MAGELLAN
FLAGSHIP FUND LIMITED

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

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

Geoffrey Stirton
Company Secretary

2 April 2015

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

MFF advises that its approximate monthly NTA per share as at 31 March 2015 was $2.072 pre-tax (cum 1 cent per share, unfranked dividend)[2] ($1.427 pre-tax as at 30 June 2014) and approximately $1.75 post-tax . In March MFF announced a capital raising via a 1:4 pro rata renounceable entitlements offer to MFF shareholders at $1.60 per new share ("entitlements issue"). Shareholders should refer to the indicative timetable and other information about the entitlements issue included in the Offer Document and other ASX releases. MFF's tax liabilities are almost entirely deferred liabilities which become realised if MFF makes sales at gains compared with costs (which are considerably lower than current market prices for all of our material shareholdings). However, MFF is not under any market or other external pressure to make realisations, the portfolio remains concentrated in outstanding businesses and the entitlements issue will further increase our balance sheet strength.

Figures in this release are not adjusted for the entitlements issue proceeds (expected in May), although they are adjusted for those MFF option exercises processed during March as some MFF investors have exercised early to participate in the entitlements issue. In the theoretical case that all of the MFF 2017 options had been exercised on 31 March 2015, the pre-tax NTA would have been reduced by approximately 21.6 cents per share (and the approximate post tax figure by approximately 14.8 cents per share). Some additional exercises are likely in the first week of April, and details will be advised promptly to the ASX. After the entitlements issue record date it is probable that many then remaining holders of MFF Options will delay exercise until much closer to their October 2017 expiry (subject to the usual caveats about predicting investor behaviour).

Holdings as at 31 March 2015 with market values that represent 1% or more of the portfolio are shown in the table below (shown as percentages of total investment assets):

Holding	%
Visa	12.6
Lowe's	11.9
Wells Fargo	11.3
Home Depot	10.9
MasterCard	9.6
HCA Holdings	8.4
Bank of America	8.4

Holding	%
US Bancorp	5.8
Lloyds Banking Group	5.2
BlackRock	3.8
Bank of New York Mellon	3.4
State Street	2.7
Microsoft	1.8
Schroders	1.5
Qualcomm	1.3

The MFF portfolio was again almost entirely unchanged in March. We remain very positive about the businesses and prospects of our large holdings, and management actions at our portfolio companies continue to exceed our expectations. We are wary about extrapolation given corrosive forces including changing competition, regulation/Government action, cycles and success. Our portfolio management continues to focus upon risks, particularly business risks and market risks. We continue to seek to avoid companies where we feel that competition and other earnings pressures might not be adequately reflected in market prices. We continue to be wary of situations where earnings growth forecasts are not at reasonable or conservative levels.

We expect future opportunities in MFF's two core activities over the next five years or so. We seek to hold interests in quality businesses whilst their prices and prospects are attractive in comparison with foreseeable future alternatives. We also seek to buy securities when they are inexpensive compared with their risks and their prospects, and our strong preference is to buy interests in quality businesses at prices which are low enough to provide some protection against cycles and misjudgements and allow for upside potential. The proceeds from the entitlements issue will increase our resources for acquisition opportunities, and reduce some portfolio management factors when assessing whether to sell down any of our highest quality holdings. Opportunity costs and forced rankings continue to guide portfolio construction and focus.

Over time, markets and economies will always be cyclical, and this creates significant risks and opportunities. Asset market prices regularly diverge from subsequently realised cashflows, particularly when judged with hindsight. In considering whether and why prices and values might diverge, investors may be interested in the implications of the apparent weakening of relationships observed over recent decades between prices paid for future earnings and yields of key interest rate alternatives (such as ten year bonds), as well as the ongoing transfer of responsibilities for retirement savings around the world from Governments, employers and established pension plans to individuals.

