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

MFF advises that its monthly NTA per share as at 30 April 2012 was $0.963 excluding net deferred tax assets[1] of $0.023. These figures are unaudited.

Portfolio turnover was again modest in April. Our positive views about the business cases and market positions of the MFF investee companies have been reinforced by their Quarterly results and associated commentary released in April. Portfolio moves primarily relate to relative valuations and our perceptions of price and value, as well as portfolio construction considerations. Our small number of very high quality banks remain attractively priced on most scenarios, despite further recovery in prices as investors assessed generally positive results and commentary.

High quality consumer names were far more mixed in the month as their prices generally are far closer to reasonable probability earnings based assessments, and there are some current commodity cost, competitive and retailer pressure headwinds, as well as the ongoing deterioration in Europe and some slow down in hitherto strong growth emerging and commodity dominated markets. Bargains are no longer everywhere, in contrast to the depth of the panic selling during the Crisis, and overall market prices are no longer well below likely future earnings based valuations.

We maintain our focussed investment in high Quality global companies and the effectively 'short' AUD position, which we believe is favoured by probabilities in the medium-term, although we are prepared for ongoing adverse fluctuations. Our view of the risks for Australia hardened as data emerged in April.

There were no particular themes to the small number of portfolio changes in the month, beyond the purchase of shares in Quality companies that are somewhat out of favour and further modest sales principally from the consumer exposures. We had been steadily selling Tesco in recent years but it now appears inexpensive, and we have started to add modestly (the position remains small at less than 1% of the portfolio). There are no easy fixes or obvious catalysts to restore Tesco's pre-eminence but the company has the assets and the management to grind out very solid results over the medium-term, with the benefit of learning from current issues. Tesco has numerous internal and external headwinds across multiple continents and is as likely as not to have a patchy business performance in the next few periods.

We continue to prefer solid Quality companies, which are reinvesting at rates of return well above their cost of capital and buying back stock on sensible terms, compared with holding cash. We are not ignoring our concerns about risks; we believe that this portfolio construction appears to give the best outcome probabilities at the moment, after weighing up factors such as prices and risks. However, this balance in favour of being largely invested is far less obvious than in recent years, particularly given the recent market appreciation, and sales currently outweigh purchases. We invest in companies with deep market liquidity which effectively provides daily pricing for the entire portfolio, the opportunity cost of not holding much cash is less than for an investor with larger positions or illiquid asset classes and we have flexibility to react, particularly to market price changes.

We continue to hold some non-AUD cash as part of the overall portfolio construction. This non-AUD cash is waiting for deployment, is a fraction of the investment portfolio and is more than offset by the predominantly AUD borrowing. We continue to believe that investors should be concerned about macroeconomic, political and market risks and, if there is a serious break in the markets, we may lose on

these positions (compared with being in cash). Expressed another way, it is probable that the sustained market gains from March 2009 will become more patchy; the balancing of market risks, inflation/deflation and burden sharing are likely to get harder, but simply going to cash is probably not the best course over the medium-term. Investors should be prepared for inevitable volatility.

One of the more interesting observations during the current earnings period was CME Group noting the low volatility and low volumes across multiple asset categories. They added that low volatility typically did not continue and they felt some markets (such as forward interest rates) appeared set up for increased volatility. Our US domiciled banks also noted that loan growth and business activity was increasing. The policies of the US Federal Reserve have been aimed at enticing businesses and individuals into activity, in order that the recovery becomes self sustaining. A self sustaining recovery may or may not be positive for equity markets as it likely would be accompanied by higher interest rates and less direct and indirect benefits for corporate profitability from unsustainable US Federal Government spending. Recent markets have been broadly characterised by the unusual positive combination of favourable perceptions of likely steady business recovery and ongoing low interest rates and stimulus (fiscal and monetary).

The double dip recessions in Europe (Spain, the UK and 6 other EU markets to date) partly reflect more limited policy options as well as narrower economic bases than for the US. All around the World the political decisions are becoming harder. In recent years particularly in response to the Crisis, politicians (with few exceptions such as in Sweden), have run up billions/trillions of dollars of debt and future liabilities that were not focussed upon longer term productivity enhancements, whilst increasing corporate and individual 'dependence' on Government. More developed economies are not making the necessary technological, mix or other productivity gains to generate the growth to finance increased entitlements despite widespread increases in standards of living in recent decades. Combined with excessive household (and in some cases corporate) debt financed property speculation and consumption, and an over geared excessive risk taking finance sector, these factors are placing extreme pressures on Governments and societies.

