, Adtalem Education and Blu Label Unlimited.

The **Flagship Worldwide Flexible Funds of Funds** strategy returned 0.6% during the quarter in ZAR (4.9% if measured in USD), outperforming the MSCI ACWI (as well as our internally managed funds during the quarter). While naturally disappointed in the performance of our internal funds, it is welcoming to see the changes to the external managers in the Fund of Funds having the desired effect. As a reminder, we made two changes to our external managers during Q3, given a sustained period of underperformance from those managers.

The top performing holdings were the same as during Q3 - Artisan Global Value Fund, and our gold bullion holding.



## Asset Allocation

Asset allocation is widely considered the most critical factor in determining a portfolio's long-term performance and volatility. By spreading investments across different asset categories—such as stocks, bonds, commodities, real estate, and cash—investors can manage risk through diversification. Because these asset classes often have low or negative correlations, they tend to react differently to the same economic events - when stocks are falling during a market downturn, bonds or gold may hold their value or even rise, cushioning the overall impact on your wealth. This smoothing effect not only protects capital but also helps investors maintain the emotional discipline needed to stay invested during periods of high market turbulence.

Incorporating global liquidity into asset allocation is often referred to as "macro-liquidity" investing. It involves tracking the total flow of cash and credit moving through the global financial system, which serves as the fuel for asset prices. While traditional asset allocation looks at valuations (is the stock cheap or expensive?), we think it helps to incorporate liquidity-based allocation, which looks at capacity (is there enough money in the system to push prices higher?)

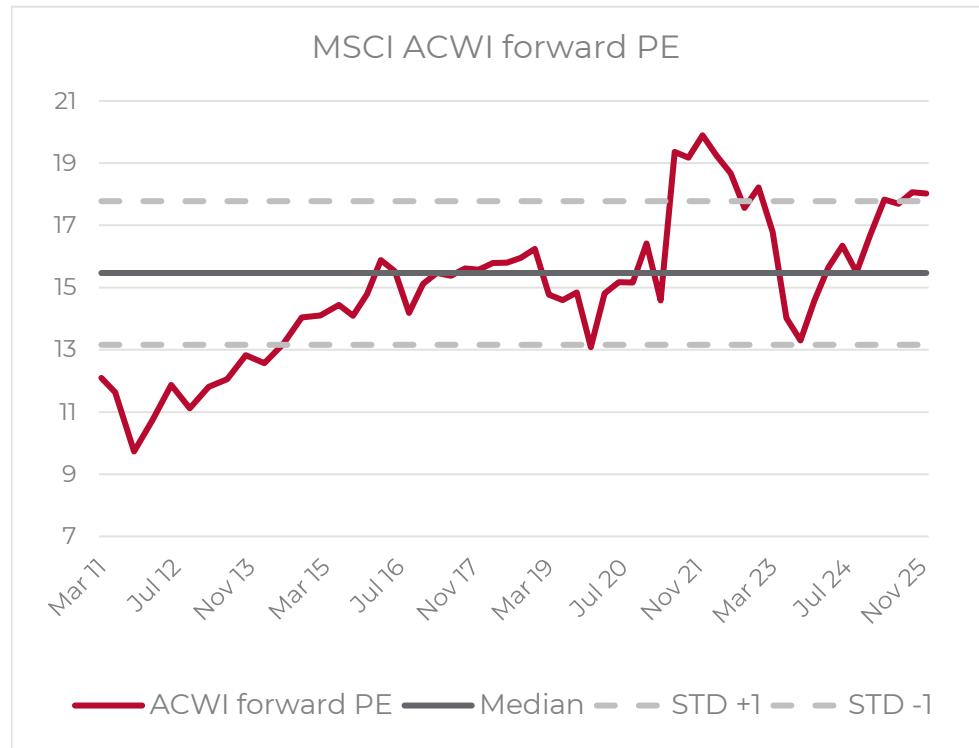
### Why the Global Liquidity Tap Holds the Key to Market Direction in 2026

As global equity markets hover near historic highs, investors face a critical question: can expensive valuations be sustained? The answer may lie in the often-overlooked dynamics of global liquidity. With central banks worldwide shifting their monetary stances, the flow of money through the financial system will likely determine whether markets extend their rally or face a correction.

