MAGELLAN
FLAGSHIP FUND LIMITED

Magellan Flagship Fund Limited
ABN 32 121 977 844

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Magellan Flagship Fund Limited ('MFF')
Net Tangible Assets ('NTA') per share for January 2014

Please find enclosed MFF's monthly NTA per share for January 2014.

Leo Quintana
Company Secretary

4 February 2014

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Net Tangible Assets ('NTA') per share for January 2014

MFF advises that its approximate monthly NTA per share as at 31 January 2014 was $1.522 pre-tax and $1.393 post-tax. These figures are not adjusted for the expected dilution from the exercise of the MFF 2017 options (exercise price $1.05). If all of the MFF 2017 options had been exercised on 31 January 2014 the pre tax NTA would have been reduced by approximately 11.2 cents per share.

Additional information:

	Undiluted
Pre-tax NTA	$1.522
Net deferred tax liabilities	($0.129)
Post-tax NTA	$1.393

All figures in this release are unaudited and approximate. Note that deferred tax liabilities are partially in respect of net gains realised in 2013/14 to date.

There were no material portfolio changes in the month and the focus is unchanged. The market fluctuations in January and the mixed economic figures, including some earnings pressures, did not materially change business cases or perceptions of value for companies in the portfolio. At the end of the month there was a little more panic and investor selling, especially related to concerns about emerging markets, the Federal Reserve's "taper", some growth pressures and developed world deflationary concerns.

If the selling continues there are likely to be a wider range of more reasonably priced opportunities. MFF's monthly NTA figures will be pressured if selling becomes more widespread but such falls will enable MFF to buy investment securities at lower prices, and allow MFF's investee companies to buy back their own shares at lower prices.

For January the NTA was almost flat with some protection from specific stock positions and moderately favourable currency movements in the month. Yearly figures should not be extrapolated and monthly figures are even less predictive. We continue to be cautious about valuation risks as markets remain elevated.

We are watching the wall of money that bought into ETFs, Index Funds and Hedge funds in recent years. Historically such investors have not welcomed increased volatility and perceptions of risk. We continue to look for opportunities within the portfolio and outside. Our focus companies have some superb business characteristics and many have the capacity to improve their businesses during times of economic weakness. The current weakness in emerging markets will impact multi-national near term earnings growth rates, but medium and longer term opportunities remain excellent.

MFF's balance sheet is strong, our securities are liquid and we continue to have net cash. The likelihood of substantial exercise of the 2017 MFF options by the time of their expiry has increased and, if exercised, this adds to MFF's financial capacity.

Commentary on macro factors is unchanged from the December NTA report and other recent months particularly regarding US recovery and emerging market growth risks. The US 10 year Treasury yield fell in the month to well below 3% and should be watched as the taper continues.

As at 31 January 2014, MFF held cash balances in a mix of US Dollars, Singapore Dollars, Hong Kong Dollars and GB Sterling. Net cash was approximately 3.1% of investment assets with borrowings predominantly in AUD and some Euro. Currency positions again remain materially unchanged. We continue to perceive potential partial risk hedging aspects of MFF's "short AUD" position, in current conditions. Also, Australian macro-economic risks/problems are becoming more pronounced in some of the data being released in recent months, including the ongoing initiatives of the new Chinese administration. Setting policy objectives in Australia and getting support for savings measures remain difficult, and acceptance of the inevitable "bad news" is not helped by the time required to make decisions. The loss of competitiveness and deteriorating fiscal position are not addressed by the apparent consensus to borrow for low productivity infrastructure projects. The multiplied stimuli of record terms of trade, resources infrastructure spending and Government expenditure well in excess of receipts, will eventually reverse. MFF's currency positions reflect our perception of the probability that such factors are not reflected entirely in market views, notwithstanding market movements in the half year. We continue to make no predictions about short term market movements, and retracements should be regarded as being as likely as continuation of recent trends.

Key currency rates for AUD as at 31 January 2014 were 0.873 (USD), 0.647 (EUR) and 0.531 (GBP) compared with rates at 31 December 2013 which were 0.895 (USD), 0.649 (EUR) and 0.540 (GBP).

Yours faithfully,

Chris Mackay
Portfolio Manager

4 February 2014

[1] Deferred tax liabilities less deferred tax assets. Partially in respect of 2013/14 realised gains

All figures are unaudited and approximate.