The global financial imbalances have not been resolved and the billions of dollars of budget and balance of payments deficits will matter, although in the short-term most bonds are being sold, debt is being financed and systemic inflation is not today's risk. Risks to banks and regional governments and other institutions are getting worse in parts of the world. More Governments will have to decide whether to financially support regions and individual financial institutions. Their debts will require hard choices and future losses/reallocations are certain to extend well beyond Greece, as these debts can only be renegotiated/extended/refinanced, inflated away, forgiven, reneged upon and/or repaid from future revenues which requires growth.

The effectively short AUD position continues to provide a hedge for MFF's fully invested position, as the AUD has generally fallen during periods of major downward price movement in equity markets in recent periods. Additionally, we believe that the prospects continue to increase for a major retracement in the AUD in the medium to longer term. Below are a few of the evolving factors, although counterpart positions are crucial e.g. US policy responses after the 2012 elections and evolution of the current US technology drive epitomised by social media and mobile technology. Overall we believe that most investors and policy makers are materially underestimating the cyclicality of Australia's key economic drivers and the associated risks, which politicians believe they have a short-term incentive to ignore (for example, decisions to not publish parameters for estimates of underlying budget deficits reduce uncomfortable budgetary debates for a while).

It has been a mistake to underestimate China's demand for Australian commodities and, even currently, developers continue widespread housing projects despite a significant number of vacant apartments (74 million was a recent broker estimate) and ongoing central Government policy to reduce property speculation. However, senior Chinese officials consider that there is a bubble in China's housing affordability, their policy is for building levels to decline and for the economy to "rebalance". Supply competition is also increasing in Australia's major commodity markets, including for LNG exports. Technological advances and access to US capital have combined to dramatically increase estimates of US/North American gas and other carbon self sufficiency with an impact already on some gas and coal markets. BG Group and Asian end buyers have recently signed off-take agreements to accept US LNG at prices well below the Pacific prices. Conoco Phillips in their latest Quarterly earnings call downplayed the prospects of medium term expansion of their major Australian LNG project beyond the next pending expansion.

Estimates of peak demand from China for steel input commodities are concentrated around the middle of the decade, and this is when most forecasts also see the peak for the current commodity capital expenditure cycle in Australia. Current policies and market realities make domestic manufacturing 'value adding' to commodities increasingly uneconomic in Australia and thus reliance upon the traded commodity price for the outputs is high. Hence the mid-decade commodity vulnerability extends at least to sale prices and the project capital expenditure cycle without obvious offsets. A material sustained fall in Australia's commodity pricing and activity would reduce Australia's GDP by at least a mid single digit level. In contrast, expectations are increasing that the expected new abundance of lower cost onshore carbons in the US will enable a rebound in value adding activity, subject to policies and regulations not becoming more adverse.

The non-mining/non-government parts of the Australian economy are continuing to hollow out at a rapid rate with various finance, manufacturing and retail activities rationalising or leaving to maintain competitiveness and law firms/other service providers are merging with international counterparts to concentrate talent upon Asian opportunities. Recent surveys have Australian operations as among the most expensive in the world; for example, in the mining sector project and operating cost blow outs, pressures on the tourism and education sectors and the global CEO of one of the world's largest consumer goods manufacturers recently said Australian manufacturing of a major product was 5x as expensive as an alternative, although Australia has comparative advantages from abundant inputs for the product. Risks to terms of trade from imports are underestimated despite Petrol Watch, Grocery Watch and political 'concerns' about pricing for popular Apple and Microsoft products.

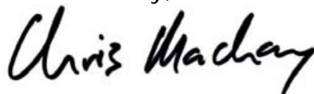
The RBA has said that the currency has not fallen despite the recent peak in terms of trade, predominantly because of offshore buying of Australian bonds for the interest differential (sovereign/official entities and Japanese retail funds for example). Historically such portfolio flows have been volatile in most markets around the world, particularly when accompanied by other adverse economic news. Data that is not currently in focus will be scoured, including the rise in Australia's net foreign liabilities to almost $855 billion (as at 31/12/11) despite record terms of trade and export volumes, dramatic increases in pressure on State Government budgets as the Federal budget is trimmed from its current $40 billion deficit and data relating to housing affordability. The perception of Australia's relative economic strengths is most based upon Australia's terms of trade benefits which are likely to reverse if China rebalances its economy. Tightened bank capital and liquidity rules are a cyclical negative for Australia as European lenders retreat and domestic banks bid aggressively for deposits, reducing their flexibility on funding costs.

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 April 2012, MFF had net borrowings of approximately 14% 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.

Key currency rates for AUD as at 30 April 2012 were 1.041 (USD), 0.787 (EUR), 0.641 (GBP), and 0.945 (CHF), compared with rates as at 30 March 2012 which were 1.036 (USD), 0.778 (EUR), 0.648 (GBP) and 0.936 (CHF).

Yours faithfully,



Chris Mackay
Director

Leo Quintana
Legal Counsel & Company Secretary

2 May 2012

[1] Deferred tax assets less deferred tax liabilities.