### The Valuation Challenge

Global markets are expensive, with the All Country World Index (ACWI) trading on an 18x forward PE, 16% above its 15-year median and just above the 1 standard deviation point.

#### All Country World Index forward PE



Source: Flagship Asset Management; Bloomberg



Valuation in isolation doesn't tell the whole story. Markets can stay expensive for longer than expected when supported by stronger underlying earnings growth and increased global liquidity.

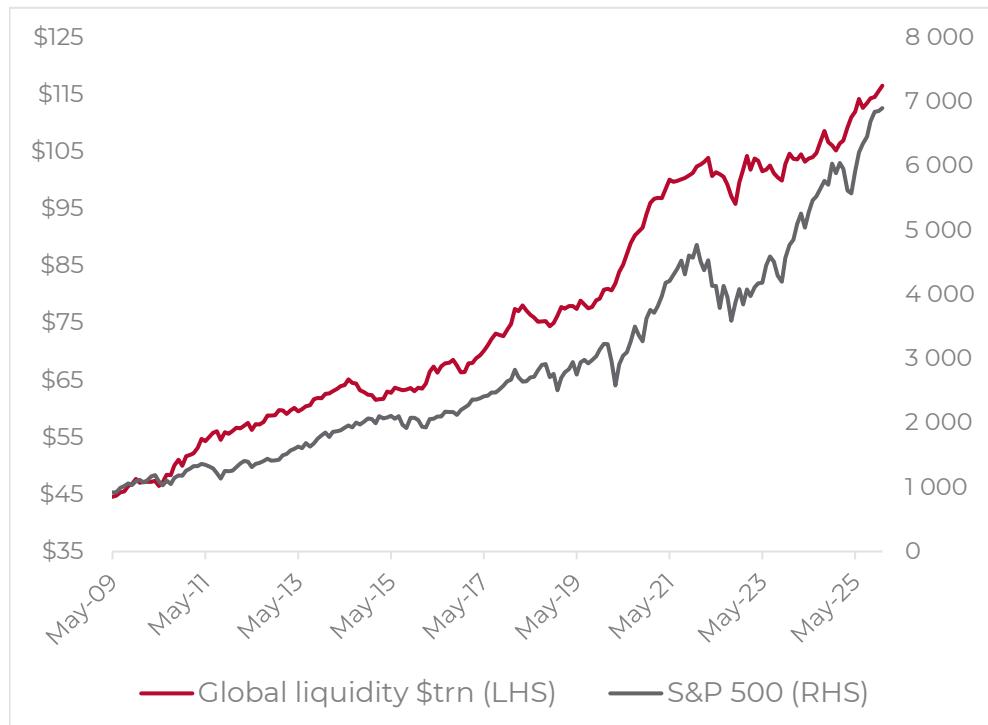
At Flagship Asset Management, our decision-making is informed by macroeconomic data and top-down analysis. We also closely monitor *global liquidity*.

### The Liquidity-Markets Connection

The chart, below, shows global liquidity, as defined by M2 money supply, versus the S&P 500 Index. M2 is a broader measure of money supply in an economy than M1 and includes cash, checking deposits, savings deposits, small-denomination time deposits, and retail money market funds. Economists often use the M2 to gauge inflation and economic health, and central banks rely on it to guide monetary policy decisions.

In this global liquidity calculation, we use M2 money supply for the world's 13 largest economies. The chart reveals a close relationship between global liquidity and the S&P 500 Index, which also holds for the All-Country World Index (ACWI).

