



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

MFF advises that its monthly NTA per share as at 30 November 2012 was \$0.968 excluding net deferred tax assets<sup>1</sup> of \$0.019. These figures are unaudited.

Some downward market movements and company specific situations in November gave MFF investment opportunities which appear to have decent longer term margins of safety and below average business risks. The portfolio balance continued to improve with targeted non financials, as well as financials, being attractive. MFF has net cash of approximately 25% and we retain capacity to target high quality companies if prices are sensible. We are not subject to timing or portfolio construction pressures.

Bargains are not widespread, primarily because interest rates are low and professional investors were forced from the sidelines to chase yield in 2012. However, our portfolio valuations, business case assumptions and portfolio construction/opportunity costs are not stretched. In November, prices paid by equity buyers were helped by uncertainty related to new taxes, spending cuts and the US "fiscal cliff", the latest forgiveness of Greek debt beyond the German elections, Chinese equities being at 4 year lows, by belated widespread recognition of growth challenges and by tax selling prior to tax increases.

A number of MFF's focussed positions, including our leading financials, should benefit if the cyclical US recovery picks up, particularly if some possible structural benefits occur in energy technology and in more sustainable Government finances. The political processes in the US, China, Japan and Europe continue to require close watching, including the US and Chinese transitions. Policy risks are rising as economies fall below previous trend growth given high indebtedness, overcapacity and few meaningful productivity enhancements, concurrent with active Government intervention and ideologies are competing to prevail; France threatens to nationalise ArcelorMittal's steel operations rather than allow plant closures.

We have maintained our existing currency positions, although we are still not expecting a near term favourable reversal. The weak disclosure of Australian government financial data and trade data in the month is consistent with our expectations, but we do not expect this data to reverse the AUD strength, absent the other factors which we have talked about previously.

As at 30 November 2012, approximately 47% of MFF's portfolio securities by market value were in global multinationals, with North American and UK focussed companies representing approximately 35% and 16% respectively.

As at 30 November 2012, MFF had net cash of approximately 25% of total investment assets. Cash balances are held in a mix of US Dollars, Singapore Dollars, Hong Kong Dollars and Swiss Francs. Borrowings remain in AUD and a smaller amount of Euro. MFF remains effectively "short" the AUD. Key currency rates for AUD as at 30 November 2012 were 1.043 (USD), 0.802 (EUR), 0.651 (GBP) and 0.966 (CHF) compared with 31 October 2012 rates which were 1.037 (USD), 0.800 (EUR), 0.644 (GBP) and 0.966 (CHF).

Yours faithfully,

Chris Mackay  
Director

Leo Quintana  
Legal Counsel & Company Secretary

4 December 2012

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