



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

MFF advises that its monthly NTA per share as at 31 August 2011 was \$0.756 excluding net deferred tax assets<sup>1</sup> of \$0.084. These figures are unaudited.

The business performance of MFF's portfolio continues to be excellent, with positive business results from all of the large holdings that reported in July and August. However, equity markets fell in August for the fourth month in a row (to be down about 10-11% for ASX and Global Markets since 31 March 2011, being the start of the ASX's 5 monthly consecutive falls). MFF's pre tax NTA per share rose slightly in August and has risen modestly (1.07%) since 31 March 2011 (note that short term market movements should not be relied upon as a reliable indicator).

During August, 4 of MFF's larger holdings (Nestlé, China Mobile, Procter & Gamble and Wal Mart) reported quarterly or half yearly results. These results reflected their business advantages built up over decades and they generated billions of dollars of earnings and free cashflow in each case. We are particularly pleased with their significant, intelligent business investments in these difficult economic conditions, as they position themselves for future profitable market gains. For example, each of these 4 companies (and many of the other MFF companies) is making major investments to serve hundreds of millions (or billions) of consumers in developing countries such as China.

MFF remained close to fully invested with modest changes in the month. About 592,000 MFF shares were also bought back on market during the month. We continue to look for attractively priced, quality businesses at discounted prices. To fund these purchases, we continued to sell a little of our "safe haven" businesses during the "flights to safety" that pushed up their prices. We consider that MFF's overall portfolio prices remain attractive, but macroeconomic and political uncertainty increased further from extremely high levels.

About 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, less than 30% Europe and about 1/3 ROW. The emerging markets' proportion of underlying revenue and earnings continues to rise.

As at 31 August 2011, MFF had net borrowings of approximately 18.3% of total investment assets. Almost all borrowings are in AUD with small amounts in GBP and EUR. Cash balances currently continue to be held in a mix of US Dollars, Swiss Francs, Singapore Dollars and Hong Kong Dollars.

Key currency rates for 31 August 2011 were 1.071 (USD), 0.744 (EUR), 0.658 (GBP) and 0.864 (CHF), compared with the 29 July 2011 rates which were 1.098 (USD), 0.764 (EUR), 0.669 (GBP) and 0.866 (CHF).

Yours faithfully,

A handwritten signature in black ink that reads "Chris Mackay".

Chris Mackay  
Chief Investment Officer

A handwritten signature in black ink that reads "Leo Quintana".

Leo Quintana  
Legal Counsel & Company Secretary

2 September 2011

<sup>1</sup> Deferred tax assets less deferred tax liabilities.