MAGELLAN
FLAGSHIP FUND LIMITED

Magellan Flagship Fund Limited
ABN 32 121 977 884

Level 7, 1 Castlereagh Street,
Sydney NSW 2000 AUSTRALIA

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

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

Magellan Flagship Fund Limited
2014 Annual General Meeting

In accordance with ASX Listing Rule 3.13.3, please find attached a copy of the Chairman's and the Managing Director/Portfolio Manager's Addresses.

Yours faithfully,

Geoffrey Stirton
Company Secretary

Chairman's Address
2014 Annual General Meeting
Wednesday, 15 October 2014

MFF recorded a net profit after tax of $49.34 million for 2013/14. The 2013/14 result principally reflects the net appreciation in the underlying market values of MFF's investments as well as realised gains from disposals over the period with moderate headwinds from the appreciation of the Australian Dollar which rose by approximately 3.1% against the US Dollar from 91.5c to 94.4c over the year. The Company recorded pre tax investment returns of approximately 15.5% after expenses. Net tangible assets per share increased by approximately 13% and two 1 cent per share unfranked dividends were paid.

Your Board regarded the portfolio's investment returns for the year as satisfactory and consistent with MFF's risk positioning. The portfolio has appreciated further since year end and the pre tax NTA as at 30 September 2014 was a further 13.4% above the 30 June figure.

Quality businesses, valuations and risk controls are key metrics for MFF's portfolio management. MFF is focussed upon seeking out investments in advantaged companies at attractive prices. Your Board and management have overlaid risk controls including borrowing and position size limits.

Capital allocation and capital management are also very important to your Board. The 2017 MFF options were issued for no cash outlay to shareholders in late 2012 on a 1:3 basis. Shareholder feedback continues to be positive.

Shareholders have benefitted from the share buybacks we conducted in recent years at prices well below current prices. It did not make sense to buy back shares in the past 12 months and so no shares were bought under the buyback authorisation.

The restructuring of the organisation which was announced and implemented last year has proceeded well and has proved beneficial to MFF's operations.

Your Board continues to be pleased with the company's portfolio, and with Mr Mackay's focus as Portfolio Manager. Chris will focus on MFF's current risk positioning when he comments later in this meeting, and this is particularly appropriate given the portfolio's gains in recent years.

In terms of dividends, the Directors have declared a dividend of 1 cent per share, to be paid on 14 November 2014. This dividend will be unfranked as was the 1 cent per share interim dividend.

Your company has minimal franking credits and hence recent dividends have been unfranked. As MFF's gains are mostly unrealised, MFF had a substantial deferred tax position of approximately $42.3 million as at 30 June 2014 whilst current Australian tax liabilities for the year were $95,000. Approximately $1.1 million was paid to overseas jurisdictions during the year as dividend withholdings.

The Directors' preference is for a regular 6 monthly dividend at 1 cent per share, subject to corporate, legal and regulatory considerations. The Dividend Reinvestment Plan remains in operation in respect of this dividend payment with a zero discount to the applicable market price. Many shareholders have told us that they welcome the regular cash dividends, even if they are unfranked. MFF continues to achieve satisfactory returns on the funds that are retained. Future levels of franking credits available for dividends will of course depend primarily on the level of taxable gains after expenses.

Your Directors continue to be pleased that there are liquid markets for both MFF shares and the MFF options; although, for much of the year, MFF's shares traded well above the NTA per share figure until the gap narrowed at the end of June and hence the share price increase for the year did not match MFF's investment performance. MFF provides a very high level of transparency so that investors can make informed decisions. In addition to the Annual and half yearly reports, we release detailed figures each week as well as extensive monthly commentaries. In addition to commentary these details include pre and post tax figures, details of adjustments for exercise of the MFF options and updates in relation to the portfolio holdings.

I now invite Chris Mackay to make some remarks and we look forward to your questions.

Richard Warburton AO LVO
Chairman

Comments from Chris Mackay
Managing Director and Portfolio Manager
At the Magellan Flagship Fund Limited Annual General Meeting
Wednesday, 15 October 2014

MFF has invested in a portfolio of extremely high quality companies which have sustainable advantages; those advantages have improved in recent years and they should produce strong cashflows for many years. We continue to look for high cash returns on capital, pricing power and improving competitive positions. Our core mandate is to buy quality companies when they are out of favour (and hopefully relatively inexpensive) and to hold them whilst valuations and risk assessments remain favourable, subject to overall opportunity cost assessments in relation to the portfolio.

At the moment our holdings are not materially under-priced, as they were in the years around the Crisis. We feel that our portfolio prices are broadly satisfactory in the current market environment. We are cautious about rising market prices, and our nervousness has increased with the further gains in our portfolio during and since the end of this financial year.

