



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

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

***Geoffrey Stirton
Company Secretary***

2 September 2016

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

MFF advises that its approximate monthly NTA per share as at 31 August 2016 was \$2.053 pre-tax, (cum 1 cent per share, fully franked dividend)², (\$1.914 pre-tax as at 30 June 2016) and \$1.785 after providing for tax¹ (mostly deferred). If all of the remaining MFF 2017 options had been exercised by 31 August 2016, the pre-tax NTA would have been reduced by approximately 14.5 cents per share (and the approximate post tax figure by approximately 10.9 cents per share).

The composition of the MFF portfolio was little changed in the month. Portfolio prices were higher and the AUD has remained well above its lows from the end of 2015/early 2016. China has undertaken significant stimulus which has contributed meaningfully to activity in China and in exporters to China. The stimulus has also contributed to recent increases in earnings expectations, and resultant strength in major stock market indices. Price changes, results and other corporate events in the month did not result in material portfolio changes being made.

The more general market comments in recent releases could be repeated, with additional data and examples in the month, such as Unister in Europe. Additionally, in the very short term, it appears that many investment strategies are "succeeding", promoters exude self-confidence, disconfirming evidence is ignored, the "wall of worry" is being climbed [and uncertainties addressed] as hope chases fear, which might drag cash earning zero off the sidelines, all in a reinforcing cycle. We continue to expect ongoing sectors of elevated earnings in the short term, combined with some significant stock specific re-ratings, and investor performance chasing is inevitable in these circumstances. Yield chasing, increased debt issuance in most geographies, and ETFs/index investing, impact supply and demand for securities, and pricing. Process discipline remains necessary for longer returns but insufficient for periodic returns.

Net debt as a percentage of investment assets was approximately 10.0% at 31 August 2016. AUD net debt was approximately 8.9% and USD net debt approximately 1.3%. Other cash/borrowing currency exposures were below 1% of investment assets as at 31 August 2016. Key currency rates for AUD as at 31 August 2016 were 0.752 (USD), 0.675 (EUR) and 0.574 (GBP) compared with rates for the previous month which were 0.760 (USD), 0.680 (EUR) and 0.572 (GBP).

Holdings as at 31 August 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	12.0
Home Depot	10.0
Lowe's	9.7
MasterCard	9.5
Wells Fargo	8.8
Bank of America	8.0
HCA Holdings	7.1
US Bancorp	5.5

Holding	%
CVS Health	4.1
S&P Global	4.0
BlackRock	3.7
JP Morgan Chase	3.7
Lloyds Banking Group	3.4
Bank of New York Mellon	2.6
Microsoft	2.1
State Street	1.8

Yours faithfully,



Chris Mackay
Portfolio Manager

1 September 2016

¹ Net tax liabilities are tax liabilities less tax assets, and are partially in respect of realised gains.

² Figures are cum MFF's 1 cent per share fully franked final dividend. The ex dividend date is 13 October 2016.

All figures are unaudited and approximate.