MAGELLAN
FLAGSHIP FUND LIMITED

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Magellan Flagship Fund Limited ('MFF')
Net Tangible Assets ('NTA') per share for May 2013

MFF advises that its approximate monthly post-tax NTA per share as at 31 May 2013 was $1.175. Please note the change of presentation format, and take care when comparing with previous weekly and monthly NTA disclosures.

	Undiluted
Pre-tax NTA	$1.243
Net current and deferred tax liabilities	($0.068)
Post-tax NTA	$1.175

No adjustments have been made for possible future dilution for the 2017 options. All figures in this release are unaudited.

The overall structure of the portfolio is unchanged and there were few portfolio changes in May. Microsoft remains the only addition to the portfolio in 2013 (a repurchase of a previous sale). MFF's NTA benefitted again from rises in international equity markets where the portfolio is focused and from some AUD weakening/USD strengthening compared with recent years.

Our portfolio is concentrated in advantaged companies. We believe that the US recovery continues, albeit unevenly and unemployment continues to improve but remains elevated as a lagging indicator. Other geographies are weaker and revenue growth is short of market expectations in some cases and margin pressures continue (for example Australian investors faced numerous downgrades and profit warnings in May). We feel that margins of safety remain adequate for our focus companies, although obviously less exciting than previously as multiple expansion outpaces current earnings growth in anticipation of future growths and reflects high liquidity and low interest rates. Assessments of the extent and implications of higher interest rates, revenue growth and margin developments, are currently very relevant in individual stock selection and risk assessments.

Rising share prices and low, declining bond/cash yields as momentum detached investment returns from stressed, over indebted economies desiring lower currencies and increased production, despite widespread demand constraints and overcapacity, have prevailed for over six months. Whether, and if so, when, to take further protection, as well as individual stock selections, are the key portfolio construction issues. We remain comfortable with the composition of the portfolio, but note that we will maintain constant review, as any new purchases have to be funded primarily from sales as MFF does not have the benefit of predictable large cashflows.

Our currency positions are materially unchanged. The risk management aspects may become beneficial in current markets. Complacent unpreparedness continues for Australia, and markets are underestimating the inevitable multiplied impacts of cyclicality. A slow grind may only have just started, including Federal and State government budget blowouts (on unrealistically optimistic assumptions) manufacturing, service industry and resource project uncompetitiveness offset modestly by a reigniting of the property bubble for elites and foreign investors attracted by lower interest rates. The portfolio manager was twice in the US in May and expects the competitive differences with Australia eventually to be reflected in markets. Expect unemployment rates to cross over in due course.

As at 31 May 2013, MFF continued to hold cash balances in a mix of US Dollars, Singapore Dollars, Hong Kong Dollars and Swiss Francs. Net borrowings were approximately 0.4% of net assets and are predominantly in AUD, some Euro with a smaller balance in GBP. Currency positions are largely unchanged from those set out in most recent half yearly report. MFF remains effectively "short" the AUD, partly for perceived portfolio risk management benefits.

Key currency rates for AUD as at 31 May 2013 which were 0.959 (USD), 0.740 (EUR), 0.632 (GBP) and 0.920 (CHF) compared with rates at 30 April 2013 which were 1.038 (USD), 0.787 (EUR), 0.667 (GBP) and 0.964 (CHF).

Yours faithfully,

Chris Mackay
Director

Leo Quintana
Legal Counsel & Company Secretary

4 June 2013