We feel that our portfolio prices compare satisfactorily with assessments of value based upon reasonable assumptions about risks, growth and longer term discount rates. The portfolio appears to be attractive in comparison with alternatives, but such relative comparisons should be of little comfort given the current ultra low interest rate environment.

Whilst we are delighted with the excellent recent business performances and prospects of almost all of our major holdings, it is completely unreasonable to expect continuing portfolio price appreciation well above economic growth rates, and periodic market price declines are inevitable. The price rises since the Crisis reflect the abnormally low starting prices, as well as our portfolio business performance and the stimulus supported recovery. However, caution is required; when market prices rise ahead of business improvements, margins of safety decline.

It was difficult not to achieve sizeable gains in the strongly rising equity markets post Crisis, and most risk management processes were not rewarded. As markets move to the next phase we have cleaned out the most marginal and relatively expensive holdings from the portfolio. Our primary risk management tools include our focus on business quality and value, and we seek secondary risk management benefits from currency positions, from "forced rankings", from portfolio sales and from managing cash/debt levels. Our willingness to buy into out of favour situations (which are cheaper) and to ignore much volatility in market prices remain important, but are currently less important than assessing business risks (at the moment we remain cautious about new buying areas).

The largest investments (above A $5m) as at 10 October 2014 are shown on the screen at the front of the room.

Holding	%	Holding	%
Wells Fargo	11.8	US Bancorp	5.2
Visa	10.9	Wal-Mart Stores Inc	5.3
Home Depot Inc	10.2	Bank of New York Mellon	4.2
Lowe's	9.8	State Street Corp	2.9
Bank of America	9.1	Blackrock Inc	2.1
Mastercard	8.8	Qualcomm Inc	1.4
HCA Holdings Inc	7.9	Schroders Plc	1.2
Lloyds Banking Group	5.7	Adidas AG	1.0
		Sainsbury J Plc	1.0

Wells Fargo remains the largest holding. Its business continues to progress satisfactorily, including 3 business line extensions which are contiguous, have relatively low operational risk and each of which could add about 5% to business value. Business risks are higher in credit based financials are higher than for many companies, although we continue to regard these risks as currently being somewhat mitigated at current share price levels by factors such as their increased capital levels. The leading payments processors (Visa and MasterCard), home improvement stores (Home Depot and Lowes) and hospital network (HCA) all remain advantaged.

The portfolio gains in the latest 12 months have come despite holding substantial amounts of zero earning USD cash (waiting for more substantial market pullbacks) and selling Apple and Microsoft materially below their subsequent price levels.

The proportion invested in global multinationals remains lower than in previous years as they are vulnerable to market price reversals due to lower growth rates and increasing local and regional competition and regulation. Higher prices help narrow our current focus areas, and business risks continue to rise with the internet unleashing almost unlimited competitive capacity and stripping pricing power, even from "safe haven" businesses. Although overall corporate profits are at record highs, investors and businesses should prepare for downward pressures which might be severe and continue for an extended period. We have had a small number of costly problem areas from the impact of this increased competition despite our focus on the risks.

We perceive that some so called "safe haven" equities have become expensive compared with their business risks and we have concentrated on eliminating them from the portfolio.

We have continued to acquire existing holdings including a few where with decent probabilities of sustained multi-year growth. We must continue to avoid pressure to do anything or be anywhere and wait for advantages from the longer duration of our investment horizon, particularly as time favours the highest quality businesses.

In terms of currencies we remain effectively short the AUD as we have borrowings in AUD against cash and shares in offshore assets. As mentioned over a number of years, we believe that this profile offers some risk management benefits as the AUD has typically fallen at the time of material equity price declines, as well as making sense on the medium term fundamentals. In recent months the currency position has benefitted the NTA we report to the market, and we have modestly reduced the position (please see the September NTA release for details). Of course, this AUD currency position may add to risks, for example when China spent trillions on restarting their economy coming out of the Crisis and the AUD rose strongly along with commodity prices.

In the future, we hope to be prepared for buying opportunities which are most attractive during market downdrafts, despite the considerable discomfort at the time. We currently have net borrowing levels of about 9% of investment assets and we retain the 20% borrowing capacity. In the latest quarter most sales were outside of our largest holdings, including a reversal of our modest renewed exposure to European based multinationals. It is inevitable that from time to time we will have to sell some of our larger holdings in order to build capacity for future opportunities; parameters were set out in the most recent monthly NTA release to the ASX. Later in the meeting, we can discuss these selling parameters, as well as more details about specific holdings and the portfolio changes, if shareholders wish.

I would like to thank our Directors who continue to provide very insightful guidance and counsel. I also thank the whole team at MFG, our key research and service partner for their continuing excellent contributions.

I will hand back to the Chairman and we would be happy to address questions.