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16 April 2015

ASX Limited
ASX Market Announcements Office
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

**Magellan Flagship Fund Limited
Capital Raising – 1:4 Renounceable Rights Issue**

Magellan Flagship Fund Limited (MFF) advises that the Entitlement Offer Booklet referred to in the ASX Announcement of 16 March 2015 has been mailed to Eligible Shareholders today together with a personalised Entitlement and Acceptance Form.

Pursuant to the Offer, Eligible Shareholders have the right to take up one (1) new share for every four (4) shares held as at 7:00pm (Sydney time) on Monday 13 April 2015. New Shares issued under the Offer will rank equally with existing Shares, except that the New Shares will not be entitled to receive the interim dividend of \$0.01 unfranked announced by MFF on 5 February 2015, payable on 15 May 2015.

Rights trading commenced on ASX on 9 April 2015 and will finish on 30 April 2015. An indicative timetable for the Offer is set out in the Annexure below.

Taylor Collison Limited and Bell Potter Securities Limited are Joint Lead Managers to the Offer. The Offer is not underwritten.

Further Information

Shareholders who require further information in relation to the Offer or would like assistance in dealing with their Entitlement should ring the MFF Shareholder Information Line on 1800 074 453.

Yours faithfully,

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

**Geoffrey Stirton
Company Secretary**

Annexure - Indicative Timetable

| | |
|--|-------------------------------|
| Announcement of Offer and lodgement of Offer Document with ASX | Monday, 16 March 2015 |
| Last day for Optionholders to exercise their Options and participate in the Offer | Wednesday, 8 April 2015 |
| Entitlement trading commences on ASX (and MFF shares trade ex entitlement) | Thursday, 9 April 2015 |
| Record Date for eligibility for the Offer | 7.00pm, Monday, 13 April 2015 |
| Offer Document despatched to Shareholders and Offer opens | Thursday, 16 April 2015 |
| Entitlement trading on ASX ends | Thursday, 30 April 2015 |
| New Shares under the Offer commence trading on ASX on a deferred settlement basis | Friday, 1 May 2015 |
| Interim dividend record date | Friday, 1 May 2015 |
| Closing Date of the Offer | 5.00pm, Thursday, 7 May 2015 |
| Allotment of New Shares and dispatch of holding statements | Wednesday, 13 May 2015 |
| New Shares commence trading on a normal settlement basis | Thursday, 14 May 2015 |
| Interim dividend paid and Shares issued pursuant to the MFF Dividend Reinvestment Plan | Friday, 15 May 2015 |

**These dates are indicative only and are subject to change.*

ENTITLEMENT OFFER

For a pro rata renounceable entitlement offer to Eligible Shareholders on the basis of 1 New Share for every 4 Shares held by Eligible Shareholders on the Record Date at an issue price of \$1.60 (**Offer**).

This document is important and requires your immediate attention. It should be read in its entirety. In particular, Shareholders should refer to the risk factors set out in Section 10 of this document. If you do not understand the information contained in this Offer Document, or are in doubt as to the course you should follow, you should consult your stockbroker or professional advisor.

The Offer opens on Thursday, 16 April 2015 and closes at 5pm on Thursday, 7 May 2015 (unless it is lawfully extended). Valid acceptances must be received before that time.

As the Offer is renounceable you can also choose to sell your Entitlement on ASX or transfer it to another person who meets certain eligibility criteria. Please see Section 5 of this Offer Document for further details.

IMPORTANT NOTICE

This Offer Document is not a prospectus or other regulated document under Australian law or under any other law and it has not been lodged with ASIC. This Offer Document is dated 16 March 2015 and has been prepared by Magellan Flagship Fund Limited (ACN 121 977 884) and is for a rights issue of continuously quoted securities (as defined in the Corporations Act) of the Company. It is for information purposes only and has been prepared in accordance with section 708AA of the Corporations Act and applicable ASIC Class Order [08/35]. **It does not contain all of the information that an investor would find in a prospectus.**



TAYLOR COLLISON

Sharebrokers and Investment Advisers
www.taylorcollison.com.au



BELL POTTER

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1. Letter from the Chairman

Dear Shareholder,

Magellan Flagship Fund Limited (**MFF** or the **Company**) announced to ASX on 16 March 2015 that the Board had resolved to proceed with a pro rata renounceable entitlement issue of one (1) New Share for every four (4) Shares held at the Record Date at an Offer Price of \$1.60 to raise up to \$143 million¹.

MFF is undertaking the Offer for the purposes of:

- raising additional investment funds to take advantage of future opportunities in global equity markets (at the appropriate time) and reduce the requirement to realise long-term investments to fund these opportunities;
- strengthening the Company's balance sheet by paying down debt and increasing the cash balance; and
- allowing Shareholders to increase their investment in MFF, lower MFF's management expense ratio and potentially improve the liquidity in the market for the Company's Shares.

The Directors consider that making this Offer by way of a renounceable rights issue to all Shareholders (including Optionholders who exercise their Options prior to the Record Date) enables MFF to raise capital in the fairest possible manner. The Directors consider that it is prudent and in the interests of Shareholders to make this Offer now and not wait for the additional capital which is expected from the exercise of the Options prior to their expiry in October 2017.

Your Directors continue to be pleased with the strong investment performance of MFF and with the quality of MFF's portfolio, details of which are included in recent releases to ASX.

All Eligible Shareholders registered at 7:00pm on the Record Date, being Monday, 13 April 2015, will be entitled to receive one (1) New Share for every four (4) Shares held on that date. New Shares issued under the Offer will rank equally with existing Shares, except that the New Shares will not be entitled to receive the interim dividend for the half year ended 31 December 2014 announced by MFF on 5 February 2015 of \$0.01 unfranked, payable on 15 May 2015.

The Offer closes at 5.00pm on Thursday, 7 May 2015.

The Offer Price of \$1.60 per New Share represents a discount to the closing market price of \$1.86 on 13 March 2015, being the last trading day before the Offer was announced and a discount to the theoretical ex-rights price of \$1.80².

Taylor Collison Limited and Bell Potter Securities Limited are Joint Lead Managers to the Offer. The Offer is not underwritten.

You should read this entire Offer Document carefully. Accompanying this Offer Document is your personalised Entitlement and Acceptance Form which contains details of your Entitlement. As the Offer is renounceable, your Entitlement may have value and it is important that you determine whether to take up, sell, transfer or do nothing in respect of your Entitlement (see Section 5).

Please also refer to the extensive disclosures to ASX by MFF over recent years in relation to the Company's investment portfolio, financial performance and related matters.

¹ If all Options are exercised prior to the Record Date, the maximum amount that could be raised under the Offer will be approximately \$185 million. The \$185 million does not include the additional amount of approximately \$109 million that would be received by the Company as a result of the Options being exercised.

² This is a theoretical calculation only and the actual price at which shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not equate to the theoretical ex rights price.

To participate you should ensure that you complete your Application by paying the relevant Application Monies by BPAY® before 5.00pm on Thursday, 7 May 2015, in the manner described in this Offer Document. If you are unable to pay by BPAY® (for example if you are a New Zealand based Shareholder without an Australian bank account), you are able to pay by cheque, bank draft or money order (see Section 8 for further details regarding payment).

If you do not wish to take up your Entitlement, you may sell all or part of your Entitlement on ASX from Thursday, 9 April 2015 to Thursday 30 April 2015, or transfer all or part of your Entitlement directly to another person. The assignment, transfer and exercise of Entitlements are restricted to persons meeting certain eligibility criteria, as described in Section 5 of this Offer Document. Shareholders should note the price at which Entitlements will trade on ASX will depend upon the supply of and demand for Entitlements during the trading period and may not equate to the theoretical entitlements price.

