MAGELLAN
FLAGSHIP FUND LIMITED

Magellan Flagship Fund Limited
ABN 32 121 977 844

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

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

Leo Quintana
Company Secretary

4 March 2014

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Net Tangible Assets ('NTA') per share for February 2014

MFF advises that its approximate monthly NTA per share as at 28 February 2014 was $1.519 pre-tax and $1.374 post-tax (both figures are cum the interim 1 cent per share unfranked dividend). 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 28 February 2014 the pre-tax NTA would have been reduced by approximately 11.1 cents per share.

Additional information:

	Undiluted
Pre-tax NTA (after accounting provision for interim dividend)	$1.509
Net tax liabilities	($0.145)
Post-tax NTA(after accounting provision for interim dividend)	$1.364

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 $2million 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.

As at 28 February 2014 holdings above 1% of investment assets were:

Holding	**%**
Wells Fargo	12.1
Visa	10.8
Bank of America	9.4
Lowe's	8.5
Home Depot Inc	7.3
HCA Holdings	6.5
MasterCard	6.0
Lloyds Banking Group	5.9
Wal-Mart	5.7
US Bancorp	5.6
Bank of New York Mellon	4.3
State Street	3.8
Sainsbury J	2.4
Qualcomm	1.1

We believe that it is probable that most companies in the portfolio will continue to be competitively advantaged in providing profitable goods and services for many years. Valuations appear satisfactory but not compelling. We continue to make moderate portfolio changes on valuation and opportunity cost grounds. Frothy markets have helped the satisfactory returns from exits. Cash remains unattractive over the long term. Future opportunities will arise to deploy cash and we will need focus to buy wonderful companies at sensible prices when sellers fear macro and other factors.

Some investors might be overconfident about growth in medium term profit levels. Although corporate margins remain high, increased competition, taxation and regulation are increasingly probable for many industries and jurisdictions. Sustained low interest rates are the most obvious stimulus for increased competition, much greater supply and higher input prices in most industries, particularly as the GFC memories fade. Further, in recent years there have been tail winds from so called emerging economies. These have included sales growth, including for multinationals, material downward pressures on both inflation and interest rates in more developed markets via cheaper production and the recycling of trade surpluses as well as material increases in overall GDPs, including from expanded trade in goods, services and capital investment flows.

At the very least, emerging economies are facing increasing headwinds and speculative investment flows are beginning to unravel. Artificially low interest rates may sustain these flows through another round, but whether or not the reversal accelerates or abates this time, we continue to seek to minimise exposure to direct and indirect effects and risks not priced in the markets. We remain cautious about growth assumptions for multinationals with significant exposures to emerging markets, and continue to be cautious generally about elevated profit growth assumptions. Recovery in GDPs, access to strong equity markets and low interest rates allow weaker competitors to survive. The new internet sector and resource projects are competing for funding to get to project completion, although in aggregate they are adding to oversupply and impacting industry profit markets. The broad economic impacts of the reversals of the post 1980s resources and post 2000 internet bubbles took a number of years to play out fully, and a quick reversal is again unlikely this time, despite bubble conditions in a number of areas.

If the US recovery continues on at least a moderate pace, it is likely that monetary policy will move towards tightening. Although market participants are considering these scenarios, most are not focussed on the possible implications if China's nascent monetary tightening continues whilst the US also tightens. Most debt markets have been ebullient in recent years with narrow high yield, emerging market and non-core spreads as well as lightly regulated entities luring unsophisticated speculators and jumping into speculative lending, such as shadow banking.

We continue to be reluctant to go far down the quality spectrum in this cycle. Capital risk grows as prices rise and currently there are few distressed sellers, even for lesser quality companies (low interest rates increase optionality/reduce perceived opportunity costs for investors holding or chasing "lottery ticket" stocks until sentiment turns). There are fewer "short sellers" than in recent years, as many lost heavily in 2013 but many will return. Margin lending, speculative stock and property purchases and poor quality IPOs and secondary sales by management and other large knowledgeable holders have risen in recent months.

We continue to be cautious about valuation risks and our expectations about future returns fall as markets continue to rise. The MFF portfolio equity risk is far higher at current higher price levels than six or twelve months ago, particularly as our high level of exposure to credit based financials continues. In the case of more opportunities, we continue to have some cash, liquid securities, borrowing capacity and reasonable expectations of meaningful exercises of the 2017 options.

As at 28 February 2014 net cash was approximately 8% of investment assets. MFF held cash balances mostly in US Dollars with smaller amounts in Singapore Dollars, Hong Kong Dollars and GB Sterling. AUD borrowings remain at about the same level as the half year figures but MFF's Euro borrowing is negligible. We continue to perceive potential partial risk hedging aspects of MFF's "short AUD" position, in current conditions, although the correlation has weakened since the US Federal Reserve commenced its "taper" in recent months. Australian macro-economic risks are becoming more obvious including ongoing withdrawal by manufacturers and official figures confirming the expected downturn in capital expenditure.

Key currency rates for AUD as at 28 February 2014 were 0.895 (USD), 0.648 (EUR) and 0.534 (GBP) compared with rates at 31 January 2014 which were 0.873 (USD), 0.647 (EUR) and 0.531 (GBP).

Yours faithfully,

Chris Mackay
Portfolio Manager

4 March 2014

Important note