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Magellan Flagship Fund Limited ("MFF")
Net Tangible Assets ("NTA") per share for March 2011

MFF advises that its monthly NTA per share as at 31 March 2011 was $0.748 excluding net deferred tax assets of $0.087. These figures are unaudited.

During the March Quarter, turnover in the portfolio remained low. Almost all of MFF's world class companies continue to win in their marketplaces whilst investing in very solid multi country growth platforms. Many of these companies are winning the "land grab" for the share of their customers' mind space in emerging markets.

We kept the portfolio fully invested and maintained the overall portfolio construction, with some adjustments in individual holdings seeking to take advantage of short term valuation and opportunity cost fluctuations as well as medium term factors.

There is increasing evidence of emerging bubbles being fanned by low interest rates and other highly stimulatory monetary and fiscal policies. Geopolitical and inflationary risks are rising with unsustainable combinations of rising commodities, rising basic costs of living, increasing income disparities, high unemployment, record budget deficits, low interest rates with fanaticism and restrictions on freedom being played out in a world of mobile broadband and social networks. The unhedged AUD position continues to be relevant in assessing whether to keep the portfolio fully invested, as major downward moves in world equity markets in recent years have coincided with falls in so called "risk trades" such as the AUD.

If the world stabilises in the medium term in a relatively benign, bifurcated growth scenario with periodic disruptions which are not systemic/globally threatening or [less likely, in our view] powers through into higher growth, MFF is well positioned with market leading exposures to favourable global growth trends such as emerging market consumers, mobile, broadband and cashless payments.

We also believe that the portfolio has valuable protection if/when the various macro and geopolitical concerns (either on their own or in combination) cause further significant disruptions to world GDP. The portfolio companies have advantaged business cases, including their strong pricing power in inflationary and deflationary conditions, and the portfolio is funded via the surging AUD. Our companies almost certainly will continue to gain profitable market share over coming decades and their success is a protection against risks such as inflation and macroeconomic/geopolitical disruptions. At most times a portfolio of these companies held for the medium term is less risky in terms of real capital protection than cash.

In relation to the recent Japanese tragedies we had no direct exposures given concerns including low returns on invested capital, increasingly competitive sectors, higher regulatory risks, demographic headwinds and fiscal profligacy leading to low confidence that satisfactory internal rates of return were achievable. Most of MFF's multinational companies have leading positions in Japan which suffered temporary disruptions and they have joined the nation in rebuilding. Interested shareholders should listen to a replay of the recent Wal-Mart Asia investor briefing and they will again hear how superb multinational companies can make a positive difference in disaster responses alongside Governments and the people. Wal-Mart is

able to use its experience in responding rapidly to Hurricane Katrina and the Chilean earthquakes with advanced technology and rapid global sourcing specially commissioned from China, the US and elsewhere.

The Japanese people will continue to be amazingly resilient in responding to the loss of life, destruction and required rebuilding from the earthquake and tsunami. Medium term global implications from the nuclear disaster are less predictable, and already include the election of the Green (anti nuclear) Party to lead Germany's wealthiest and hitherto most conservative state (in the first change of Government for 58 years).

We expect that global funding of trade and capital balances will be tightened and expect that this will place upward pressure on debtor country interest rates over the next few months, other things being equal eg absent another broad based crisis. Japan can seek to fund via a combination of sources: repatriation of capital invested offshore, increased domestic savings, increased fiscal deficits funded by the central bank, increased exports and increased foreign investment into Japan. The response options are constrained by the low growth, weak demographics (low immigration and a quarter of the population already being over 65 years) and the high yen (which required coordinated G7 intervention). We expect that Japanese surpluses to fund overseas assets should not be relied upon in the medium term (although it appears that Mrs Watanabe's advisers have reacted to the crisis by increasing the acquisition of higher yielding assets such as AUD bonds, maybe in anticipation of a major fall in the Yen). The other capital surplus regions also have significant and increasing calls upon their own savings. China is responding to domestic inflation and is encouraging rebalancing after its successful stimulus response to the financial crisis. The North African and Middle East oil exporters will materially increase their own defence and security spending, as well as increase transfer payments to offset some of the impact of inflation. Germany is central to financing the response the European debt crisis.

At the moment the upward pressure on global rates is muted by central bank buying, modest corporate borrowing requirements and an uptick in developed world household saving. Each of these factors is likely to be somewhat muted in a broadly based recovery scenario, particularly if accompanied by higher inflationary expectations.

In the Quarter, 12 of the 20 largest holdings were completely unchanged and the other changes were relatively modest. Almost all companies in the portfolio reported solid business progress in the Quarter. The ongoing data also increased our confidence in the probability that the unhedged currency position will eventually be valuable, despite currency market prices again moving adversely to NTA at the end of the Quarter and prices of commodities rising in response to shortages and increased portfolio investment in commodities.

We have remained fully invested, although we are increasingly wary as markets rise. We are wary of rising markets as Margins of Safety are lower as markets rise, unless the level of sustainable business improvement exceeds the amount of the rise.

Equity markets have risen strongly partly because the world has been stabilised and markets were abnormally low in the extremes of fear, pessimism and forced selling in late 2008 and early 2009. The underlying value of our portfolio companies has also risen since that time, as they are achieving sustainable business improvements in almost all cases with market share gains in many global markets and other measures such as ongoing improvements in balance sheets and reduced company level financial risks. In considering value, we attempt to adjust for the broadly improving economic environment over the past 24 months and for the fiscal and monetary stimulus. We are cautious about company profit margins, which are at high levels. We also adopt discount rates that are well above current market rates (which we consider to be low) in assessing values.