If you choose to do nothing with your Entitlement, your Entitlement will lapse and your shareholding in the Company will be diluted as described in Section 5.5 of this Offer Document.

An investment in New Shares carries certain risks. In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in the Company as set out in Section 10. Investors should be aware that the risks identified in Section 10 are not necessarily exhaustive of all risks relating to an investment in the Company or the Offer.

Shareholders who require further information in relation to the Offer or would like assistance in dealing with their Entitlement should ring the MFF Shareholder Information Line on 1800 074 453.

Your Directors encourage all Shareholders to participate in the Offer. All Directors will be taking up their Entitlements in full.

Yours faithfully,

A handwritten signature in dark ink, appearing to read 'R. Warburton', followed by a period.

Richard Warburton AO LVO
Chairman

2. Important Information

This Offer Document and enclosed personalised Entitlement and Acceptance Form have been prepared by Magellan Flagship Fund Limited (**MFF or the Company**). No party other than the Company has authorised or caused the issue of this Offer Document, or takes any responsibility for, or makes any statements, omissions, representations or undertakings in this Offer Document.

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Offer Document. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offer. Except as required by law, and only to the extent so required, the Company does not warrant or guarantee the future performance of the Company or any return on investment made pursuant to this Offer Document.

This Offer Document has not been prepared to take into account the particular financial position, needs or circumstances of any Shareholder. If you are uncertain about the course of action you should take, please consult your financial adviser, accountant or other professional adviser.

Eligibility

Applications for Shares by Eligible Shareholders can only be made on an original Entitlement and Acceptance Form, as sent with this Offer Document. The Entitlement and Acceptance Form sets out an Eligible Shareholder's Entitlement to participate in the Offer.

Overseas Shareholders

This Offer Document does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Offer Document.

The Offer is not being extended and New Shares will not be issued to Shareholders with a registered address which is outside Australia and New Zealand. It is not practicable for the Company to comply with the securities laws of overseas jurisdictions (other than New Zealand) having regard to the number of overseas Shareholders, the number and value of New Shares these Shareholders would be offered and the cost to the Company of complying with regulatory requirements in each relevant jurisdiction.

This Offer Document may not be distributed in any country outside Australia and New Zealand.

Notice to nominees and custodians

Shareholders resident in Australia and New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up an Entitlement under the Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

Forward-looking statements

This Offer Document may contain forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that reflect risks and uncertainties.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, Directors and management. The Company will not update or revise any

forward-looking statements, regardless of whether new information, future events or any other factors affect the information contained in this Offer Document, except where required by law.

Privacy Act

If you complete an Entitlement and Acceptance Form, you will be providing personal information to the Company (directly or to the Company's share registry). The Company collects, holds and uses that information to assess your Application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration. The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that the Company holds about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in Section 14 of this Offer Document.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your Application.

Trading of Entitlements and New Shares

MFF will have no responsibility and disclaims all liability (to the maximum extent permitted by law) to persons who trade Entitlements before they receive their Entitlement and Acceptance Form, whether on the basis of confirmation of the allocation provided by MFF or the MFF share registry or otherwise, or who otherwise trade or purport to trade Entitlements in error or which they do not hold or to which they are not entitled.

MFF will have no responsibility and disclaims all liability (to the maximum extent permitted by law) to persons who trade New Shares they believe will be issued to them before they receive their holding statements, whether on the basis of confirmation of the allocation provided by MFF or the MFF share registry or otherwise, or who otherwise trade or purport to trade New Shares in error or which they do not hold or to which they are not entitled.

If you are in any doubt as to these matters you should first consult your stockbroker, accountant or other professional adviser.

Currency and timing

Unless otherwise stated, all dollar values in this Offer Document are in Australian dollars, and all references to time are to Sydney time.

3. Important Dates

| | |
|--|-------------------------------|
| Announcement of Offer and lodgement of Offer Document with ASX | Monday, 16 March 2015 |
| Last day for Optionholders to exercise their Options and participate in the Offer | Wednesday, 8 April 2015 |
| Entitlement trading commences on ASX | Thursday, 9 April 2015 |
| Record Date for eligibility for the Offer | 7.00pm, Monday, 13 April 2015 |
| Offer Document despatched to Shareholders and Offer opens | Thursday, 16 April 2015 |
| Entitlement trading on ASX ends | Thursday, 30 April 2015 |
| New Shares under the Offer commence trading on ASX on a deferred settlement basis | Friday, 1 May 2015 |
| Interim dividend record date | Friday, 1 May 2015 |
| Closing Date of the Offer | 5.00pm, Thursday, 7 May 2015 |
| Allotment of New Shares and dispatch of holding statements | Wednesday, 13 May 2015 |
| New Shares commence trading on a normal settlement basis | Thursday, 14 May 2015 |
| Interim dividend paid and Shares issued pursuant to the MFF Dividend Reinvestment Plan | Friday, 15 May 2015 |

**These dates are indicative only and are subject to change.*

4. Details of the Offer

4.1 The Offer

The Offer is being made as a renounceable entitlement offer of 1 New Share for every 4 Shares held by Eligible Shareholders registered at the Record Date at an issue price of \$1.60 per New Share. Fractional entitlements will be rounded up to the nearest whole number.

Based on the number of Shares currently on issue at 16 March 2015 (refer further Section 7.1 of this Offer Document), a maximum of approximately 89,561,381 New Shares will be issued pursuant to this Offer to raise up to \$143 million³. Taylor Collison Limited and Bell Potter Securities Limited are Joint Lead Managers to the Offer. The Offer is not underwritten.

All New Shares offered under this Offer Document will rank equally with the Shares on issue at the date of this Offer Document except that the New Shares will not be entitled to receive the interim dividend for the half year ended 31 December 2014 announced by MFF on 5 February 2015.

The Directors may at any time decide to withdraw this Offer Document and the offer of Shares made under this Offer Document in which case the Company will return all Application Monies (without interest) as soon as practicable following provision of such notice of withdrawal.

4.2 The Offer Price

The Offer Price of \$1.60 per New Share represents:

- a discount of 14.0% to the closing market price of \$1.86 for Shares on 13 March 2015 being the last trading day before the Offer was announced;
- an 11.1% discount to the theoretical ex-rights price based on the closing market price of \$1.86 for Shares on 13 March 2015 being the last trading day before the Offer was announced; and
- a 9.2% discount to the estimated per Share post-tax NTA of \$1.763 as announced to ASX on 10 March 2015.

4.3 Purposes of the Offer and intended use of funds

Completion of the Offer will result in an increase in cash in hand by up to \$143 million² (before any repayment of the Company's current borrowing or the payment of costs associated with the Offer which are described in Section 12.12).

MFF is undertaking the Offer for the purposes of:

- raising additional investment funds to take advantage of future opportunities in global equity markets (at the appropriate time) and reduce the requirement to realise long-term investments to fund these opportunities;
- strengthening the Company's balance sheet by paying down debt and increasing the cash balance; and
- allowing Shareholders to increase their investment in MFF, lower MFF's management expense ratio and potentially improve the liquidity in the market for the Company's Shares.

³ This figure and the figures in this note are based on the number of Shares on issue as at Friday 6 March 2015, being the last date at which the after-tax NTA per Share was calculated for disclosure to ASX on 10 March 2015. If all Options are exercised prior to the Record Date, the maximum amount that could be raised under the Offer will be approximately \$185 million. The \$185 million does not include the additional amount of approximately \$109 million that would be received by the Company as a result of the Options being exercised.

