



Magellan Flagship Fund Limited  
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***Magellan Flagship Fund Limited ('MFF')  
Net Tangible Assets ('NTA') per share for February 2016.***

*Please find enclosed MFF's monthly NTA per share for February 2016.*

A handwritten signature in blue ink, consisting of several overlapping, stylized strokes.

***Geoffrey Stirton  
Company Secretary***

*2 March 2016*

**Magellan Flagship Fund Limited ('MFF')**  
**Net Tangible Assets ('NTA') per share for February 2016**

MFF advises that its approximate monthly NTA per share as at 29 February 2016 was \$1.927 pre-tax, (\$1.998 pre-tax as at 30 June 2015) and \$1.698 after providing for tax<sup>1</sup> (mostly deferred). If all of the remaining MFF 2017 options had been exercised by 29 February 2016, the pre-tax NTA would have been reduced by approximately 13.3 cents per share (and the approximate post tax figure by approximately 10.1 cents per share). Figures are cum the fully franked dividend of 1 cent per share payable in May 2016.

Market participant nervousness continued at an elevated level in February. There are numerous valid market, economic and political concerns, some of which were listed in MFF's release last month. Risk aversion, career caution and negative market sentiment broadened and deepened amongst investors. During the month our financials declined further despite some efforts to release data to enable investors to contextualise energy and mining sectors credit exposures. Already their declines from recent market prices have been extensive and sustained, reflecting ongoing caution about economic factors, negative interest rate movements and some company specifics.

Our portfolio continues to be focused upon companies with sustained advantages and positive medium term outlooks, as reflected in the results for some larger holdings announced in the month. Although we have capacity to invest part of the portfolio in some "deep value" out of favour situations or alternatively in smaller "growth" companies, we continue to be wary, and our first preference is to find a small number of businesses with perceived sustainable advantages for the medium term, at sensible prices. In February there appeared to be some pockets of interesting value for the medium term.

Interest rates are likely to remain subdued for longer than was previously expected, perhaps until the eventual 'normalisation' of energy supply and demand. MFF's balance sheet capacity remains important, including our very liquid portfolio and investment flexibility.

Net debt as a percentage of investment assets was approximately 11.1% at 29 February 2016. AUD net debt was approximately 9.1% and USD net debt was approximately 0.7% of investment assets. Other cash/borrowing currency exposures were also below 1% of investment assets as at 29 February 2016. Despite continuing serious reservations about most currencies amid likely ongoing fluctuations, we are particularly cautious about unaddressed medium term risks for the AUD.

Key currency rates for AUD as at 29 February 2016 were 0.714 (USD), 0.657 (EUR) and 0.513 (GBP) compared with rates for the previous month which were 0.707 (USD), 0.654 (EUR) and 0.499 (GBP).

Holdings as at 29 February 2016 with market values of 1% or more of the portfolio are shown in the table below (shown as percentages of investment assets).

Holding	%
Visa	11.9
Home Depot	10.4
Lowe's	9.5
MasterCard	9.3
Wells Fargo	9.0
HCA Holdings	7.3
Bank of America	6.9
US Bancorp	5.3
Lloyds Banking Group	4.7

Holding	%
CVS	4.5
BlackRock	3.8
McGraw Hill Financial	3.6
JP Morgan Chase	3.1
Bank of New York Mellon	2.5
Microsoft	2.1
State Street	1.7
Schroders	1.0

Yours faithfully,



Chris Mackay  
Portfolio Manager

2 March 2016

<sup>1</sup> Net tax provisions, are tax liabilities less tax assets, and are partially in respect of realised gains.

All figures are unaudited and approximate.

**Important note**

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