**Global liquidity vs S&P 500**

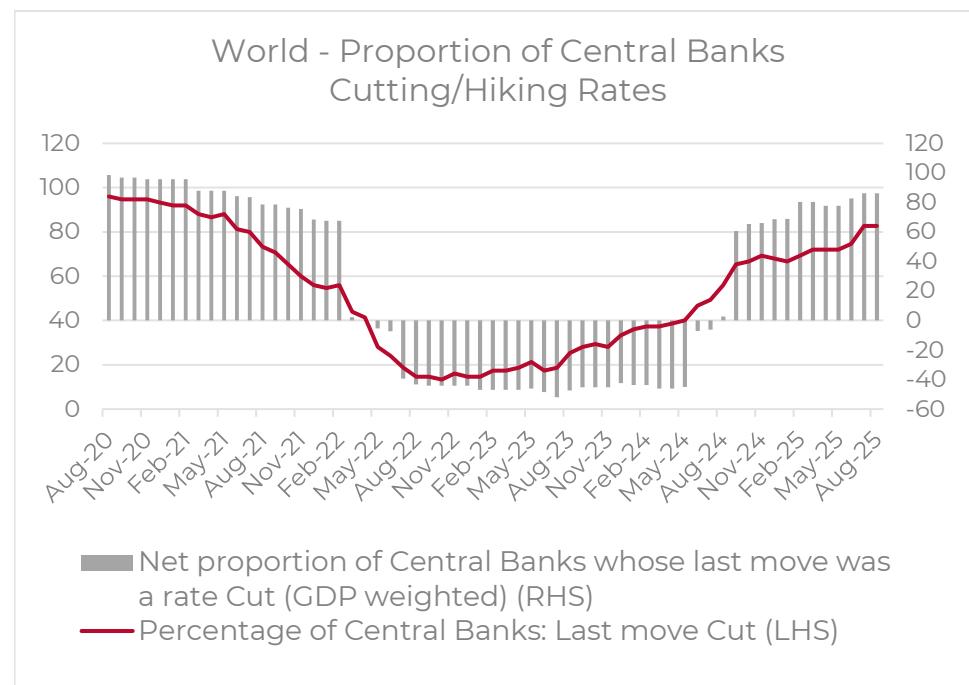


The mechanism is straightforward: if central banks cut interest rates and/or start quantitative easing, money supply goes up. More money in circulation should support equity markets.

The chart, below, dated September 2025, shows that the net proportion of the world's central banks, whose last rate move was an interest rate cut, stood at 80%, and was increasing.



## Net proportion of world central banks that are cutting interest rates



One of the biggest drivers of liquidity in the next six months will be government spending. In the US and Europe, fiscal deficits remain high. As governments spend, they push liquidity into the private sector.

Notice that when central banks were hiking rates in 2022 to combat inflation, the S&P 500 was in decline.

Although markets were expensive in September 2025, increased global liquidity – combined with strong corporate earnings – supported the S&P 500, which gained 2.5% in the last quarter of 2025.

### The Current Transition Zone

We are currently in a *liquidity transition zone*...

**The US:** The Federal Reserve has largely ended its Quantitative Tightening programme and is moving toward "Reserve Management Purchases", buying small amounts of US Treasuries to ensure adequate banking system liquidity. Interest rates sit in the 3.50%–3.75% range.

**The Eurozone:** The ECB has reached a "neutral" stance. After cutting rates through 2025, they are on hold at around 2.0%. They aren't flooding the market with new cash, but they are no longer withdrawing it.

**China:** The PBOC is the outlier, actively pushing liquidity into its markets to combat a sluggish property sector. Rising consumer demand would prompt us to look more closely for opportunities in the Chinese equity market.

### Looking Ahead: to mid-2026

By mid-2026, liquidity is expected to be moderately higher, driven by normalisation:

#### A. The "Neutral Rate" Target

Over the next six months, the Fed is expected to deliver its final one or two rate cuts (likely in March and June), bringing the benchmark rate down to roughly 3.00%–3.25%. This "neutral" level – where interest rates neither help nor hurt the economy – will lower borrowing costs for corporations, effectively "unlocking" stagnant cash.