The above statement is a statement of current intentions as at the date of this Offer Document. Intervening events and new circumstances have the potential to affect the ultimate way funds will be applied. The Board reserves the right to alter the way funds are applied on this basis.

Further details on the effects of the Offer are contained in Section 7 of this Offer Document.

4.4 Risk factors

An investment in New Shares carries certain risks as set out in Section 10.

These risks include but are not limited to:

- the earnings and stock market performances of the companies which comprise MFF's investment portfolio from time to time;
- the impact of the Company's foreign currency assets and liabilities upon the Australian Dollar value of the assets;
- the reliance by MFF on Chris Mackay as Portfolio Manager; and
- the investment strategy of the Company.

4.5 Rounding of Entitlements

Where fractions arise in the calculation of an Entitlement, they will be rounded up to the nearest whole number of New Shares.

4.6 Reconciliations

The Offer is a complex process and in some instances, Eligible Shareholders may believe that they will own more Shares than they ultimately do at the Record Date. This results in reconciliation issues. If reconciliation issues occur, it is possible that MFF may need to issue a small quantity of additional New Shares (**Top Up Shares**) to ensure all Eligible Shareholders receive their full Entitlement. The price at which these Top Up Shares would be issued is the Offer Price.

MFF also reserves the right (in its absolute discretion) to reduce the number of New Shares issued to Eligible Shareholders or persons claiming to be Eligible Shareholders, if MFF believes their claims to be overstated or if they or their nominees fail to provide information to substantiate their claims to MFF's satisfaction.

4.7 Director intentions

Each Director has shown his support for the Offer by indicating that he intends to subscribe for all of his Entitlement under the Offer.

5. Action Required by Eligible Shareholders

The number of New Shares to which you are entitled is shown on the Entitlement and Acceptance Form accompanying this Offer Document. If you are an Eligible Shareholder, you may take any of the following actions. Each of these options may have a materially different outcome on any value you receive in respect of your Entitlement.

- 1) Take up all or part of your Entitlement (see Section 5.1);
- 2) Sell all or part of your Entitlement to persons meeting certain eligibility criteria:
 - a. on ASX (see Section 5.2); or
 - b. by transferring it directly to another person (see Section 5.3);
- 3) Purchase additional Entitlements to New Shares (see Section 5.4); or
- 4) Let all or part of your Entitlement lapse (see Section 5.5).

5.1 If you wish to take up all or part of your Entitlement

If you wish to take up all or part of your Entitlement, please pay your Application Monies via BPAY® by following the instructions set out on your personalised Entitlement and Acceptance Form. Payment is due by no later than 5.00pm on Thursday, 7 May 2015.

If you are unable to pay by BPAY®, please refer to Section 8.2.

If you take up and pay for all or part of your Entitlement before the close of the Offer, it is expected that you will be issued New Shares on Wednesday, 13 May 2015. MFF's decision on the number of New Shares to be issued to you will be final.

Eligible Shareholders are not able to apply for New Shares in excess of their Entitlements set out in their personalised Entitlement and Acceptance Forms.

5.2 If you wish to sell all or part of your Entitlement on ASX

If you wish to sell all or part of your Entitlement on ASX you should contact your broker or other professional advisor. Alternatively, if you require further information on how to sell your Entitlement please ring the MFF Shareholder Information Line on 1800 074 453.

You should allow sufficient time for your instructions to be carried out by your stockbroker. Please note you may incur brokerage if you choose to sell your Entitlement on ASX.

Entitlement trading on ASX starts at 10.00am on Thursday, 9 April 2015 (ASX Code: MFFR) until the close of ASX trading on Thursday 30 April 2015. There is no guarantee that there will be a liquid market in traded Entitlements. A lack of liquidity may impact your ability to sell your Entitlement on ASX and the price you may be able to achieve.

This Offer Document, along with your personalised Entitlement and Acceptance Form, will be despatched on Thursday, 16 April 2015.

MFF will have no responsibility and disclaims all liability (to the maximum extent permitted by law) to you if you trade your Entitlement before you receive your personalised Entitlement and Acceptance Form, whether on the basis of confirmation of the allocation provided by MFF or the MFF share registry or otherwise, or if you otherwise trade or purport to trade Entitlements in error or which you do not hold or to which you are not entitled.

If you wish to sell part of your Entitlement on ASX follow the procedures above in respect of the part of your Entitlement you wish to sell on ASX.

Prices obtainable for Entitlements may rise and fall over the Entitlement trading period and will depend on many factors including the demand for and supply of Entitlements on ASX and the value of MFF's existing Shares relative to the Offer Price (taking into account that the New Shares will not receive the interim dividend of \$0.01 per Share).

If you sell your Entitlement in the Entitlement trading period, you may receive a higher or lower amount than a Shareholder who sells an Entitlement at a different time in the Entitlement trading period. If you sell your Entitlement, you will forgo any exposure to increases or decreases in the value of the New Shares had you taken up that Entitlement. Assuming all other Shareholders take up their Entitlements, your percentage shareholding in MFF will also be diluted.

5.3 If you wish to transfer all or part of your Entitlement to another person other than on ASX

If you wish to transfer all or part of your Entitlement other than on ASX, you must forward a completed Renunciation and Transfer Form to the MFF share registry in relation to the part of your Entitlement that you wish to transfer. If the transferee wishes to take up all or part of the Entitlement transferred to them, they must send their Application Monies together with the Entitlement and Acceptance Form related to the Entitlement transferred to them to the MFF share registry.

You can obtain a Renunciation and Transfer Form through the MFF Shareholder Information Line on 1800 074 453 or from your stockbroker. The Renunciation and Transfer Form as well as the transferee's Application Monies and the Entitlement and Acceptance Form related to the Entitlement transferred to them must be received by the MFF share registry no later than 5.00pm on Thursday, 7 May 2015.

If the MFF share registry receives both a completed Renunciation and Transfer Form and a separate Application for New Shares in respect of the same Entitlement, the transfer will take priority over the Application.

If you transfer your Entitlement, you will forgo any exposure to increases or decreases in the value of the New Shares had you taken up that Entitlement. Assuming all other Shareholders take up their Entitlements, your percentage shareholding in MFF will also be diluted.

You may only transfer your Entitlement in this way to a purchaser whose address is in Australia or New Zealand and who is not in the United States and who is not acting for the account or benefit of a person in the United States. Persons who are in the United States or who are acting for the account or benefit of a person in the United States will not be eligible to purchase, trade, take up or exercise Entitlements. You should inform any transferee of these restrictions.

5.4 If you wish to purchase additional Entitlements to New Shares

Should you wish to purchase additional Entitlements during the Entitlements trading period, please contact your stockbroker or other professional adviser.

Alternatively, if you require further information on how to purchase additional Entitlements please ring the MFF Shareholder Information Line on 1800 074 453.

5.5 If you let all or part of your Entitlement lapse

If you do nothing with respect to all or part of your Entitlement, the relevant portion of your Entitlement will lapse and you will receive no benefit. By allowing your Entitlement to lapse, you will forgo any exposure to increases or decreases in the value of the New Shares had you taken up your Entitlement. Although you will continue to own the same number of Shares, assuming all other Shareholders take up their Entitlements, your percentage shareholding in the Company will be diluted.

6. Ineligible Shareholders

Shareholders who are not Eligible Shareholders are “Ineligible Shareholders”.

