



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

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

A handwritten signature in blue ink, appearing to read 'G. Stirton', with a long horizontal flourish extending to the right.

***Geoffrey Stirton
Company Secretary***

04 November 2014

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

MFF advises that its approximate monthly NTA per share as at 31 October 2014 was \$1.679 pre-tax (\$1.427 pre-tax as at 30 June 2014) and \$1.477 post-tax (tax liabilities are almost entirely deferred liabilities). 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 October 2014 the pre-tax NTA would have been reduced by approximately 14.4 cents per share. All figures in this release are unaudited and approximate. All 31 October figures are ex the 1 cent per share unfranked dividend payable in November 2014.

Holdings as at 31 October 2014 with market values that represent more than 1% of the portfolio are shown in the table below (shown as percentages of total investment assets).

Holding	%	Holding	%
Visa	12.2	US Bancorp	5.2
Wells Fargo	11.3	Wal-Mart Stores Inc	4.8
Home Depot Inc	9.9	Bank of New York Mellon Corp	4.0
Lowe's	9.7	State Street Corp	3.0
Mastercard	9.7	Blackrock Inc	2.6
Bank of America	8.7	Qualcomm Inc	1.4
HCA Holdings Inc	7.5	Schroders Plc	1.3
Lloyds Banking Group PLC	5.5		

We added modestly to a few holdings in October and sales were negligible. Overall quarterly results released during October for our portfolio reflected ongoing competitive strengths, although credit based financials continue to exhibit shrinking net interest margins in the subdued interest rate environment. We remain very cautious about overall valuations, despite some sectors falling with underlying price pressures (the oil/energy sectors for example) and business growth pressures prevalent. MFF's comments made in recent months, particularly about markets and risks, continue to apply.

In current market and economic conditions we continue to be very limited in our investment objectives, with major focus upon assessment of business risks/sustainability of earnings. We will have to sell at some stage to have more capital for the next downturn, and key factors in assessing sales were set out in last month's NTA release and in the speaking notes for the AGM. However, there is no current impetus for extensive selling, but rising prices bring significant sales closer. Currently we are not finding compelling buying opportunities that are better than our large holdings, the market prices for our holdings remain broadly satisfactory, our portfolio is concentrated in very liquid securities and MFF's annualised interest expenses are slightly below 0.5% of investment assets (as at 31 October). MFF's positioning with AUD borrowings appears to continue to provide some hedging benefit if there is a significant equity market selloff and the AUD also falls, and appears to have supportive medium term fundamentals in most scenarios (except for significant new fixed asset stimulus from China), as detailed previously.

Net borrowings as a percentage of investment assets increased in October to approximately 9.9% of investment assets as at 31 October 2014. We reduced the AUD gross borrowing figure from A\$98.2 million as at 30 June 2014 to approximately A\$78.4 million as at 31 October 2014 (the MFF Board's AUD borrowing limit/risk control remains at A\$100 million). Almost all of MFF's outgoings are in AUD (for example, dividends of approximately A\$3.5 million in November) and we periodically repatriate some cash balances and sales proceeds to fund expenses/reduce borrowings in AUD. Cash balances reduced further in the month to be under 3% of assets at month end. A majority is in USD with most of the balance in GBP (portfolio additions in recent months have been almost entirely denominated in these currencies).

Key currency rates for AUD as at 31 October 2014 were 0.879 (USD), 0.702 (EUR) and 0.549 (GBP) compared with rates at 30 September 2014 which were 0.875 (USD), 0.693 (EUR) and 0.540 (GBP).

Yours faithfully,



Chris Mackay
Portfolio Manager

04 November 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.