MFG MAGELLAN
FLAGSHIP FUND LIMITED

Magellan Flagship Fund Limited
ABN 32 121 977 844

Level 7, 1 Castlereagh Street,
Sydney NSW 2000 AUSTRALIA

General: +61 2 8114 1888
Facsimile: +61 2 8114 1800
Website: www.magellangroup.com.au

Magellan Flagship Fund Limited ('MFF')
Net Tangible Assets ('NTA') per share for March 2013

MFF advises that its monthly NTA per share as at 28 March 2013 was approximately $1.077 excluding net deferred tax liabilities[1] of $0.015. The NTA figure is prior to provision for the interim dividend (1 cent per share unfranked and payable in May 2013). No adjustment has been made for possible future dilution for the 2017 options. All figures in this release are unaudited.

The overall structure of the portfolio is unchanged. Prices have risen but we are not currently compelled to sell on account of valuations, other opportunities or systemic problems, although higher prices mean higher risks and favourable probabilities narrow as prices rise. The portfolio is concentrated on quality and value, with a mix of financials and non financials, geographic and business exposures, strong near term earnings growers as well as more steady earners. The portfolio is concentrated in market leaders producing excellent cashflows. Currently we have a high weighting to our preferred range of financials as well as other economically sensitive exposures, such as Google and the dominant US home improvement chains. Our credit based financials were rated positively in the results of the most recent "Stress Tests" released in March, and they are permitted to return more capital to shareholders.

Out of favour / attractively priced 'quality' situations are well represented in the portfolio. Recent purchases are in this category and have been concentrated on existing or previous holdings including a global leader (Microsoft) repurchased in March as the first additional holding for the year. Although we are paying below market average prices relative to current earnings and cashflows, we risk buying value traps which lose market share and value. Out of favour companies can stay that way for a long time despite improving earnings and quality franchises. We remain reluctant to pay up for companies, even quality companies, hoping for sustained stronger growth, and we have trimmed some positions where the momentum reflects general expectations by investors of strong growth.

Highly liquid quality securities are better than cash in most market conditions as better returns over time compensate for volatility. However some of the best returns are made by utilising resources when market panic is high, and we value cash in terms of its future opportunities rather than current yield. Our current "do nothing" approach of maintaining the heavily invested portfolio with its current structure (including liquidity and risk controls), balances future opportunities and the current reality. Although we would expect satisfactory results if we held the portfolio unchanged for a decade, we expect economic and market dislocations in that period. The broadening rebound in markets has the effect that almost everyone invested is currently a winner and the rising tide makes both buyers and profitable sellers feel more confident.

Bargains are far less prevalent than they were in recent years, replaced by the combination of interest rates being held artificially low beyond investors' time horizons and contagious performance envy. Risk taking is currently being rewarded (hence our high weightings to quality US financials and beneficiaries of the cyclical recovery) and risk controls/mitigation tend to detract from performance in such consistently rising markets. Some developed market property recoveries are gathering pace, with the US recovery (off a very low base) most benefitting our portfolio companies. Interest rates and inflation are currently benign in almost all highly developed markets but loose monetary policies will cause further dislocations on capital accounts and in developing market inflation.

[1] Net deferred tax liabilities less net deferred tax assets.

We are anxious to minimise the portfolio's direct and indirect exposures to bubbles fuelled by Central bank printing and return/yield chasing behaviour which is temporarily disconnected from the risks and realities of economics, politics and mathematics. Current low levels of volatility in market prices hide significant risks, including risks arising because so much trading is now "model driven" off such measures of volatility or is index based, rather than fundamental assessments of business prospects. Rapid reversals and market contagion may be triggered by rising interest rates, reduced stimulus, problem countries reliant upon funding for their balances of payments, budget deficits and financial systems, stagflation or [unexpected] non financial triggers. Risks extend well beyond Europe and Japan, and multi-year low levels of volatility in some emerging countries' economies may reverse particularly if capital flows are stressed (for example, if the US again becomes a more attractive investment destination). MFF's portfolio construction and currency positions are intended to provide some protection in the case of inevitable future volatility, and the unutilised borrowing capacity also gives some flexibility. Whether and when MFF again moves to a net cash level and waits for opportunities is primarily the product of individual stock assessments (particularly valuations), although portfolio construction and risk assessments are also particularly important.