The restrictions upon eligibility to participate in the Offer arise because of the legal and regulatory requirements in countries other than Australia and New Zealand and the potential costs to the Company of complying with these legal and regulatory requirements compared with the relatively small number of Shareholders in those countries, the relatively small number of existing Shares they hold and the relatively low value of New Shares to which they would otherwise be entitled.

MFF has determined, pursuant to ASX Listing Rule 7.7.1(a) and section 9A(3)(a) of the Corporations Act, that it would be unreasonable to make or extend offers of this nature to Shareholders in certain countries.

Accordingly, MFF will undertake the following steps in relation to Ineligible Shareholders:

- MFF will appoint a nominee in respect of Ineligible Shareholders (**Nominee**);
- MFF will issue to the Nominee the Entitlements that Ineligible Shareholders would otherwise have been entitled to apply for had they been able to participate in the Offer;
- If possible, the Nominee will sell those Entitlements on behalf of the Ineligible Shareholders;
- The Company will arrange for the proceeds of the sale (if any) of those Entitlements, net of any withholding tax and transaction costs, to be distributed to the relevant Ineligible Shareholders.

A separate letter will be sent to Ineligible Shareholders providing further details in relation to the above arrangements.

7. Effect of the Offer

7.1 Effect of the Offer on the Company's capital structure

The effect of the Offer on MFF's capital structure is dependent on several factors including the take up rate of Entitlements as well as the number of Optionholders who elect to convert their Options into Shares prior to the Record Date.

Further detail on the potential effect of the Offer on the Company's capital structure is set out below:

| | <i>Option take up rate scenarios</i> | | | | |
|---|--------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | <i>0%</i> | <i>25%</i> | <i>50%</i> | <i>75%</i> | <i>100%</i> |
| Existing Ordinary Shares | 357,819,305 | 357,819,305 | 357,819,305 | 357,819,305 | 357,819,305 |
| Additional Shares from Option exercise | Nil | 25,945,744 | 51,891,489 | 77,837,233 | 103,782,977 |
| Number of Shares prior to the Offer | 357,819,305 | 383,765,049 | 409,710,794 | 435,656,538 | 461,602,282 |
| New Shares as a result of Entitlements* | 89,454,827 | 95,941,263 | 102,427,699 | 108,914,135 | 115,400,571 |
| Number of Shares following the Offer | 447,274,132 | 479,706,312 | 512,138,493 | 544,570,673 | 577,002,853 |

*Assumes that all Entitlements are taken up

The figures above are based on the issued capital of the Company as at the close of business on Friday, 6 March 2015, the date as at which the most recently published NTA per Share figure was calculated. The figures do not take into account any exercise of Options which has occurred since 6 March 2015.

7.2 The effect of the Offer on NTA

The effect of the Offer on MFF's NTAs is also dependent on several factors including the take up rate of Entitlements as well as the number of Optionholders who elect to convert their Options into Shares prior to the Record Date.

Further detail on the potential effect of the Offer on the Company's NTA backing is set out in the table on the following page:

| | Option take up rate scenarios | | | | |
|--|--------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 0% | 25% | 50% | 75% | 100% |
| Existing total post-tax NTA* | \$630,847,896 | \$630,847,896 | \$630,847,896 | \$630,847,896 | \$630,847,896 |
| Additional NTA from Option exercise | Nil | \$27,243,031 | \$54,486,063 | \$81,729,094 | \$108,972,126 |
| Total post-tax NTA before Entitlement take up | \$630,847,896 | \$658,090,927 | \$685,333,959 | \$712,576,990 | \$739,820,022 |
| Additional NTA from Entitlement take up** | \$143,127,723 | \$153,506,021 | \$163,884,318 | \$174,262,616 | \$184,640,914 |
| Revised total (undiluted) post-tax NTA*** | \$773,975,619 | \$811,596,948 | \$849,218,277 | \$886,839,606 | \$924,460,935 |
| Revised (undiluted) post-tax NTA per Share*** | \$1.73 | \$1.69 | \$1.66 | \$1.63 | \$1.60 |

**This figure has been adjusted for the payment of \$0.01 unfranked interim dividend declared on 5 February 2015*

*** Assumes that all Entitlements are taken up*

**** These figures do not take into account the expenses of the Offer which are described in Section 12.12 of this Offer Document*

The information contained in the table above is an estimate only and is based on the estimated post-tax NTA (ex the interim dividend of \$0.01) of \$1.763 per Share, calculated as at 6 March 2015 and released to ASX on 10 March 2015. The figures above reflect the capital structure of the Company described in Section 7.1 of this Offer Document.

7.3 No effect of the Offer on control of the Company

The issue of New Shares under the Offer is not expected to have any effect on the control of the Company.

8. Payment for New Shares

Payment should be made using BPAY® if possible. New Zealand Shareholders who do not have an Australian bank account and other Shareholders who are unable to pay by BPAY®, will be able to pay by cheque, bank draft or money order (see below at Section 8.2).

Cash payments will not be accepted. Receipts for payment will not be issued.

MFF will treat you as applying for as many New Shares as your payment will pay for in full up to your Entitlement.

Any Application Monies received for more than your final allocation of New Shares will be refunded as soon as practicable after the close of the Offer. No interest will be paid to Applicants on any Application Monies received or refunded.

8.1 Payment by BPAY®

For payment by BPAY®, please follow the instructions on your personalised Entitlement and Acceptance Form. You can only make payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions. Shareholders considering using BPAY® should consult directly with their financial institution to confirm there are no restrictions on their account which may impact their ability to use BPAY® to participate in the Offer.

If you are paying by BPAY®, please make sure you use the specific Biller Code and your unique Customer Reference Number (**CRN**) on your personalised Entitlement and Acceptance Form.

If you have multiple holdings and consequently receive more than one personalised Entitlement and Acceptance Form, when taking up your Entitlement in respect of one of those holdings only use the CRN specific to that holding. If you do not use the correct CRN specific to that holding your Application will not be recognised as valid.

Please note that by paying by BPAY®:

- you do not need to submit your personalised Entitlement and Acceptance Form but are taken to make the declarations, representations and warranties on that Entitlement and Acceptance Form; and
- if you do not pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares which is covered in full by your Application Monies.

It is your responsibility to ensure that your BPAY® payment is received by the MFF share registry by no later than 5.00pm on Thursday, 7 May 2015. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment and you should therefore take this into consideration when you make payment.

8.2 If you are unable to pay by BPAY®

If you are unable to pay by BPAY®, you are able to pay by cheque, bank draft or money order. MFF encourages payments by BPAY® if possible.

For payment by cheque, bank draft or money order, you should complete your personalised Entitlement and Acceptance Form in accordance with the instructions on the form and return it accompanied by the cheque, bank draft or money order in Australian currency for the amount of the Application Monies, payable to 'Magellan Flagship Fund Limited Rights Issue A/C' and crossed 'Not Negotiable'.

Your completed Entitlement and Acceptance Form and cheque, bank draft or money order must reach the Company's share registry at the address set out on the Entitlement and Acceptance Form by no later than 5:00pm on Thursday, 7 May 2015.

Your cheque, bank draft or money order must be:

- for an amount equal to \$1.60 multiplied by the number of New Shares for which you are applying; and
- in Australian currency drawn on an Australian branch of a financial institution.

Payment cannot be made in New Zealand dollars. New Zealand resident Shareholders must arrange for payment to be made in Australian dollars.