## B. Fiscal Dominance

One of the biggest drivers of liquidity in the next six months will be government spending. In the US and Europe, fiscal deficits remain high. As governments spend, they push liquidity into the private sector. By mid-2026, we could see debt monetisation pick up, where central banks subtly support massive government debt issuance.

### Key Risks to the Liquidity Outlook

While the liquidity tap was being turned on back in 2023, three specific risks could dry it up over the next six months:

**Persistent Inflation:** Inflation hovers around 3%, refusing to drop to the Fed's 2% target. If it stays here, the Fed may pause rate cuts, causing a liquidity shock to overpriced stocks. Conversely, if inflation falls to around 2%, it gives the Fed room to cut rates further. Key areas to watch: oil and gas prices; industrial metals and other commodities.

**Fiscal Stress:** High and growing government deficits are forcing central banks to manage debt rather than just the economy. This can lead to sudden volatility in the bond market. Governments need to grow GDP faster than debt to bring down debt/GDP ratios.

**Dollar Strength:** If global growth slows outside the US, the dollar could strengthen sharply, historically draining liquidity from emerging markets and pushing commodity prices down.

### Bottom Line

With equity prices at historically high levels, the global liquidity picture will likely determine market direction in the coming months. The supportive monetary backdrop that propelled markets higher in late 2025 remains largely intact, but faces headwinds from persistent inflation, fiscal pressures, and geopolitical uncertainty.

Investors should monitor central bank actions closely, particularly from the Fed. Any signal of pauses in rate cuts could trigger a repricing of risk assets. Conversely, if liquidity continues to rise, expensive valuations may find further justification. The key is to remain alert: any reduction in global liquidity could be the pressure valve that removes the froth from the equity market.

### In summary

We remain positive on the outlook of gold and negative on global bonds (covered in recent Telescopes), while cautiously and selectively optimistic on global equities. We are active managers and as a boutique, we can move quickly should the environment change.

Investors should monitor central bank actions closely, particularly from the Fed. Any signal of pauses in rate cuts could trigger a repricing of risk assets.



# Novo Nordisk: Investment case, revisited



By JD Hayward

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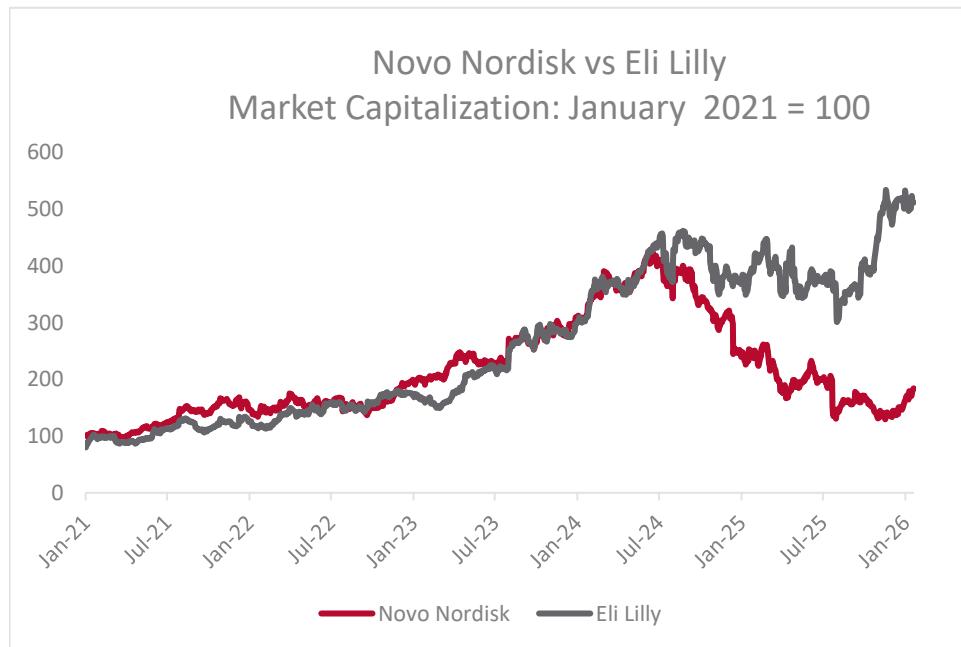
- ⇒ We previously wrote a detailed a stock profile on Danish drugmaker Novo Nordisk in the Q2 Telescope of 2024.
- ⇒ In this edition of our Telescope, we revisit the stock held before, sold to zero, and recently started building a position again.
- ⇒ We believe this is a good example of where our investment approach, which combines elements of fundamental research as well as quantitative and technical analysis, has served us well.