Arguably there are multiple cycles operating on asset markets at the moment, with elevated risk aversion and risk taking happening concurrently in and across many portfolios (divergences in correlations ebb and flow). "The market" is an insufficiently nuanced concept to reflect high cash levels and decades low interest rates, combined with speculative buying of so called "blue chip" defensive names and real estate, aggressive buying of low earning emerging markets, biotechs and technology stocks, repopularised "buy and hold" reflecting the higher markets and more prevalent "single stop solution" hedge fund, leveraged buyout, index fund and ETF operators selling multiple varieties of riskier product extensions.

In March, prices appeared relatively uninteresting for either buying or selling in our main focus areas. Elsewhere, we continue to consider implications from the unwinding of "hot" spaces including misallocation, competition and diminished returns associated with the BRICS and similar concepts which were popularised in recent years. Future interest rate levels, "normalisation" and knock on implications are very important for markets, and the range of reasonably possible outcomes is wide. Professional investors remain divided between worrying about rising interest rates and deflation/earnings pressures, and can produce data to support their cases. Sustained low interest rates continue to encourage economic activity and cyclically low levels of default/bankruptcy but also heighten competition. It is not simple to find spaces which may be relatively uncrowded, and forced sellers are very scarce. We remain very reluctant to move far down the quality curve or to pay up through these phases; low quality and expensive are not favoured investment categories over time.

Liquidity risks remain important for investors, particularly as they are somewhat disguised in benign markets. In times of duress, liquidity risks are likely to have been heightened by post Crisis regulatory and industry changes. Liquidity, including periodic mispricing, has been beneficial for MFF's investment performance as markets diverge from value and provide opportunities for buying or selling. MFF portfolio gains in 2014/15 continue to compare very favourably with cash and similar exposures, the MFF portfolio is concentrated in securities which have very liquid markets, and the entitlements issue increases MFF's liquid assets and capital deployment flexibility. A majority of MFF shareholders have acquired at least a substantial proportion of their shares at prices below MFF's recent per share asset backing as a result of the substantial portfolio gains compared with subscribed capital. This proportion is likely to increase after exercise of the bonus issue of MFF Options and the entitlements issue.

Net borrowings as a percentage of investment assets as at 31 March 2015 were approximately 6.2% and AUD borrowings were approximately A$59 million. USD borrowings were approximately 1.9% and Euro cash was approximately 2.9% of investment assets, as at 31 March 2015. Other currency cash/borrowings exposures were well below 1%, as at 31 March 2015. The figures are not adjusted for the proceeds of the entitlements issue (which is denominated in AUD and may raise up to approximately 15% of investment assets), which will alter MFF's net debt/cash levels, and the percentage holdings of individual securities. We continue to favour offshore currencies over the AUD, although the possible upside is less and risks greater than when much higher exchange rates prevailed in recent years. Our analysis remains broadly as we set out in recent years, except that our favoured USD view compared with the challenged Australian outlook is more supported by official data.

Key currency rates for AUD as at 31 March 2015 were 0.764 (USD), 0.711 (EUR) and 0.515 (GBP) compared with rates as at 27 February 2015 which were 0.783 (USD), 0.698 (EUR) and 0.507 (GBP).

Yours faithfully,

Chris Mackay

Chris Mackay
Portfolio Manager

02 April 2015

[1] Net tax liabilities, are tax liabilities less tax assets, and are partially in respect of realised gains.
[2] Figures are cum MFF's 1 cent per share unfranked final dividend. The ex dividend date is 29 April 2015.

Additional information *(per ASX Listing Rules, Chapter 19):*

Pre-tax NTA (after accounting provision for interim dividend)	$2.062
Post-tax NTA (after accounting provision for interim dividend)	$1.74

The approximate pre tax NTA (after accounting provision for final dividend) would have been reduced by approximately 21.3 cents per share if all of the MFF 2017 options had been exercised on 31 March 2015.

All figures are unaudited and approximate.

Important note