If paying by cheque, you should ensure that sufficient funds are held in relevant account(s) to cover the Application Monies as your cheque will be processed on the day of receipt. If the amount of your cheque, bank draft or money order for Application Monies (or the amount for which the cheque, bank draft or money order clears in time for allocation) is insufficient to pay in full for the number of New Shares for which you have applied on your personalised Entitlement and Acceptance Form, you will be taken to have applied for such lower whole number of New Shares as your cleared Application Monies will pay for (and to have specified that number of New Shares on your personalised Entitlement and Acceptance Form). Alternatively, your Application will not be accepted.

8.3 Representations made by acceptance

By completing and returning your personalised Entitlement and Acceptance Form or making a payment by BPAY®, you will be deemed to have represented to MFF that you are an Eligible Shareholder and:

- acknowledge that you have read and understood this Offer Document and your personalised Entitlement and Acceptance Form in their entirety;
- agree to be bound by the terms of the Offer, the provisions of this Offer Document and MFF's constitution;
- authorise MFF to register you as the holder(s) of New Shares allotted to you;
- declare that all details and statements in the personalised Entitlement and Acceptance Form are complete and accurate;
- declare you are over 18 years of age and have full legal capacity and power to perform all of your rights and obligations under your personalised Entitlement and Acceptance Form;
- acknowledge that once MFF receives your personalised Entitlement and Acceptance Form or any payment of Application Monies via BPAY®, you may not withdraw your Application or funds provided except as allowed by law;
- agree to apply for and be issued up to the number of New Shares specified in the personalised Entitlement and Acceptance Form, or for which you have submitted payment of any Application Monies via BPAY®, at the Offer Price per New Share;
- authorise MFF, the MFF share registry and their respective officers or agents to do anything on your behalf necessary for New Shares to be issued to you, including to act on instructions of the MFF share registry by using the contact details set out in your personalised Entitlement and Acceptance Form;
- declare that you were the registered holder(s) at the Record Date of the Shares indicated on the personalised Entitlement and Acceptance Form as being held by you on the Record Date;
- acknowledge that the information contained in this Offer Document and your personalised Entitlement and Acceptance Form is not investment advice nor a recommendation that New

Shares are suitable for you given your investment objectives, financial situation or particular needs;

- acknowledge that the Offer Document is not a prospectus, does not contain all of the information that you may require in order to assess an investment in MFF and is given in the context of MFF's past and ongoing continuous and periodic disclosure announcements to ASX;
- acknowledge the risks set out in Section 10 of this Offer Document and that investments in MFF are subject to risk;
- acknowledge that none of MFF or their respective related bodies corporate and affiliates (including the entities named in the Corporate Directory) and their respective directors, officers, partners, employees, representatives, agents, consultants or advisers, guarantee the performance of MFF, nor do they guarantee the repayment of capital;
- agree to provide (and direct your nominee or custodian to provide) any requested substantiation of your eligibility to participate in the Offer and of your holding of Shares on the Record Date;
- authorise MFF to correct any errors in your personalised Entitlement and Acceptance Form or other form provided by you;
- represent and warrant (for the benefit of MFF, and their respective related bodies corporate and affiliates) that you are not an Ineligible Shareholder and are otherwise eligible to participate in the Offer;
- represent and warrant that the law of any place does not prohibit you from being given this Offer Document and the personalised Entitlement and Acceptance Form, nor does it prohibit you from making an Application for New Shares and that you are otherwise eligible to participate in the Offer;
- represent and warrant (for the benefit of MFF, and their respective related bodies corporate and affiliates) that you are not in the United States and you are not acting for the account or benefit of a person in the United States;
- understand and acknowledge that neither the Entitlements nor the New Shares have been, or will be, registered under the US Securities Act or the securities laws of any state or other jurisdiction in the United States. The Entitlements may not be acquired or exercised by persons in the United States or by persons who are acting for the account or benefit of a person in the United States. Neither the Entitlements nor the New Shares may be offered or sold, directly or indirectly, to persons in the United States or to persons acting for the account or benefit of a person in the United States, except in a transaction exempt from, or not subject to the registration requirements of the US Securities Act and applicable U.S. state securities laws;
- agree that you have not and will not send this Offer Document, the Entitlement and Acceptance Form or any other materials relating to the Offer to any person in the United States or to any person acting for the account or benefit of a person in the United States; and
- agree that if, in the future, you decide to sell or otherwise transfer the New Shares, you will only do so in transactions where neither you nor any person acting on your behalf knows, or has reason to know, that the sale has been pre-arranged with, or that the purchaser is, a person in the United States or who is acting for the account or benefit of a person in the United States.

8.4 Representations by acquirers of Entitlements

Investors who acquire Entitlements on ASX or otherwise will, by acquiring those Entitlements, and by applying to take up all or part of those Entitlements, be deemed to agree to make and be subject to the representations, acknowledgements, declarations, warranties, authorities and agreements in Section 8.3 (with references to the personalised Entitlement and Acceptance Form to be read as including any

other form provided, or required to be provided, to MFF, the MFF share registry or the person's stockbroker).

The Entitlements may not be purchased, traded, taken up or exercised by persons in the United States or by persons who are acting for the account or benefit of persons in the United States.

Investors should note that if you purchase Entitlements in a transaction on ASX or otherwise, in order to take up or exercise those Entitlements and subscribe for New Shares you:

- must be an Eligible Shareholder and a resident in Australia or New Zealand; and
- must not be in the United States or acting for the account or benefit of a person in the United States.

If you do not satisfy the above conditions, you will not be entitled to take up Entitlements or subscribe for New Shares.

It is the responsibility of purchasers of Entitlements to inform themselves of the eligibility criteria for taking up Entitlements. If holders of Entitlements after the end of the Entitlements trading period do not meet the eligibility criteria, they will not be able to take up the relevant Entitlements.

9. Overview of the Company

9.1 Overview

The Company was established in late 2006 as a listed investment company, with the portfolio managed by Magellan Asset Management Limited (**MAM**), a subsidiary of Magellan Financial Group Limited. MAM continues as provider of research and other services after Chris Mackay was appointed as Managing Director and Portfolio Manager of MFF in September 2013.

The Company's primary financial goal, as set out in the latest half yearly report, is increasing shareholder value on a per Share basis over the long term. MFF has an investment portfolio of at least 20 stock exchange listed international and Australian companies with a focus on those assessed to have attractive business characteristics. MFF seeks to make investments for the portfolio at a discount to their assessed intrinsic values. The Directors believe that, by investing in such an investment portfolio, superior risk adjusted investment returns may be generated over the medium to long term.

A second objective is to seek to minimise the risk of permanent capital loss for Shareholders. While it is difficult to eliminate investment risk, the Company believes prudent investment parameters have been established.

Extensive details of MFF's investment portfolio, risk parameters and other information have been released to ASX in monthly reports as well as Annual and Half Yearly financial reports.

Investors should note that past performance is not necessarily an indicator of future performance.

9.2 Share price

Official quotation of the Company's Shares on ASX commenced on 19 December 2006.

The highest and lowest recorded market sale prices of the Company's Shares quoted on ASX during the period from commencement of official quotation to the date of this Offer Document are:

| | Price | Date |
|----------------|---------------|-----------------|
| Highest | \$2.02 | 27/02/15 |
| Lowest | \$0.40 | 03/03/09 |

The highest and lowest recorded market sale prices of the Company's Shares in the last 12 months prior to the date of this Offer Document are:

| | Price | Date |
|----------------|----------------|-----------------|
| Highest | \$2.02 | 27/02/15 |
| Lowest | \$1.375 | 04/04/14 |

The last market sale price of the Company's Shares on ASX on the last day that trading took place in the Shares prior to the date of this Offer Document was \$1.86 on Friday, 13 March 2015.