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Novo Nordisk had recently overtaken Dutch semiconductor giant ASML to take the mantle of Europe's largest company by market cap and was also the largest pharmaceutical company in the world.

When we previously wrote about Novo Nordisk, the maker of smash-hit weight-loss drugs Ozempic and Wegovy, it was sitting atop the European throne. It had recently overtaken Dutch semiconductor giant ASML to take the mantle of Europe's largest company by market cap and was also the largest pharmaceutical company in the world. Since then, Novo has suffered a series of setbacks, some of their own making.

From its peak in August 2024, Novo's share price has plummeted by roughly 2/3rds, 66%. Arch-rival Eli Lilly, meanwhile, has seen its market cap continue to climb, gaining a further 25% over the same period.





By design, Flagship's global funds largely avoided participation in this steep decline. This was the result not of our belief that the company, or the investment thesis underpinning the industry, is fundamentally broken, but simply because our risk management tools made us "forced" sellers of the stock, first trimming our position (yellow line in the chart below) fairly close to its peak and then exiting (red line), before it experienced the majority of its 66% slide.

Over the last 2 months, however, our process has identified a potential attractive new entry point into the stock, and we have started building a new position (green lines).



Novo remains...one of the most successful and consistent growth stories in pharma and healthcare.

So, what went wrong?

Novo first launched Wegovy in 2021 and then suffered from what is sometimes referred to as the "leadership curse". They knew the opportunity for this new class of weight loss drug was big, but the vast scale of it took everyone by surprise. For reference, Novo predicted that the demand for Wegovy would be about 3x the size of their older, less-effective weight loss drug. However, within 5 weeks, Wegovy sold 4 years' worth of prescriptions of the previous drug.

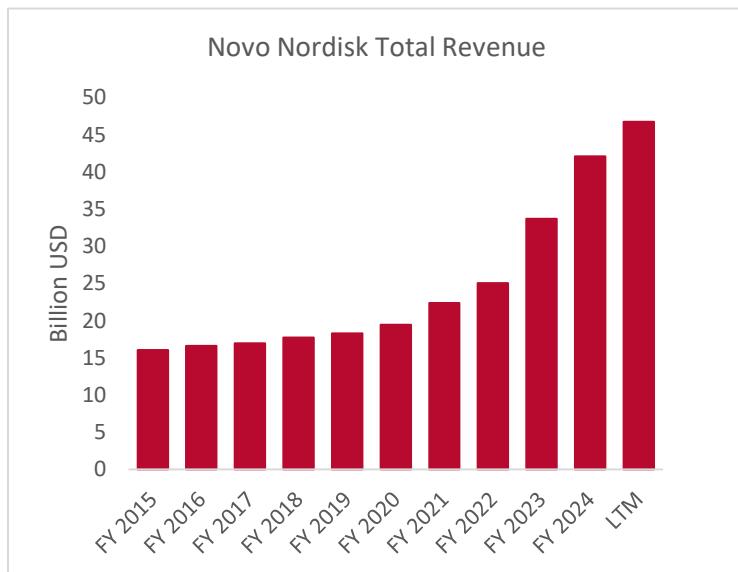
This left Novo ill-prepared for the surge in demand, leading to massive shortages and supply chain bottlenecks, and thus, according to US law, opened the market to generic copycat drugs until such a time that the demand could be met by supply.

