



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

MFF advises that its monthly NTA per share as at 30 December 2011 was \$0.820 excluding net deferred tax assets¹ of \$0.065. These figures are unaudited.

Changes to the portfolio were relatively modest in choppy markets in December. The buyback continued and approximately 425,000 shares were bought, making 2.95 million shares bought back over the latest 6 months.

Over the last six months, MFF's pre tax NTA per share rose from \$0.762 to \$0.820. MFF marks to market its holdings and thus is likely to report a pre tax gain for the latest six month results. The portfolio outperformed the difficult markets and the AUD fell approximately 4.3% against the USD during the period. Turnover was low over the six months. Modest additions included Google, Wells Fargo, China Mobile, Visa, MasterCard and US Bancorp. Reductions included Nestle, Connect East (takeover), Tesco, McDonald's, Colgate-Palmolive and Coca-Cola.

Various high quality consumer companies are far closer to their underlying values as their share prices have been appreciating ahead of their (strong) business performance. In contrast, most credit based financials remain out of favour and the best financials are inexpensive in the absence of further major macro event(s).

The Company's holdings with a market value of A\$2 million or greater (which represent about 99% of the portfolio value) as at 30 December 2011 were:

Holding	\$million	Holding	\$million
American Express	62.8	Visa	16.2
Yum! Brands	48.7	McDonald's	15.6
eBay	32.1	US Bancorp	11.2
Google	30.8	Procter & Gamble	11.0
Coca-Cola	24.1	Wal-Mart	7.2
China Mobile	22.1	MasterCard	5.9
Wells Fargo	18.2	Lowe's	2.7
Nestlé	17.6	Bank of America	2.4

Sovereign debt and risks continue to increase. Debt levels are unsustainable and incompatible with a return to stable growth in many countries. The Chinese housing market is likely to be even more important, both as a driver of economic activity but also as another barometer. Almost all major regions/countries have greater macro challenges in 2012 than in 2011, including Europe, Japan, India and Brazil.

The US economic figures are benefitting from the ongoing monetary and fiscal stimulus. This is benefitting equity investors via higher corporate profitability and via investors moving funds from zero/low interest rate investments.

Almost 85% of MFF's total investment assets by market value are 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 the balance being predominantly North American focused and about 7% being China focussed. The revenue and earnings split for the multinationals average almost 40% USA, about 25% Europe and about 1/3 ROW. The emerging markets' proportion of underlying revenue and earnings continues to rise.

As at 30 December 2011, MFF had net borrowings of approximately 14.0 % of total investment assets. Most of the borrowings are in AUD with small amounts in Euro, Swiss Francs and Sterling. Cash balances from unutilised sales proceeds and dividends are currently held in a mix of US Dollars, Singapore Dollars and Hong Kong Dollars.

Key currency rates for AUD as at 30 December rates were 1.025 (USD), 0.790 (EUR), 0.660 (GBP) and 0.959 (CHF), compared with 30 November rates which were 1.027 (USD), 0.763 (EUR), 0.653 (GBP) and 0.935 (CHF).

Yours faithfully,



Chris Mackay
Director



Leo Quintana
Legal Counsel & Company Secretary

4 January 2012

¹ Deferred tax assets less deferred tax liabilities.