10. Risk Factors

Investors should be aware that taking up your Entitlement and being a Shareholder in the Company involves various risks.

There are general risks associated with owning securities in publicly listed investment companies as well as risks specifically related to the Company. The price of securities can go down as well as up due to factors outside the control of the Company.

10.1 Risks related to the Company and its Share price

Some of the key factors which may affect the future earnings of the Company, the market price of its Shares and the price at which the Entitlements may trade include:

- a) movements in domestic and international share markets, interest rates, foreign exchange rates and commodity prices;
- b) changes in general economic conditions and the global security situation, including the possibility of terrorist disturbances;
- c) the future earnings, NTA per Share and market prices of the securities of the Company and of the companies in which the Company invests;
- d) changes in regulatory and governmental policy, including changes to the taxation of companies as a result of changes to Australian and foreign taxation laws;
- e) the liquidity of the market for the Company's Shares and the market for Entitlements;
- f) the success of the investment philosophy and investment objectives of the Company and the investment processes of the Portfolio Manager;
- g) the loss of Directors or the loss of the Managing Director and Portfolio Manager;
- h) the use of leverage which may magnify the gains and losses achieved or incurred by MFF, given the Company has the ability to use borrowings to leverage up to 20% of the value of MFF's investment assets if it determines to do so. The Board may determine to vary this percentage at its discretion;
- i) potential liquidity and refinancing risk, which may arise in the unlikely event that Merrill Lynch International (Australia) Limited demands repayment of borrowings at short notice under the terms of the multi-currency facility established in October 2007;
- j) Magellan Asset Management Limited ceasing to provide research and other services and the need to obtain these services from an alternative provider;
- k) exposure to foreign currency denominated cash and borrowings and also other assets and liabilities denominated in foreign currencies as it invests in listed international and Australian companies; and
- l) operational risks including risks arising from processing error, fraud, system failure and staff skills and performance. Operational risk has the potential to have a material adverse impact on the financial performance as well as the reputation of the Company's current and future businesses and in turn on the Company itself.

10.2 Risks related to the Offer

If you are an Eligible Shareholder and you allow your Entitlement to lapse, then you will not realise any value for your Entitlement. You should also note that if you do not take up your Entitlement and all other Shareholders take up their Entitlements, your percentage shareholding in the Company will be diluted.

The above list of risk factors is not meant to be exhaustive. The above risks, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of an Entitlement and any New Share which is issued as the result of the taking up of an Entitlement. Therefore, no assurances or guarantees of future profitability, distributions, payment of dividends, returns of capital or performance of the Company or its securities can be provided by the Company.

If you have doubts as to whether you should take up your Entitlement, you should consult with your stockbroker, accountant, solicitor or other financial adviser.

12. Additional Information

12.1 Nature of this Offer Document

This Offer Document relates to an entitlement offer for continuously quoted securities. The information in this Offer Document principally concerns the terms and conditions of the Offer and information necessary to make an informed assessment of:

- the effect of the Offer on MFF; and
- the rights and liabilities attaching to the New Shares.

This Offer Document does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity not already listed on the ASX. MFF has been listed on ASX since 19 December 2006. During this time MFF has been subject to disclosure requirements under the Corporations Act and the Listing Rules.

MFF has, since listing, provided ASX with a substantial amount of information regarding its activities and that information is publicly available at www.asx.com.au. This Offer Document is intended to be read in conjunction with that publicly available information. Investors considering selling or taking up their Entitlement should therefore also have regard to that publicly available information before making an investment decision.

This Offer Document contains general information only, which has been prepared without taking account of the objectives, financial situation or needs of any particular person. Because of that, before acting on the Offer Document, any prospective investor should consider the appropriateness of the information to their specific circumstances.

12.2 Reporting and disclosure obligations

The Company is a disclosing entity for the purposes of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Broadly, these obligations require the Company to:

- a) prepare and lodge with ASIC both yearly and half yearly financial statements accompanied by a directors' statement and report and an audit or review report;
- b) within 14 days after the end of each month, tell ASX the NTA backing of its quoted securities as at the end of that month; and
- c) immediately notify ASX of any information concerning the Company of which it is, or becomes, aware and which a reasonable person would expect to have a material effect on the price or value of securities in the Company, subject to certain limited exceptions.

Copies of documents lodged at ASIC in relation to the Company may be obtained from or inspected at an office of ASIC.

As a company listed on ASX, the Company is subject to the Listing Rules which require (subject to certain exceptions) immediate disclosure to the market of any information concerning the Company of which it becomes aware which a reasonable person would expect to have a material effect on the price or value of its securities. Information that is already in the public domain in relation to the Company has not been reported in this Offer Document other than that which is considered necessary to make this transaction complete. Copies of documents lodged with ASX in relation to the Company may be downloaded from ASX, such as the weekly NTA statements and monthly reports which disclose information in accordance with chapter 3 of the Listing Rules.

12.3 Offer not underwritten

The Offer is not underwritten.

12.4 Offer management

The Offer is being managed by Taylor Collison Limited and Bell Potter Securities Limited as Joint Lead Managers and Brokers to the Offer under an agreement dated 16 March 2015. MFF has given certain representations, warranties and undertakings in connection with (among other things) the conduct of the Offer. The obligation of the Joint Lead Managers and Brokers are subject to the satisfaction of certain conditions precedent.

The Joint Lead Managers and Brokers are entitled to terminate their engagement, subject to certain conditions, upon the occurrence of a number of customary events, including if MFF suffers an insolvency event, MFF contravenes the Corporations Act, MFF alters its capital structure (other than as a result of exercise of the Options), or MFF changes the whole or a substantial part of its business.

12.5 Rights attaching to Shares

New Shares issued under the Offer will rank equally with existing Shares, except that the New Shares will not be entitled to receive the interim dividend for the half year ended 31 December 2014 announced by MFF on 5 February 2015.

The rights attaching to Shares are set out in the Company's constitution and are regulated by the Corporations Act, the Listing Rules and general law.

12.6 Issue and dispatch

Shares issued pursuant to the Offer will be issued in accordance with the ASX Listing Rules and the indicative timetable set out in Section 3 of this Offer Document.

Pending the issue of the Shares or payment of refunds pursuant to this Offer Document, all Application Monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest by completing and returning the Entitlement and Acceptance Form.

12.7 No cooling off rights

Cooling off rights do not apply to an investment in New Shares. You cannot, in most circumstances, withdraw your Application once it has been lodged.

12.8 ASX listing

MFF has applied to ASX for quotation of the New Shares in accordance with the Listing Rule requirements. Subject to approval being granted, it is expected that normal trading of New Shares issued under the Offer will commence on Thursday, 14 May 2015.

12.9 CHESS

The Company is a participant in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of New Shares allotted to them under this Offer Document. The notice will also advise holders of their Holder Identification Number or Securityholder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

12.10 Taxation implications

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for New Shares under this Offer Document. The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders.

Shareholders should consult their professional tax adviser in connection with subscribing for New Shares under this Offer Document.

12.11 Nominees and custodians

Nominees with a registered address in Australia or New Zealand may be able to participate in the Offer in respect of some or all of the beneficiaries on whose behalf they hold Shares, provided that the beneficiary would satisfy the criteria for an Eligible Shareholder.

Nominees and custodians which hold Shares as nominees and custodians will have received, or will shortly receive, a letter from MFF. Nominees and custodians should carefully consider the contents of that letter and note in particular that the Offer is not available to beneficiaries on whose behalf they hold Shares who do not satisfy the criteria of an Eligible Shareholder.