As at 28 March 2013, MFF continued to hold cash balances in a mix of US Dollars, Singapore Dollars, Hong Kong Dollars and Swiss Francs. Net borrowings were approximately 7.5 % of net assets and are predominantly in AUD, some Euro with a smaller balance in GBP. Currency positions are largely unchanged from those set out in the most recent half yearly report. MFF remains effectively "short" the AUD, partly for perceived portfolio risk management benefits.

We also believe that current indicators support the probability of a material downward adjustment in Australian income. We believe this is unexpected by many investors, partly because it is not imminent, because growth has been sustained and, in the near term, official rate reductions are prompting a cyclical property upturn, and the resources boom continues. In the medium term, risks are increasing in part because of underestimation of the cyclicality of key drivers (including the multiplied effects of both the resources boom and elevated Government spending) and the multiplied impact of low cost borrowing by Governments and in sectors such as property. We expect that the RBA and Treasury research will eventually assess that the direct and indirect impacts of the resources sector and elevated Government spending are above 25% of the economy and that vulnerability to cyclical downturns has risen and reduced competitiveness goes well beyond the elevated currency.

More market forecasters are arguing that supply/demand dynamics which are impacting international coal markets are also likely to impact iron ore and LNG. Few participants are focussed on multiplied and interdependent implications if such forecasts are accurate in the context of weakened foundations. Weak data for the external and Government sectors were released in March. Commonwealth Government figures included interest bearing liabilities in excess of $300 billion and net debt of $167.8 billion up from net cash of $44.8 billion as at 30 June 2008. Government expenditure for the year to 31 January 2013 was $381.4 billion representing an increase of $139.2 billion (or 57%) from 2005/6 and the Commonwealth's 12 month rolling on balance sheet deficit to January 2013 increased further above 3% of GDP (to approximately $43 billion).

Risks from sustained trillion dollar net foreign liabilities, $50 billion + underlying Federal and State (and balance of payments) deficits necessitate choices in policy responses (and for businesses), to balance fairness, cost control and growth objectives. Favoured initiatives, projects and infrastructure, and the weakened fiscal position will require materially increased taxes and borrowings unless resources demand from China accelerates again off the currently elevated base. China, and particularly India, have policy, borrowing and inflation constraints and the internal and external balances in India are strained and dangers are rising from emerging market reliance upon portfolio inflows driven by US and other central bank easing.

We also believe that probabilities favour the US benefitting materially from its improved energy and manufacturing competitiveness, including onshoring; if higher US growth is sustained, this benefits US trade and fiscal figures, and there is surplus capacity in the US for sustained growth not to be inflationary.

Key currency rates for AUD as at 28 March 2013 were 1.043 (USD), 0.812 (EUR), 0.687 (GBP) and 0.987 (CHF) compared with rates at 28 February 2013 which were 1.024 (USD), 0.783 (EUR), 0.674 (GBP) and 0.955 (CHF).

The Company's holdings above 2% of net invested assets as at 28 March 2013 were:

Holding	**%**
Tesco	9.4
Apple	9.4
Wells Fargo	9.0
McDonald's	7.2
Visa	7.1
Yum! Brands	6.8
Bank of America	6.4
HCA Holdings	6.1
Wal-Mart	5.3
Microsoft	5.1
US Bancorp	5.0
Google	4.8
State Street	4.4
Bank New York Mellon	4.0
Sainsbury J	3.7
Lowe's	3.5
MasterCard	3.4
Mondelez (formerly Kraft)	2.3

Yours faithfully,

Chris Mackay
Director

Leo Quintana
Legal Counsel & Company Secretary

3 April 2013