MAGELLAN
FLAGSHIP FUND LIMITED

Magellan Flagship Fund Limited
ABN 32 121 977 844

Level 7, 1 Castlereagh Street,
Sydney NSW 2000 AUSTRALIA

General: +61 2 8114 1888
Facsimile: +61 2 8114 1800
Website: www.magellangroup.com.au

# Magellan Flagship Fund Limited ('MFF')
# Net Tangible Assets ('NTA') per share for March 2012

MFF advises that its monthly NTA per share as at 30 March 2012 was $0.952 excluding net deferred tax assets[1] of $0.026. These figures are unaudited. In the quarter, the overall portfolio rose ahead of a strong market, the AUD detracted modestly (a 1% rise against the USD in the quarter) and the pre-tax NTA increased approximately 16.1%.

Turnover in the portfolio was again modest. We remain confident about the business prospects of the portfolio companies. The on-market buy-back continued in March and approximately 116,000 shares were bought. During the quarter, CME Group was the only addition to our larger holdings.

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 March 2012 were:

| Holding | $million | Holding | $million |
|---|---|---|---|
| American Express | 76.2 | US Bancorp | 14.8 |
| Yum! Brands | 52.6 | Nestlé | 13.5 |
| eBay | 36.1 | CME Group | 13.1 |
| Google | 32.3 | Procter & Gamble | 9.6 |
| China Mobile | 25.2 | MasterCard | 7.3 |
| Coca-Cola | 25.2 | Wal-Mart | 7.3 |
| Wells Fargo | 23.6 | Bank of America | 4.1 |
| McDonald's | 19.1 | Lowe's | 3.4 |
| Visa | 18.6 | | |

The US Federal Reserve 2012 'stress tests' indicated a significant strengthening in the capital and financial positions of the 19 largest US based financials. MFF's 3 largest credit-based financials, American Express, Wells Fargo and US Bancorp have been permitted significant increases in shareholder payments via increased dividends and share buy-backs. Bank of America did not seek to increase its dividend or recommence a share buy-back. Share market prices for each of these financials increased in the March quarter. Bank of America's share price rose the most of the Dow Jones Industrials after being worst in 2011.

There were few results released by our portfolio companies in March. The China Mobile result was better than our cautious expectations and the dividend was modestly increased. The $20 billion net profit should increase in due course as subscribers and services grow (661.4 million subscribers at February end, growing by more than 5 million per month). The sheer magnitude of infrastructure and subscribers are an important offset to the current regulatory, technological and governance headwinds.

Stock markets appreciated in the March quarter. We continue to believe that valuations remain attractive, although less attractive than the much lower levels in recent years and months. To illustrate, American Express is permitted by the Federal Reserve to increase its dividend and to buy back $5 billion of shares to end March next year. Given its level of surplus capital and low marginal funding costs, such a buy-back is accretive to earnings per share, at levels even well above current market prices. We also believe that buy-backs at or about these levels add to shareholder value, even though the American Express share price has recovered most since the March 2009 lows for the Dow Jones Industrials.

Macroeconomic/political concerns remain, and much political activity continues to defer addressing the underlying issues. The eventual unwinding of the unprecedented debt and fiscal/monetary stimulus will be crucial, as will the unwinding of the Chinese residential overbuilding bubble, despite some mixed short-term figures.

We continue to watch regional and local governments and "discretionary" government programmes, and companies that are heavily dependent upon the affected regions and/or programmes. Central governments are motivated to give the impression of improving their fiscal discipline and push costs and burdens on to other arms of Government that lack their taxing powers. More regional and local governments will be pushed into further financial distress and financial pain will likely be felt by creditors as well as other constituents. China, US and Spanish municipalities have started to acknowledge some of the issues, and even in Australia, COAG is starting to awaken to some risks.

More than 80% 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 7.5% 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 March 2012, MFF had net borrowings of approximately 15% 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 almost entirely held in a mix of US Dollars, Singapore Dollars and Hong Kong Dollars. MFF remains effectively "short" the AUD and a number of the fundamentals continue to weaken. The currency diversification benefit has also provided support for maintaining the effectively fully invested position.

Key currency rates for AUD as at 30 March 2012 were 1.036 (USD), 0.778 (EUR), 0.648 (GBP), and 0.936 (CHF) compared with rates as at 29 February 2012 which were 1.080 (USD), 0.808 (EUR), 0.676 (GBP) and 0.973 (CHF).

Yours faithfully,

Chris Mackay
Director

Leo Quintana
Legal Counsel & Company Secretary

3 April 2012

[1] Deferred tax assets less deferred tax liabilities.