MFF is not required to determine whether or not any registered holder of Shares is acting as a nominee or the identity or residence of any beneficial owner of Shares. Where any registered holder of Shares is acting as a nominee for a foreign person that holder, in dealing with its beneficiary, will need to assess whether indirect participation by the beneficiary is compatible with applicable foreign laws. MFF is not able to advise on any foreign laws.

12.12 Expenses of the Offer

Assuming that the Offer raises \$143 million, the expenses of the Offer including ASIC and ASX fees, share registry costs, printing costs and professional costs are estimated to be approximately \$781,000.

12.13 Withdrawal of the Offer

The Company reserves the right to withdraw the Offer at any time before the issue of New Shares in which case the Company will refund any Application Monies received by it in accordance with the Corporations Act and will do so without interest being paid to Applicants.

12.14 Enquiries concerning Offer Document

Enquiries relating to this Offer Document should be directed to the MFF Shareholder Information Line on 1800 074 453.

12.15 Governing Law

This Offer Document is governed by the laws of New South Wales.

13. Definitions and Interpretation

In this Offer Document:

Applicant refers to a person who submits an Entitlement and Acceptance Form.

Application refers to the submission of an Entitlement and Acceptance Form.

Application Monies means moneys received from Applicants in respect of their Applications.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or, where the context permits, the Australian Securities Exchange operated by ASX Limited.

Board means the board of Directors of the Company from time to time.

Closing Date means 5.00pm on Thursday, 7 May 2015.

Company or **MFF** means Magellan Flagship Fund Limited (ACN 121 977 884).

Corporations Act means the *Corporations Act 2001* (Cth) as amended.

Director means a director of the Company and **Directors** means all of them.

Eligible Shareholder means a Shareholder with a registered address in Australia or New Zealand whose details appear on the Company's register of Shareholders as at the Record Date.

Entitlement means the entitlement to subscribe for one (1) New Share for every four (4) Shares held by an Eligible Shareholder on the Record Date and Entitlements has a corresponding meaning.

Entitlement and Acceptance Form means the Entitlement and Acceptance Form accompanying this Offer Document.

Ineligible Shareholder means a Shareholder with a registered address outside of Australia or New Zealand.

Joint Lead Managers means Taylor Collison Limited (ACN 008 172 450) and Bell Potter Securities Limited (ACN 006 390 772).

Listing Rules means the Listing Rules of the ASX.

New Share means a new Share proposed to be issued pursuant to this Offer.

NTA means net tangible assets.

Offer means the renounceable pro rata offer of New Shares at the Offer Price on the basis of one (1) New Share for every four (4) Shares held on the Record Date pursuant to this Offer Document.

Offer Document means this Offer Document dated 16 March 2015.

Offer Price means the price at which Eligible Shareholders will subscribe for New Shares being, \$1.60.

Option means an Option in the Company on the terms set out in the options prospectus dated 27 September 2012.

Optionholder means a holder of an Option.

Portfolio Manager means Chris Mackay.

Record Date means 7pm on Monday, 13 April 2015.

Section means a section of this Offer Document.

Share means an ordinary fully paid share in the capital of the Company.

Shareholder means a holder of Shares.

Timetable means the indicative timetable set out in Section 3 of this Offer Document.

13.1 Interpretation

In this Offer Document the following rules of interpretation apply unless the context otherwise requires:

- a) words and phrases not specifically defined in this Offer Document have the same meaning that is given to them in the Corporations Act and a reference to a statutory provision is to the Corporations Act unless otherwise specified;
- b) the singular includes the plural and vice versa;
- c) a reference to an individual or person includes a corporation, partnership, joint venture, association, authority, company, state or government and vice versa;
- d) a reference to any gender includes both genders;
- e) a reference to clause, section, annexure or paragraph is to a clause, section, annexure or paragraph of or to this Offer Document, unless the context otherwise requires;
- f) a reference to “dollars” or “\$” is to Australian currency; and
- g) in this document, headings are for ease of reference only and do not affect its interpretation.

14. Corporate Directory

Directors

Richard Warburton AO LVO – Chairman, Independent Non-Executive Director
John Ballard – Independent Non-Executive Director
Andy Hogendijk – Independent Non-Executive Director
Chris Mackay – Managing Director and Portfolio Manager

Company Secretary

Geoffrey Stirton

Registered Office

Level 7, 1 Castlereagh Street
Sydney NSW 2000
Telephone: +61 2 8114 1888
Email: info@magellangroup.com.au
Fax: +61 2 8114 1800

Shareholder Information Line

Telephone: 1800 074 453

Joint Lead Managers and Brokers to the Offer

Taylor Collison Limited
Level 10, 167 Macquarie Street
Sydney NSW 2000
Telephone: +61 2 9377 1500

Bell Potter Securities Limited
Level 38 Aurora Place
88 Phillip Street
Sydney NSW 2000
Telephone: 1300 023 557

Share Registry

Boardroom Pty Limited
Level 7, 207 Kent Street
Sydney NSW 2000
Telephone: +61 2 9290 9600
Fax: +61 2 9279 0664
Email: enquiries@boardroomlimited.com.au

Securities Exchange Listing

Australian Securities Exchange (ASX)

ASX code: MFF (fully paid ordinary Shares) and MFFO (2017 Options)

Website

www.magellangroup.com.au/mff



| Date | Entitlement Reduced to | Signed By |
|------|------------------------|-----------|
| | | |

RENOUNCEABLE ENTITLEMENT OFFER ENTITLEMENT AND ACCEPTANCE FORM

Subregister:

HIN / SRN:

Entitlement No:

Number of Shares held at

7:00 pm (AEST) on

13 April 2015 (**Record Date**):

Offer Closes: 5pm (AEST) 7 May 2015

THIS DOCUMENT IS OF VALUE AND REQUIRES YOUR IMMEDIATE ATTENTION. IF IN DOUBT CONSULT YOUR STOCKBROKER, SOLICITOR, ACCOUNT OR OTHER PROFESSIONAL ADVISOR WITHOUT DELAY.

THIS ENTITLEMENT AND ACCEPTANCE FORM RELATES TO A RENOUNCEABLE ENTITLEMENT OFFER OF UP TO 94,187,345 NEW SHARES AT AN ISSUE PRICE OF \$1.60 ON THE BASIS OF 1 NEW SHARE FOR EVERY 4 ORDINARY SHARES HELD, PAYABLE IN FULL UPON ACCEPTANCE OF THIS ENTITLEMENT OFFER.

THE OFFER IS BEING MADE UNDER THE OFFER DOCUMENT DATED 16 MARCH 2015. THE OFFER DOCUMENT CONTAINS INFORMATION ABOUT INVESTING IN THE NEW SHARES. BEFORE APPLYING FOR NEW SHARES, YOU SHOULD CAREFULLY READ THE OFFER DOCUMENT. THIS ENTITLEMENT AND ACCEPTANCE FORM SHOULD BE READ IN CONJUNCTION WITH THE OFFER DOCUMENT.

