



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

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

A handwritten signature in blue ink, appearing to be 'G. Stirton', written over a light blue horizontal line.

***Geoffrey Stirton
Company Secretary***

5 January 2016

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

MFF advises that its approximate monthly NTA per share as at 31 December 2015 was \$2.102 pre-tax (\$1.998 pre-tax as at 30 June 2015) and \$1.816 after providing for tax¹ (mostly deferred). If all of the remaining MFF 2017 options had been exercised by 31 December 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).

Holdings as at 31 December 2015 with market values of 1% or more of the portfolio are shown in the table below (shown as percentages of investment assets).

Holding	%
Visa	12.8
Home Depot	11.0
Lowe's	10.7
MasterCard	10.0
Wells Fargo	10.0
Bank of America	8.7
HCA Holdings	6.7
US Bancorp	5.8

Holding	%
Lloyds Banking Group	4.8
BlackRock	4.1
Bank of New York Mellon	2.9
McGraw Hill Financial	2.8
Microsoft	2.3
State Street	2.1
JP Morgan Chase	2.0
Schroders	1.2

During the latest month, quarter and calendar 2015 there have been minimal portfolio changes. We continue to compare many new opportunities with existing holdings, and to assess whether portfolio changes are warranted by rising share prices, or deterioration in perceived business attributes or risks. Our portfolio continues to be focused on businesses with sustained advantages and strong medium term business outlooks. MFF's focus and processes continued to be positive for the portfolio in the latest quarter and six months.

Our portfolio has a number of companies which appear to have genuine above average growth prospects over the medium term, even in ongoing subdued global economies. The share prices for possible growth remain broadly satisfactory but are riskier than when they were far lower. Prices for some parts of the portfolio have been subdued (the credit based financials had run up in calendar 2014 in anticipation of rate increases from the Federal Reserve) and there appear to be some pockets of interesting value, although the portfolio is nowhere near as inexpensive as during the Crisis and the aftermath. The halving of energy prices, deceleration in "emerging market" demand and ongoing strength in real estate remain important factors to watch in assessing credit based financials.

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 have continued to be very wary and have passed on numerous situations. We have also passed on many "relative value" situations where competitive and pricing challenges (possibly based on internet, cloud and other technology and/or execution issues) have impacted near term business outlooks for previously market leading businesses. MFF's assessments of individual opportunities continue without any pressure to act (or conversely to do nothing). Our balance sheet capacity remains important, including our very liquid portfolio and investment flexibility.

Net debt as a percentage of investment assets was approximately 1.3% at 31 December 2015. AUD net debt was approximately 1.9% of investment assets and other cash/borrowing currency exposures were below 1% of investment assets as at 31 December 2015. In past years we have discussed data which may be relevant to assess possible medium term currency movements, and those review processes continue at the current lower levels of the AUD. During the quarter bad domestic data was explained away whilst the medium term sustainability of the east coast apartment and property build out may be a key variable. Australia's net foreign debt moved to the symbolic \$1 trillion level noted as a risk in 2012 (up more than 35%, despite high resources revenues over the period).

Key currency rates for AUD as at 31 December 2015 were 0.728 (USD), 0.670 (EUR) and 0.494 (GBP) compared with the rates for the previous month which were 0.725 (USD), 0.686 (EUR) and 0.481 (GBP).

Yours faithfully,



Chris Mackay
Portfolio Manager

5 January 2016

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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