



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

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

A handwritten signature in blue ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

***Geoffrey Stirton  
Company Secretary***

*2 February 2016*

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

MFF advises that its approximate monthly NTA per share as at 29 January 2016 was \$2.005 pre-tax (\$1.998 pre-tax as at 30 June 2015) and \$1.751 after providing for tax<sup>1</sup> (mostly deferred). If all of the remaining MFF 2017 options had been exercised by 29 January 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).

Market participant nervousness increased materially in January. There are numerous valid market concerns. Heightened and growing political and regulatory actions, high yield bond markets, liquidity pressures, valuations, optimistic growth assumptions, deflation/disinflation, oil, other energy, the Fed, other central banks, earnings pressures, China, economic and debt cycles, geo political issues, elite conferences, US political processes, European bank and debt pressures, overcapacity, stagnant wages, "emerging" markets and tens of other negative issues commanded media and investor attention. Most active market prices fell in the month; "averages" fell 5-10% and many individual prices fell more substantially. There was a marked acceleration in the deterioration in market sentiment; risk aversion and negative sentiment broadened.

During the month our financials declined at least in line with the market although a number reported quarterly/ year end results that were satisfactory or better. Loan growth strengthened and bad debts were favourable for our credit based financials, although concerns increased about direct and indirect exposure to energy and other economically pressured sectors.

There appear to be some pockets of interesting value, although, based upon recent market negativity, many interest rates are likely to remain subdued for longer than was previously expected. MFF's balance sheet capacity remains important, including our very liquid portfolio and investment flexibility.

Our portfolio continues to be focused upon companies with sustained advantages and positive medium term outlooks. We have capacity to invest part of the portfolio in some "deep value" out of favour situations or alternatively in smaller "growth" companies, although we continue to be wary and passed on numerous such situations in the month. We also passed on many "relative value" situations where competitive and pricing challenges have impacted near term business outlooks for previously market leading businesses. Although lower market prices continue to increase the attractiveness of these categories, our first preference is to find a small number of businesses with perceived sustainable advantages for the medium term, at sensible prices.

Net debt as a percentage of investment assets was approximately 7.9% at 29 January 2016. USD net debt was approximately 4.7% and AUD net debt was approximately 1.8% of investment assets. Other cash/borrowing currency exposures were below 1% of investment assets as at 29 January 2016. Despite continuing serious reservations about most currencies amid likely ongoing fluctuations, we are particularly cautious about unaddressed medium term risks for the AUD.

Key currency rates for AUD as at 29 January 2016 were 0.707 (USD), 0.654 (EUR) and 0.499 (GBP), compared with rates for the previous month which were 0.728 (USD), 0.670 (EUR) and 0.494 (GBP).

Holdings as at 29 January 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	12.4
Home Depot	10.6
Lowe's	10.1
Wells Fargo	9.6
MasterCard	9.4
Bank of America	7.6
HCA Holdings	7.3
US Bancorp	5.5
Lloyds Banking Group	4.3

Holding	%
BlackRock	3.8
McGraw Hill Financial	3.2
JP Morgan Chase	2.8
Bank of New York Mellon	2.6
CVS	2.5
Microsoft	2.3
State Street	1.8
Schroders	1.1

Yours faithfully,



Chris Mackay  
Portfolio Manager

2 February 2016

<sup>1</sup> 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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