MFG MAGELLAN
FLAGSHIP FUND LIMITED

Magellan Flagship Fund Limited
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Magellan Flagship Fund Limited ("MFF")
Monthly Net Tangible Assets ("NTA") per share for August 2009

MFF advises that its approximate monthly NTA per share as at Monday, 31 August 2009 was $0.71 excluding net deferred tax assets[1] of $0.10, with the monthly change reflecting broadly stronger equity markets in the month.

During August the portfolio was virtually unchanged.

Many market participants further increased their allocation to risk in August. Most markets rose, whilst the 20%+ decline in the Shanghai Index followed some months of strong gains. Economists, commentators and politicians continued their increasingly optimistic rhetoric about economic recovery. We remain cautious on the economic outlook. However, we continue to see some attractive valuations of quality companies. We also continue to be confident that systemic financial risk has been averted in the US for this round, following the widespread capital raisings and other Balance Sheet improvements after the US 'stress test' of systemically important financial institutions.

Central banks and politicians have a complex task to wind back the stimulus, whilst avoiding further steepening in yield curves and excessive increases in borrowing rates for productive enterprises, and avoiding relapses into severe recessions. This task is further complicated by the relatively integrated global economies with increased trade and capital flows not matched by universal freely floating exchange rates or free portfolio/direct flows, as well as many prices such as official interest rates and key commodities (such as oil in some countries) that are not universally market related.

The unprecedented fiscal and monetary stimulus is providing a significant benefit to near term commercial and consumer activity and profits, and has broadly offset consumer and corporate caution. Some of the stimulus funds are inflating asset markets with some desirable consequences (many banks and other financial institutions have acted swiftly to improve asset quality whilst maintaining attractive net interest margins), as well as some undesirable consequences (speculative asset bubbles and commodity hoarding have re-emerged).

In this context, we believe that risk remains that 'momentum' plays may reverse suddenly, even after periods of considerable success. Index investing strategies also have more risk at this time than disciplined investing in quality and value. Hence, we continue to focus on attractive valuations for high quality companies, most of which are cash generative business leaders increasing their profitable market shares in major emerging markets as well as in the more developed markets.

As recently advised to the ASX, MFF's Directors have recently authorised a further on-market buyback of up to 20 million shares.

More than 95% of MFF's total investment assets by market value continue to be in global multinationals (being entities that generate 50% or more of their revenue and/or have material operations in 15 or more countries outside the domicile of their primary securities exchange), with a majority of the balance being predominantly North American focused. The revenue and earnings split for the multinationals average about 40% USA, 30% Europe and 30% ROW. The emerging markets proportion of underlying revenue and earnings continues to rise. As at 31 August 2009, MFF had net borrowings of approximately 18.6% of total investment assets, predominantly denominated in AUD with smaller amounts of borrowings in Euro, USD and British Pounds.

Key currency rates for AUD as at 31 August 2009 rates 0.8431 (USD), 0.5875 (EUR) and 0.8910 (CHF) compared with the 31 July 2009 rates which were 0.8275 (USD), 0.5884 (EUR) and 0.9020 (CHF).

Leo Quintana
Legal Counsel & Company Secretary
2 September 2009

[1] Deferred tax assets less deferred tax liabilities.
All figures are unaudited