A Rights Acceptance

If you wish to accept your **FULL ENTITLEMENT** please complete and return this form **WITH YOUR PAYMENT FOR THE AMOUNT SHOWN BELOW**. The return of this form by the close date with payment will constitute acceptance of the Entitlement Offer

| Entitlement to New Share on the basis of 1 New Share for every 4 Ordinary Shares held | Price Per New Share | Amount Payable for Full Acceptance, at \$1.60 per New Share |
|---|-------------------------------|---|
| | \$1.60 per New Share = | |

If you wish to accept **PART OF YOUR ENTITLEMENT ONLY** please complete this form showing in the box below the **NUMBER OF NEW SHARES BEING ACCEPTED** and the appropriate amount payable.

| Number of New Shares accepted | Price Per New Share | Amount Enclosed |
|-------------------------------|-------------------------------|-----------------|
| | \$1.60 per New Share = | \$ |

B Payment

Payment may only be made by BPAY or cheque. Cash will not be accepted via the mail or at the Magellan Flagship Fund Limited Share Registry. Payments cannot be made at any bank.

Payment Option 1 - BPAY



Billers Code:

Ref:

Telephone & Internet Banking - BPAY®

Contact your bank, credit union or building society to make this payment from your cheque, credit or savings account.

More info: www.bpay.com.au © Registered to BPAY Ltd ABN 69 079 137 518

- To pay via BPAY please contact your participating financial institution
- If paying by BPAY you do not need to return the Entitlement and Acceptance Form**
- If paying by BPAY the amount of your payment received in the account divided by the price per New Share will be deemed to be the total number of New Shares you are applying for.

Payment Option 2 – Cheque, bank draft or money order (Record details below)

| DRAWER | CHEQUE NO. | BSB NO. | ACCOUNT NO. | AMOUNT \$AUD |
|--------|------------|---------|-------------|--------------|
| | | | | \$ |

- Only cheques or bank drafts in Australian dollars and drawn on an Australian bank will be accepted.
- Your cheque or bank draft must be made payable to "Magellan Flagship Fund Limited Rights Issue A/C" and crossed Not Negotiable.
- Please ensure that you submit the correct amount. Incorrect payments may result in your application being rejected.

C Contact Details

| CONTACT NAME | EMAIL ADDRESS | TELEPHONE – WORK | TELEPHONE - HOME |
|--------------|---------------|------------------|------------------|
| | | | |

PLEASE REFER TO REVERSE FOR LODGING INSTRUCTIONS.

Important Information: This document is of value and requires your immediate attention. If in doubt consult your stockbroker, solicitor, accountant or other professional advisor without delay.

The Entitlement Offer to which this Entitlement and Acceptance Form relates does not constitute an offer to any person who is not an Eligible Shareholder, and in particular is not being made to Shareholders with registered addresses outside Australia and New Zealand. This Entitlement and Acceptance Form does not constitute an offer in the United States of America (or to, or for the account or benefit of, any person in the United States of America ("**US Persons**")) or in any jurisdiction in which, or to any persons to whom it would not be lawful to make such an offer.

ACCEPTANCE OF THE ENTITLEMENT OFFER

By either returning the Entitlement and Acceptance Form with payment to Boardroom Pty Limited, or making payment by BPAY, by 5.00pm (AEST) on 7 May 2015

- you represent and warrant that you have read and understood the Offer Document to which this form relates and agree to the terms set out in the Offer Document and on this form.
- you represent and warrant that you are an Eligible Shareholder as defined in Section 13 of the Offer Document;
- you represent and warrant that you are not located in the United States or a US Person and are not acting for the account or benefit of a US Person or any other foreign person;
- you provide authorisation to be registered as the holder of New Shares acquired by you and agree to be bound by the constitution of Magellan Flagship Fund Limited; and
- your application to acquire New Shares is irrevocable and may not be varied or withdrawn except as allowed by law.

HOW TO ACCEPT NEW SHARES OFFERED

1. **BPAY payment method:** The total amount payable to accept your entitlement in full is shown in Section A on the front of this form. Contact your Australian bank, credit union or building society to make this payment from your cheque, savings or credit account. For more information visit: www.bpay.com.au. Refer to the front of this form for the Biller Code and Customer Reference Number. The Reference Number is used to identify your holding. If you have multiple holdings you will have multiple Reference Numbers. You must use the Reference Number shown on each personalised Entitlement and Acceptance Form when paying for any New Shares that you wish to apply for in respect of that holding. Payments must be received by BPAY before 5.00 pm (AEST) on 7 May 2015.

If the BPAY payment is for any reason not received in full, the Company may treat you as applying for as many New Shares as will be paid for by the cleared funds. Shareholders using the BPAY facility will be bound by the provisions relating to this Entitlement Offer. **You are not required to submit this Entitlement and Acceptance Form if you elect to make payment using BPAY.**

2. **Cheque payment method:** The total amount payable to accept your Entitlement in full is shown in Section A on the front of this form. Complete your payment details in Section B and send your cheque or bank draft and the completed Entitlement and Acceptance Form to Boardroom Pty Limited at the address shown below so as to reach Boardroom Pty Limited before the close of the Entitlement Offer at 5.00pm (AEST) 7 May 2015.

Postal Delivery:
Boardroom Pty Limited
Reply Paid 3891
SYDNEY NSW 2001

Hand Delivery:
Boardroom Pty Limited
Level 7, 207 Kent Street
SYDNEY NSW 2000

TO ACCEPT SOME OF THE NEW SHARES OFFERED AND SELL THE REMAINING ENTITLEMENTS THROUGH A STOCKBROKER

Insert in the boxes on the front of this Entitlement and Acceptance Form:

- the number of New Shares accepted; and
- the amount of the cheque for those New Shares.

Indicate in the "Instructions to Your Stockbroker" section below, the number of New Shares you intend to accept, the amount of your cheque for those New Shares and the number of Entitlements which you intend to sell. Send the Entitlement and Acceptance Form to your stockbroker with your cheque for the New Shares accepted. Sale of your Entitlement must be completed by 4.00 pm (AEST) 30 April 2015 when Entitlements trading ceases.

TO SELL ALL YOUR ENTITLEMENTS THROUGH A STOCKBROKER

Insert the information required in the "Instructions to Your Stockbroker" section below. Send the Entitlement and Acceptance Form to your stockbroker. Sale of your Entitlement must be completed by 4.00 pm (AEST) 30 April 2015 when Entitlements trading ceases.

TO RENOUNCE SOME OR ALL OF YOUR ENTITLEMENTS OTHER THAN THROUGH A STOCKBROKER (ISSUER SPONSORED HOLDERS)

Obtain a Standard Renunciation Form from your stockbroker or Boardroom Pty Limited. Complete the Standard Renunciation Form with the number of Entitlements you are renouncing, making sure that it is signed by both you and the buyer, and your SRN (Securityholder Reference Number) is noted. If the buyer is accepting some of the New Shares offered, the buyer must insert in the boxes on the front of this Entitlement and Acceptance Form:

- the number of New Shares accepted, and
- the amount of the buyer's cheque for those New Shares.

Lodge both the Standard Renunciation Form and the Entitlement and Acceptance Form with Boardroom Pty Limited by 5.00pm (AEST) by 7 May 2015, together with the buyer's cheque for any New Shares being accepted.

Entitlements trading commences on 9 April 2015 and ceases at 4.00 pm (AEST) on 30 April 2015 by which time any sale of part or all of your Entitlement must be completed.

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT BOARDROOM PTY LIMITED FOR ASSISTANCE ON 1300 737 760 within Australia and +61 2 9290 9600 outside Australia.

Instructions to Your Stockbroker

To be completed and sent to your stockbroker only if you wish to sell the whole or part of your Entitlement.

Please insert the appropriate number in each of the boxes below:

Number of the New Shares which I intend to ACCEPT

Number of Entitlements which I intend to SELL

I attach a cheque/draft for the full amount of New Shares accepted

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