



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

Please find enclosed MFF's monthly NTA per share for March 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***

1 April 2016

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

MFF advises that its approximate monthly NTA per share as at 31 March 2016 was \$1.918 pre-tax, (\$1.998 pre-tax as at 30 June 2015) and \$1.689 after providing for tax¹ (mostly deferred). If all of the remaining MFF 2017 options had been exercised by 31 March 2016, the pre-tax NTA would have been reduced by approximately 13.1 cents per share (and the approximate post tax figure by approximately 9.9 cents per share). Figures are cum the fully franked dividend of 1 cent per share payable in May 2016.

Markets for most risk assets, including equities, rose strongly in March. MFF's March NTA was negatively impacted by the approximate 7.7% rise in the AUD against the USD, broader USD weakness, and below market average recoveries in equity prices of credit based financials (after some months of above market average falls in this category).

Our portfolio continues to be focused upon companies with sustained advantages, positive medium term outlooks and market prices which appear likely to be at least satisfactory in most circumstances. MFF did little buying during the month and no sales. We continue to avoid predictions of short term market movements and maintain our significant balance sheet and portfolio construction strengths, with moderate external commitments and liquidity and portfolio flexibility. Our perception is that many market participants became far less cautious and perceived improvements in some market uncertainties, with many bidding up/covering short sales in commodities, high yield bonds, value stocks and "emerging" markets. There are many touchstones of the impact of sustained low/negative interest rates, including real estate and "alternative asset" prices with variable market liquidity/transparency. There is little clarity about the probable/possible future direct and indirect implications of some extraordinary interest rate/credit perspectives; Ireland apparently found buyers in order to issue a 100 year bond at 2.35% pa yield to coincide with the 100th anniversary of the Easter uprising and shorter anniversaries of recent financial and Euro area crises.

Although we consider that our negative medium term view for the AUD is supported by data, we continue to note that the apartment and other housing euphoria has momentum, and the market impact of the increasingly probable first few AAA downgrades may be gradual. Obviously AUD sentiment will continue to fluctuate, and may again be adverse for MFF's NTA. We continue to be cautious about all currencies and prefer the earnings power of businesses at satisfactory valuations.

Net debt as a percentage of investment assets was approximately 11.3% at 31 March 2016. AUD net debt was approximately 9.5%. Other cash/borrowing currency exposures were below 1% of investment assets as at 31 March 2016. Key currency rates for AUD as at 31 March 2016 were 0.769 (USD), 0.675 (EUR) and 0.535 (GBP). compared with rates for the previous month which were 0.714 (USD), 0.657 (EUR) and 0.513 (GBP).

Yours faithfully,



Chris Mackay
Portfolio Manager

1 April 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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