

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

Please find enclosed MFF's monthly NTA per share for October 2013.



Leo Quintana
Company Secretary

4 November 2013

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Net Tangible Assets ('NTA') per share for October 2013**

MFF advises that its approximate monthly NTA per share as at 31 October 2013 was \$1.337 pre-tax and \$1.244 post-tax (both figures are ex the 1 cent per share unfranked dividend payable on 15 November 2013).

Additional information:

	Undiluted
Pre-tax NTA (after accounting for final dividend)	\$1.337
Net deferred tax liabilities	(\$0.093)
Post-tax NTA (after accounting for final dividend)	\$1.244

All figures in this release are unaudited and approximate.

There were no material portfolio changes in the month. In aggregate, the competitive positions for MFF's portfolio companies are at least being maintained and were reflected in solid/strong quarterly results and associated commentary released during October. The magnitude of some outstanding companies' global earnings reach is unprecedented.

However, overall market prices are not inexpensive, particularly in areas where institutional investors are chasing performance and where they perceive upside optionality (partly because of the maths of lower interest rates/opportunity costs combining with market psychology to chase returns in rising markets). More bubbles are appearing and risk is secondary to return as animal spirits have returned to professional investment. In time, inevitable market reversals will increase opportunities for MFF; however, in the meantime aggregate probable future returns for shareholders fall as share prices rise. In aggregate, share owners can receive no more than future earnings unless interest rates/implied discount rates fall further.

We maintain our partial risk management positions (which were outlined at the recent AGM and released to the ASX) and continue to compare prospective returns from our current holdings against increases in our cash levels. We are partially insulated as we currently put high weightings on companies that are already earning significant amounts relative to their share prices, and companies that are out of favour. Dividends and buybacks continue to increase for MFF's investee companies. Some opportunities remain to invest in such companies on satisfactory terms compared with reasonable estimates of their likely future earnings, although they will also trade lower if market volatility increases materially in the next year or two from low current levels. Increased downward volatility changes opportunity costs and tests market liquidity across asset classes and price points.

During October, the US Federal Government announced that its latest fiscal deficit (YE September 2013) was about 4.1% of GDP with the 4 year deficit decline being the largest since WW2. The deficit represents less than 2/3 of the annualised amounts being spent on asset purchases by the Federal Reserve. State and municipal finances have also recovered materially. The wind down of Fed asset purchases is inevitable, although the unpredictable implications of winding down, and the direct and indirect effects of the eventual adjustment/normalisation of interest rates, are significant for world markets and economies.

The 6% or so decline in oil prices in October also bears watching. A sidebar to the US deficit reduction is that possible crossover of the Australian deficits with the US (as %s of respective GDPs) appear less farfetched than when first suggested. Recent ten year government bond yields have Australia, Spain and Italy at comparable rates and Ireland lower than each of them.

As at 31 October 2013, MFF held cash balances in a mix of US Dollars, Singapore Dollars, Hong Kong Dollars and GB Sterling. Net cash was approximately 6.3% of net assets with borrowings predominantly in AUD and some Euro. Currency positions again remain materially unchanged. We continue to perceive potential partial risk hedging aspects of MFF's "short AUD" position, in current conditions.

Key currency rates for AUD as at 31 October 2013 which were 0.947 (USD), 0.697 (EUR), 0.589 (GBP) and 0.858 (CHF) compared with rates at 30 September 2013 which were 0.935 (USD), 0.691 (EUR), 0.577 (GBP) and 0.846 (CHF).

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

4 November 2013