



Magellan Flagship Fund Limited
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***Magellan Flagship Fund Limited ('MFF')
Net Tangible Assets ('NTA') per share for January 2015.***

Please find enclosed MFF's monthly NTA per share for January 2015.

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

***Geoffrey Stirton
Company Secretary***

2 February 2015

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Net Tangible Assets ('NTA') per share for January 2015

MFF advises that its approximate monthly NTA per share as at 30 January 2015 was \$1.931 pre-tax (\$1.427 pre-tax as at 30 June 2014) and \$1.660 post-tax. Although tax liabilities are almost entirely deferred liabilities, investors should not ignore the probability of future realisations which may incur significant realised tax liabilities. If MFF makes sales at gains compared with costs (which are considerably lower than current market prices for all of our material shareholdings), deferred tax provisions become realised tax liabilities. Investors should also adjust 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 December 2014 the pre-tax NTA would have been reduced by approximately 19.9 cents per share (and the approximate post tax figure by approximately 13.8 cents per share). All figures in this release are unaudited and approximate.

For the first time in many quarters, the results released by our portfolio companies in January fell short of market expectations, on average. Hence prices for a number of MFF portfolio companies fell in underlying currencies during the month, with limited exceptions (the negative impact on MFF's NTA was disguised by the further fall in the AUD). In one or two cases, recent events raise more questions about the sustainability of their competitive positions and growth options, although generally the market disappointment reflected investors having to reduce expectations. Two examples are broader realisation of the negative impact on reported earnings for USD denominated multinationals from recent currency moves, and investors are pushing back forecasts for "normalisation" of interest rates which would be expected to increase earnings for banks.

MFF's larger positions continue to have better business results than smaller positions. Portfolio changes were again modest in January. Sustained low interest rates continue to underpin asset markets, and some economic activity, but we remain cautious about being exposed to weaker businesses, in case business conditions weaken more materially than expected. We remain cautious about market assumptions for future levels of profitability and growth, although assumptions have been falling steadily for the last 12 months, and "muddle through" remains more probable (central case assumption).

Net borrowings as a percentage of investment assets as at 30 January 2015 were approximately 6.4%. The AUD gross borrowing figure was approximately A\$49.3 million as at 30 January 2015 compared with A\$98.2 million as at 30 June 2014. Cash balances were reduced to approximately 2.9% of investment assets at month end with the majority of holdings in USD and a small amount in GBP. During the month cash was deployed into investments as well as returned to reduce AUD borrowings and to pay expenses.

Key currency rates for AUD as at 30 January 2015 were 0.779 (USD), 0.690 (EUR) and 0.519 (GBP) compared with rates at 31 December 2014 which were 0.818 (USD), 0.676 (EUR) and 0.525 (GBP).

Yours faithfully,



Chris Mackay
Portfolio Manager

02 February 2015

Important note

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