

Magellan Flagship Fund Limited
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**Magellan Flagship Fund Limited ('MFF')
Net Tangible Assets ('NTA') per share for May 2010**

MFF advises that its approximate monthly NTA per share as at Monday, 31 May 2010 was \$0.794 excluding net deferred tax assets¹ of \$0.075.

MFF's NTA per share rose about 1.75% in May, primarily because portfolio resilience and currency moves offset large falls in most equity markets. For the financial year to date MFF's NTA per share has increased by approximately 26% (pre tax).

Changes to MFF's portfolio in the month were again modest and MFF returned to be fully invested at month end.

MFF's portfolio companies continued to produce strong results in May. Earnings for Wal-Mart, Lowe's and Kraft were ahead of market expectations despite ongoing economic weakness. Overall, MFF's companies are materially increasing their market shares and other competitive advantages. Weaker competitors are struggling and many companies in MFF's portfolio are accelerating expansion plans in emerging markets in Asia and Latin and South America. For example, PepsiCo announced a US \$2.5 billion 3 year investment programme in snacks and beverages in China and as shopping centres are built in markets like Brazil, MFF's companies increase their market penetration.

MFF's portfolio companies continue to have very strong balance sheets. Substantial share buybacks continue (aided by equity market weakness and record low interest rates) along with some dividend upgrades (Lowe's announced during May). Wal-Mart and Google (which has US \$26.5 billion of cash on balance sheet) progressed strategically important acquisitions in May.

As we have repeatedly foreshadowed, complex macro economic events remain concerning, including excessive Government and private sector debts necessitating deleveraging.

The AUD fell and the USD and CHF rose during the month. We retained MFF's large unhedged exposure to both currencies. We have maintained borrowings predominately in AUD and we decided to keep that position after reviewing it in May. 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.

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 31 May 2010, MFF had net borrowings of almost 20% of total investment assets.

Most of the borrowings are denominated in AUD, with smaller amounts of borrowings in USD.

Key currency rates for AUD as at 31 May 2010 rates which were 0.8388 (USD), 0.6836 (EUR), 0.5773 (GBP) and 0.9691 (CHF), compared with 30 April 2010 rates which were 0.9309 (USD), 0.7000 (EUR), 0.6081 (GBP) and 1.0035 (CHF),



Nerida Campbell
Company Secretary
02 June 2010

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