MAGELLAN
FLAGSHIP FUND LIMITED

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Magellan Flagship Fund Limited ('MFF')
Net Tangible Assets ('NTA') per share for September 2015.

Please find enclosed MFF's monthly NTA per share for September 2015.

Geoffrey Stirton
Company Secretary

1 October 2015

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Net Tangible Assets ('NTA') per share for September 2015

MFF advises that its approximate monthly NTA per share as at 30 September 2015 was $2.064 pre-tax ($1.998 pre-tax as at 30 June 2015) and $1.784 after providing for tax[1] (mostly deferred). If all of the remaining MFF 2017 options had been exercised by 30 September 2015, the pre-tax NTA would have been reduced by approximately 15.8 cents per share (and the approximate post tax figure by approximately 11.7 cents per share). All figures are cum the 1 cent per share fully franked dividend payable in November 2015.

Holdings as at 30 September 2015 with market values that represent more than 1.0 % of the portfolio are shown in the table below (shown as percentages of total investment assets including net cash).

Holding	%
Visa	12.3
Lowe's	10.4
Home Depot	10.4
Wells Fargo	10.0
MasterCard	10.0
Bank of America	8.6
HCA Holdings	8.0
US Bancorp	5.9

Holding	%
Lloyds Banking Group	5.3
BlackRock	3.8
Bank of New York Mellon	3.0
McGraw Hill Financial	2.5
State Street	2.3
Microsoft	1.9
JP Morgan Chase	1.2
Schroders	1.2

The portfolio's prices appear to remain broadly satisfactory, and additional opportunities are emerging to compare with existing holdings. Lower market prices increase the proportion of favourable investment risk assessments, although markets remain well above levels of a few years ago when deep value strategies were more favoured. Our major holdings have advantaged business cases, strong cash generation and risk positions. In time, the relative attractiveness of MFF's portfolio may rise somewhat as investors are forced to address lower overall returns and some scarcity of long duration, favourable business advantages amid growth constrained, competitive economic conditions.

We expect that the portfolio's businesses will continue to be advantaged and grow moderately, over at least the medium term. We also remain concentrated in very liquid equity holdings, and portfolio liquidity and balance sheet strength might enable MFF to react to material changes in market opportunities. In attempting to achieve satisfactory equity related returns over time, we continue to accept exposure to fluctuations in market prices for our equity portfolio. Fluctuations are inevitable; equities are the longest duration assets, they rank at the base of the capital structure and our portfolio market prices will decline periodically, irrespective of our views on business cases or whether short to medium term market prices correlate with business prospects. MFF's outcomes over time will reflect how we deal with market fluctuations, as well as objective business/price analysis.

More equity prices were under more pressure during September, and many investors worry about what other investors are worried about. Increasing investor worry, short sellers and hedge funds are more pronounced in a few areas, such as less developed countries and economic growth/commodity sensitive activities, although enthusiastic investor commitment remains pronounced at historically elevated outcomes. Economic reality and the current downtick in investor sentiment have also become moderately adverse for market prices of businesses with sustained margin pressures. The competitive return impacts of globalisation and overcapacity are becoming less hidden. Debt and equity markets in these areas have appeared prospective for some investors and considerable hedge fund, private equity and traditional investment money has been mobilised and may have cushioned some price falls.

Politicians, bureaucrats and regulators continued to grab for higher taxes, fines on business, "user pay principles", goods and services market interventions and tougher wider more consequential regulations. These activities reinforce disappointing nominal growth rates and ongoing overcapacity/low utilisation/demand shortfall/ deflationary market share fights/trade dumping that monetary policy has been unable to offset. Although marginal dollars and activity have preferred domestic services including housing/other construction in many markets, growth is challenged. In the quarter, overall investor sentiment moved further towards disinflation (reduction in inflation rates) or even deflation (absolute price reductions), rather than inflation, which predominated in most markets post WW2. This sentiment appears to be supported by current revenue pressures for a majority of companies (micro economics). Such sentiment changes impact capital markets, challenge central banks, diminish returns for important institutions and savers, and have wide ranging risk management and other second order implications. Some aspects are more positive than may be perceived generally. Over time the interrelationships of these variables evolve, and ongoing consensus reductions in outlooks for economic growth and for benchmark interest rates disguise longer term risks, whether or not consensus overshoots in the near term.

Net cash as a percentage of investment assets (including net cash) was approximately 1.0% with USD cash being approximately 1.2 % and AUD cash approximately 0.4%. Other currency cash/borrowing exposures were below 1% of investment assets as at 30 September 2015.

Key currency rates for AUD as at 30 September 2015 were 0.702 (USD), 0.629 (EUR) and 0.464 (GBP). compared with rates as at 31 August 2015 which were 0.709 (USD), 0.633 (EUR) and 0.461 (GBP).

Yours faithfully,

Chris Mackay
Portfolio Manager

1 October 2015

[1] 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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