



Magellan Flagship Fund Limited
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**Magellan Flagship Fund Limited ("MFF")
Net Tangible Assets ("NTA") per share for July 2011**

MFF advises that its monthly NTA per share as at 29 July 2011 was \$0.744 excluding net deferred tax assets¹ of \$0.087. These figures are unaudited.

9 of MFF's 13 largest holdings reported results in July (American Express, Yum! Brands, eBay, Coca-Cola, Google, McDonald's, Wells Fargo, Visa and US Bancorp). These results ranged from strong to superb despite ongoing economic weakness and difficult equity markets. Each of these companies gained profitable market share in the latest Quarter and is investing intelligently in the future growth of their businesses. The positive market reactions to the strong results were overcome by the damaging US political process during July.

MFF's portfolio is exposed to current and expected future gains in incomes and consumption in major emerging markets. Yum! Brands is an obvious example as each year it opens 500 restaurants in China and 1,000 restaurants elsewhere. Yum increased its sales in China by 28% in the June Quarter (34% if currency benefits are added) and increased operating profits in China for the first 6 months of 2011 to US\$ 397 million. Yum's current rates of growth in China are above expectations and it will continue to benefit well after China's unprecedented investment in transport, hubs, infrastructure and housing slows. In this Quarter Yum's China results were partially offset by poor US results and satisfactory results in the rest of the world, with solid organic investment in the businesses.

MFF's portfolio results contrast with the continuing problems being caused by Governments. US Government debt issues were most in focus in July and equity markets declined again (modestly) and the USD fell (less modestly). Optimists hope that the latest resolution of the US debate will result in better fiscal discipline, less Government waste and a proper focus on improving business confidence (or at least not further damaging confidence). At least investor sentiment towards the US and European problems is unlikely to worsen appreciably in the near term absent a full-scale descent into crisis.

MFF remained close to fully invested with modest changes in the month. A small number of MFF shares were also bought back on market during the month

About 85% of MFF's total investment assets by market value are 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 the balance being predominantly North American focused and about 6% being China focussed. The revenue and earnings split for the multinationals average almost 40% USA, less than 30% Europe and about 1/3 ROW. The emerging markets proportion of underlying revenue and earnings continues to rise.

As at 29 July 2011, MFF had net borrowings of approximately 19.4% of total investment assets. Almost all borrowings are in AUD with small amounts in GBP and EUR. Cash balances are currently held in a mix of US Dollars, Swiss Francs, Singapore Dollars and Hong Kong Dollars.

Key currency rates for 29 July 2011 were 1.098 (USD), 0.764 (EUR), 0.669 (GBP) and 0.866 (CHF), compared with the 30 June 2011 rates which were 1.071 (USD), 0.738 (EUR), 0.667 (GBP) and 0.901 (CHF).

Yours faithfully,

A handwritten signature in black ink that reads 'Chris Mackay'.

Chris Mackay
Chief Investment Officer

A handwritten signature in blue ink that reads 'Leo Quintana'.

Leo Quintana
Legal Counsel & Company Secretary

2 August 2011

¹ Deferred tax assets less deferred tax liabilities.