Whilst we believe that valuations and opportunity costs remain relatively attractive, the rise in the underlying value of the portfolio is less than the rise in market values since the market bottom. In other words, it is obvious that Margins of Safety are lower than at that time.

The Company's holdings with a market value of A$2 million or greater (which represent about 98% of the portfolio value) as at 31 March 2011 were:

Holding	$million	Holding	$million
American Express	59.8	US Bancorp	9.3
Yum! Brands	41.9	PepsiCo	8.5
Nestlé	37.4	Wal-Mart	6.9
eBay	32.5	Visa	6.8
Coca-Cola	24.3	Colgate-Palmolive	6.6
Wells Fargo	18.2	Bank of America	5.8
Google	15.8	Lowe's	4.8
McDonald's	15.8	Tesco	3.7
China Mobile	13.1	Johnson & Johnson	2.3
Procter & Gamble	10.0		

We made further modest reductions in the staples retailers Wal-Mart and Tesco as well as in snack food and drinks company PepsiCo. Fluctuations in markets in the Quarter enabled small increases in Yum and Nestle. We sold two of the starting positions in the Chinese consumer companies, as their shares appreciated ahead of other opportunities in the fluctuating markets, and increased the holding in the third (China Mobile). We modestly added to the position in Visa. We have little exposure to companies that are heavily reliant upon direct Government payments, which are likely to be under pressure as budgets tighten.

The negative impact of the appreciation in the Australian Dollar on the NTA continued in the Quarter as the currency rebounded after the Japanese disasters, and the unsustainability of the US policies is causing continuing USD weakness. Amongst a myriad of important macro economic issues, how the administration and Congress react to the US budgetary position and what Chinese authorities do with their low interest rates and property policies will have significant bearing on these currencies and other markets.

The portfolio's largest category of exposure remains to profitable multinationals with leading market shares in consumer products/services in emerging markets, as well as in the slower growing, more established countries. Consumer spending is growing at or above 10% per annum in the largest emerging markets, with favourable longer term outlooks. Rising living standards and urbanisation underpin strong demand in emerging markets for products and services of many of MFF's portfolio companies.

We believe that favourable secular trends are likely to continue to favour these portfolio companies for many years, although there will be numerous challenges, such as inflation. Very few other companies have invested for decades in the distribution networks, products and brands necessary for scale profitability and sustainable competitive advantages (see the recent Nestlé presentation to the Consumer Analysts Group of Europe for an example). Inflation is very relevant as is monetary policy tightening, and regulatory risk is an issue everywhere. In March the leading Chinese noodle company (Tingyi, which is also a leading competitor in beverages, but is not an MFF holding) was forced by the Government to abandon an announced double digit increase in the price of noodles. We are also watching the impact on MFF's companies, and there are reports that Unilever also cancelled price rises in China.

MFF increased its exposure to high quality financials during 2010. In March, the latest stress test results enabled our largest financial holdings (American Express, Wells Fargo and US Bancorp) to increase their dividends and/or share buybacks from the Crisis reduced levels [American Express was the only major US financial not to cut its dividend but it stopped its buyback programme until the second half of last year]. Bank of America has to reapply for a modest late 2011 dividend increase as its application did not succeed. Visa and MasterCard are not subject to these restrictions as they do not offer credit.

Earnings over time are the key determinant of medium to longer term stock price performance, although changes in multiples/discount rates (driven by fluctuating sentiment, as much as mathematics) often dominate, even for extended periods. Earnings reports have been positive for our portfolio and we will watch the next round starting in two weeks with considerable interest. A particular focus will be to look for the trend towards sustainable market share gains.

We intend to maintain our unhedged currency position in prevailing market conditions. We are determined to be patient, as the current situation will pass.

Although the various fiscal and monetary stimulus packages, particularly out of the US, have damaged market sentiment for its currency (and hence reduced the value of the USD against many other currencies and make future weakness likely), we believe that the Australian situation is increasingly vulnerable to reversal. Despite record commodity prices and terms of trade, weak economic growth figures have been recorded for the latest two Quarters and are likely for March, and the Government recently released figures that the current budget deficit is widening and have foreshadowed that greater "fiscal consolidation" is required. Iron ore and metallurgical coal supply and demand will inevitably rebalance with a leveraged impact from at least a partial reversal in the terms of trade. The impacts of crowding out, and of the rising currency itself, increased materially at the end of 2010 and into 2011. Timing of any reversal is unclear as, for example, Chinese stimulus drastically raised demand, but projects to expand resource supply were deferred during the Crisis and many are now subject to delays and cost blow outs.

About 90% 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 and almost 4% being China focussed. The revenue and earnings split for the multinationals average about 40% USA, slightly less than 30% Europe and slightly more than 30% ROW. The emerging markets proportion of underlying revenue and earnings continues to rise.

As at 31 March 2011, MFF had net borrowings of approximately 20% of total investment assets. The borrowings are almost entirely denominated in AUD, with a small amount in Euros.

Key currency rates for AUD as at 31 March 2011 rates were 1.0342 (USD), 0.7287 (EUR), 0.6452 (GBP) and 0.9461 (CHF) compared with the 28 February 2011 rates which were 1.0183 (USD), 0.7373 (EUR), 0.6261(GBP) and 0.9465 (CHF).

Yours faithfully,

Chris Mackay
Chief Investment Officer

Nerida Campbell
Company Secretary

4 April 2011

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