



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

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

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

***Geoffrey Stirton  
Company Secretary***

*2 May 2014*



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

MFF advises that its approximate monthly NTA per share as at 30 April 2014 was \$1.415 pre-tax and \$1.283 post-tax (both figures are after providing for the interim 1 cent per share unfranked dividend. MFF commenced trading ex dividend on 29 April 2014). 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 30 April 2014 the pre-tax NTA would have been reduced by approximately 8.392 cents per share.

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.

The portfolio remains concentrated upon companies where we perceive sustainable competitive advantages and strong ongoing cash generation. Although recent company reporting of short term results has been mixed compared with market expectations, we are encouraged by the strength of MFF portfolio business cases, and by underlying growth and margin strength across much of the MFF portfolio. We added to the portfolio's holdings in April on terms that we feel are favourable on a risk adjusted basis.

We continue to be cautious about valuations and growth assumptions, although some valuations were less demanding/more encouraging in April. MFF continues to have balance sheet strength for 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 usual there was quite a bit of noise in the month including economic fluctuations, regulatory actions, geo political events and litigation, and these combined to temper some market prices. However, low yields on ten year Government Bonds in the US and elsewhere continued in April as does ample liquidity in most economies and markets of the world. In May there has been an upswing in corporate merger activity and we consider that further examples of "animal spirits" are likely to follow, including an eventual cyclical recovery in the anaemic long dated capital investment in some developed markets.

The changes to the portfolio in April comprised additions to some existing holdings, principally related to some portfolio specific and more general market price weakness in the month. We moved from a modest net cash position to a modest net debt position in the month (net debt was approximately 3.03% of the value of MFF's investment assets as at 30 April 2014. MFF's net debt risk limit is 20%). We continue to maintain MFF's balance sheet strength (and note the periodic receipt of proceeds from early exercise of MFF 2017 options and that MFF's portfolio is concentrated in very liquid investment positions). Recent portfolio changes increase MFF's exposure to market price fluctuations.

As at 30 April 2014 net borrowings were approximately 3.03% of investment assets. MFF held cash balances almost entirely in US Dollars with a small amount in Singapore Dollars and other purchase settlement balances. Borrowings remain in AUD, at about the same level as the half year figures. There

were no material changes to currency positions during the month. We continue to consider MFF's currency positions and weightings, and will advise material changes via the weekly and monthly ASX releases.

Key currency rates for AUD as at 30 April 2014 were 0.927 (USD), 0.668 (EUR) and 0.549 (GBP), compared with the rates at 31 March 2014 which were 0.927 (USD), 0.672 (EUR) and 0.556 (GBP).

Yours faithfully,

A handwritten signature in black ink that reads "Chris Mackay". The signature is written in a cursive, slightly slanted style.

Chris Mackay  
Portfolio Manager

2 May 2014

**Important note**

Magellan Flagship Fund Limited ABN 59 108 437 592 (**MFF**) has prepared the information in this document. This document has been prepared for the purpose of providing general information only, without taking account of any particular investor's objectives, financial situation or needs. It is not an offer or invitation for subscription or purchase, or a recommendation of any financial product and is not intended to be relied upon by investors in making an investment decision. Past performance is not a reliable indicator of future performance. To the extent any general financial product advice is provided in this document, it is provided by MFF as a corporate authorised representative of Magellan Asset Management Limited ABN 31 120 593 946 AFSL 304 301. An investor, before acting on anything that he or she construes as advice, should consider the appropriateness of such construction and advice having regard to their objectives, financial situation or needs.