



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

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

A handwritten signature in blue ink, appearing to be 'G. Stirton', written over a faint circular stamp.

**Geoffrey Stirton  
Company Secretary**

2 April 2014

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

MFF advises that its approximate monthly NTA per share as at 31 March 2014 was \$1.466 pre-tax and \$1.330 post-tax (both figures are cum the interim 1 cent per share unfranked dividend). Note that no adjustments are made 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 March 2014 the pre-tax NTA would have been reduced by approximately 9.9 cents per share.

Additional information:

	<b>Undiluted</b>
Pre-tax NTA (after accounting provision for interim dividend)	\$1.456
Net tax liabilities	(\$0.136)
Post-tax NTA(after accounting provision for interim dividend)	\$1.320

All figures in this release are unaudited and approximate. Tax liabilities are partially in respect of net gains realised in 2013/14 to date. The figures exclude the performance fee of \$2 million that may become payable as at 30 June 2014 (as well as subsequent performance fees), details of which were set out in MFF's interim results released to the ASX on 5 February 2014.

As at 31 March 2014 holdings with market values above A\$1m (shown as percentages of investment assets (including net cash), ignoring future MFF 2017 option exercises) were:

<b>Holding</b>	<b>%</b>
Wells Fargo	13.0
Visa	10.6
Bank of America	9.8
Lowe's	8.5
Home Depot Inc	7.6
HCA Holdings	6.8
MasterCard	6.3
Wal-Mart	5.9
US Bancorp	5.8
Lloyds Banking Group	5.6
Bank of New York Mellon	4.7
State Street	4.0
Sainsbury J	2.5
Qualcomm	1.4
Danone	1.4
Unilever	0.9

Adidas	0.5
Sing Tech Engineering	0.5
Diageo	0.5
SIA Engineering	0.4
SATS	0.2

The portfolio remains concentrated upon companies where we perceive sustainable competitive advantages. There were no major portfolio moves in the month, although MFF increased its purchases in March (mainly in existing holdings), on valuation and opportunity cost grounds. As usual there was quite a bit of noise in the quarter including economic fluctuations, regulatory actions, geo political events and litigation, and these may have combined to temper some market prices.

MFF's US credit based financials received approval during March to increase their dividend payout levels as a result of "passing" the annual "stress tests" from the US Federal Reserve. MFF's purchases included some quality European multinationals where share prices and earnings are pressured by the rising Euro and uncertainty/weakness in emerging markets. We also deployed most of the remainder of our Singapore Dollar cash on a small number of Singapore based service oriented companies.

We continue to be cautious about valuations and growth assumptions, although some values in March were better. MFF continues to have balance sheet strength in case of opportunities and cash remains unattractive over the longer term in comparison with quality businesses. We remain reluctant to go far down the quality spectrum in this cycle, notwithstanding some price falls.

As at 31 March 2014 net cash was approximately 2.7% of investment assets. MFF held cash balances almost entirely in US Dollars with small amounts in Singapore Dollars. AUD borrowings remain at about the same level as the half year figures and represent all borrowings except for small purchase settlement balances.

Currency movements in March were adverse for MFF's NTA. We continue to perceive potential partial risk hedging aspects of MFF's "short AUD" position, in current conditions. Australian macro-economic risks are becoming more pronounced including falling RBA commodity price measures, ongoing withdrawal by manufacturers, commodity supply and demand and official figures confirming the expected downturn in capital expenditure. During the month more market participants discussed their concerns about the credit and related economic pressures in China, although month end consensus appeared to be that the Chinese authorities will again stimulate economic growth, in the near term.

Key currency rates for AUD as at 31 March 2014 were 0.927 (USD), 0.672 (EUR) and 0.556 (GBP) compared with rates at 28 February 2014 which were 0.895 (USD), 0.648 (EUR) and 0.534 (GBP).

Yours faithfully,



Chris Mackay  
Portfolio Manager

2 April 2014

#### **Important note**

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