



Magellan Flagship Fund Limited
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Magellan Flagship Fund Limited ("MFF") Net Tangible Assets ("NTA") per share for June 2010

MFF advises that its monthly NTA per share as at Wednesday, 30 June 2010 was \$0.759 excluding net deferred tax assets of \$0.084. These figures are unaudited and subject to review in the course of preparation of financial year end accounts.

For the financial year, MFF's pre tax NTA per share increased by approximately 20.5% compared with a rise of approximately 10% for the major global indices (or approximately 3.4% in AUD adjusted terms) and approximately 8.8% for the major Australian indices.

As MFF 'marks to market' all of its holdings in its accounts, MFF will report a pre tax profit reflecting the rise in NTA for the financial year, when it reports its full results in August. This profit will exceed the \$43.9 million pre tax profit for the first half reported in February, given the increase in NTA in the second half of the financial year.

MFF's portfolio was largely unchanged for June and for the year. MFF remained fully invested with some small borrowing reductions towards the end of the financial year resulting in gearing as at 30 June being modestly below 20% after the market sell off in June. The business performance of the MFF portfolio companies remains very strong with positive market updates from companies such as American Express during the month.

Overall market nervousness contrasts with strong financial positions, cashflows and business positioning at the individual company level. The market prices for our portfolio companies appear attractive to us. We also believe that for many of the companies in our portfolio 'the strong are getting stronger' and earnings strength will ultimately be reflected in market price improvements.

MFF's portfolio is largely invested in leading global multinationals. Almost all of these companies have leadership positions (with both suppliers and customers) in emerging markets as well as in the currently recessed more developed markets. In the current difficult ongoing economic conditions we expect the earnings of our investee companies to continue to demonstrate well above average resilience, and they also have satisfactory upside potential from future economic recovery and income growth. MFF's portfolio companies will likely be disproportionate beneficiaries of the 1 billion or so newly middle class, newly urbanised consumers expected over the next decade in emerging markets. We regard the market prices for these securities as being inexpensive relative to their demonstrated earnings power.

We continue patiently and determinedly to focus on companies of the highest quality, many of which are currently returning materially better free cashflow yields than cash, with relatively limited downside business risk over the medium to longer term. We believe that the advantaged business cases for a portfolio of these quality companies will ultimately be reflected in a "premium for quality". A number of these companies continue to be priced by the market at prices below those of a decade ago, despite much stronger competitive advantages and earnings power.

Approximately 90% of MFF's total investment assets by market value continue to be in global multinationals (being entities that generate 50% or more of their revenue and/or have material operations in 15 or more countries outside the domicile of their primary securities exchange), with a majority of the balance being predominantly North American focused. The revenue and earnings split for the multinationals average about 40% USA, 30% Europe and 30% ROW. The emerging markets proportion of underlying revenue and earnings continues to rise.

As at 30 June 2010, MFF had net borrowings of slightly less than 20% of total investment assets. Most of the borrowings are denominated in AUD, with smaller amounts of borrowings in USD. We will continue to review whether to move a substantial part of the AUD borrowings to USD, particularly if there is further sustained AUD weakness. Any decisions will be advised to the market promptly in the monthly and/or weekly NTA notices.

Key currency rates for AUD as at 30 June 2010 rates were 0.8447 (USD), 0.6896 (EUR), 0.5646 (GBP) and 0.9108 (CHF), compared with 31 May 2010 rates which were 0.8388 (USD), 0.6836 (EUR), 0.5773 (GBP) and 0.9691 (CHF).



Nerida Campbell
Company Secretary
02 July 2010

¹ Deferred tax assets less deferred tax liabilities. All figures are unaudited