This also opened the door to rival Eli Lilly, who massively ramped up production of the rival drug, Zepbound, before FDA approval for the drug was even received. This allowed them to hit the ground running and immediately take a large chunk of the pie. By the time Eli Lilly entered the market, Novo already had a headstart of \$4.3 billion in sales, yet Lilly is poised to overtake Novo after only 3 years. Projections now put Eli in control of around 50% of the market by 2030, with Novo lagging at only 30%. This largely explains the diverging fortunes in share price.

Novo remains, though, one of the most successful and consistent growth stories in pharma and healthcare. Since 2015, revenue has grown at a CAGR of 13%, helped along by a 21% CAGR since 2020.



Over the same period they've managed to compound EPS at a 16% CAGR, and 24% over the past 5 years – indicating margin expansion along with faster growth.



Aside from technical and quantitative triggers alerting us to a possible attractive entry point for the stock, what has changed, from a fundamental point of view, that gives us confidence to re-enter this position? Quite a lot.

After management's missteps with identifying and adapting to the surge in demand, Novo's board of directors decided to replace the previous CEO, who had been in the position since 2017. His successor, Mike Doustdar, is a company veteran of 30 years, and an ex-CEO, who served until 2017, has now been appointed as chairman of the board – overall, a large leadership shakeup. The new CEO has shown that he is not afraid to act decisively and with speed, as a large round of 9 000 layoffs followed soon after his appointment. This was an indication that Novo wants to redirect focus to its core competencies: diabetes care and obesity management. There were also early acquisitions and streamlining of operations, indicating a sense of urgency from management that replaces what was sometimes seen as complacency and slow execution.

Recently, there has also been a very big kicker when the FDA granted approval for Novo's oral version of Wegovy. Early signs are that this might be a game changer as many potential customers would rather avoid a once-a-week needle in favour of a daily pill. The pill version of the drug makes that possible. The other big benefit here is that Novo again has a head start of several months to about a year on Eli Lilly's version of an oral drug, and this time, Novo have indicated they are much better prepared for a surge in production when required. Its pill, based on data currently available, seems to be more effective than early results from Lilly's competing oral offering.

We believe the growth opportunity for the overall market remains large. Based on available data, the global obesity market remains in its early innings. Morgan Stanley estimates the obesity medication market could increase 10x to \$150 billion by 2035, up from about \$15 billion now.

Novo currently trades at less than 20x forward earnings, compared to Eli Lilly at closer to 30x, and the overall market at about 23x earnings. We believe Novo, at current levels, offers a good risk/return profile, prompting our re-establishment of a position in the share.

Early signs [that the FDA granted approval for Novo's oral version of Wegovy] might be a game changer.



## In conclusion

Flagship's global investment process is centered on a comprehensive, active risk management system that has been designed to let our winners run, while cutting our losses sooner. Our funds own a highly diversified selection of businesses across industry groups that we believe are favorably positioned compared to their peers from a multifactorial perspective.

We believe this combination of a proprietary risk management system, used in conjunction with our approach of considering several factors before a stock or manager can be included in our portfolios, will lead to superior risk-adjusted returns across our range of funds.

While we recognize and appreciate that investing is a long-term endeavour, we also realize that most investors do not want to endure prolonged periods of relative underperformance. We believe our approach strikes a middle ground whereby we can deliver alpha (or excess performance relative to one's benchmark) over the long-term, while shielding investors from protracted periods of negative alpha, compared to the benchmark.

We write these Telescopes so that our investors know what it is we are doing, and why we are doing it. For many of you, we are the caretakers of your global investments, and we would like to use this opportunity to thank you for the trust you place in us and emphasize how deeply committed we are to the responsibility that we hold.

With best regards,

The Flagship Global Team



*Navigate Safely Forward*

T +27 21 794 3140

E [info@flagshipsa.com](mailto:info@flagshipsa.com)

[www.flagshipsa.com](http://www.flagshipsa.com)

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