MAGELLAN FLAGSHIP FUND LIMITED

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

MFF advises that its monthly NTA per share as at Friday, 30 July 2010 was $0.759 excluding net deferred tax assets of $0.088. These figures are unaudited.

During July a majority of MFF's portfolio companies reported results for the June quarter. These short term results ranged from solid to superb in the continuing challenging economic environment. Almost all of the companies also continue to strengthen their medium to long term business prospects. The MFF portfolio is focussed upon companies of unusually high calibre.

Two of MFF's four largest holdings reported quarterly results during July, with Nestle and Wal-Mart to report in August. American Express' normalised earnings per share tripled (and reported figures rose ninefold) primarily due to improved credit quality and a 16% year on year increase in billed business more than offsetting reduced interest income from a substantially reduced loan book. Yum! Brands reported a 17% increase in earnings per share (excluding special items) for the quarter including a 33% increase in operating profit in China.

Each of MFF's other Top 10 holdings [Coca-Cola, eBay, Google, McDonald's, PepsiCo and Wells Fargo] also reported world class results.

Once again there were few changes to the portfolio in July (well below 5%). Slightly reduced gearing, additions to the Visa and Wells Fargo holdings and further purchases under the buy-back were funded by minor sales and regular dividend receipts. MFF maintained its unhedged AUD position which penalised NTA in the month but should again provide some protection if markets are volatile. Business performance remains key for both risk management and performance: if MFF's quality companies continue to operate strongly, the portfolio should outperform over the medium term (as occurred in 2009-10).

We remain particularly cautious about the implications of recent and future Government and regulatory decisions (including Sovereign Risk). Governments and regulators continue to face difficult choices with contradictory social, political and economic pressures and risks. "Emergency" fiscal settings are unsustainable in aggregate and fiscal and monetary boosts must be reversed sooner or later. Economic growth is unlikely to be sufficient to avoid further widespread unpleasant adjustments and ongoing market risk. Our companies remain exposed to increased taxation and increased regulation, as they are profitable and successful. US "financial reform" and the Venezuela crisis have already started to have an immediate direct impact.

Whilst we believe that market prices for MFF's portfolio more than adequately reflect the risks, we continue active monitoring. The portfolio also demonstrates well above average resilience to adverse economic conditions.

More then 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 July 2010, MFF had net borrowings of approximately 19% of total investment assets. The borrowings are denominated in AUD which rose 7.2% during July against the USD.

Key currency rates for AUD as at 31 July 2010 were 0.9053 (USD), 0.6949 (EUR), 0.5780 (GBP) and 0.9471 (CHF) compared with 30 June 2010 rates which were 0.8447 (USD), 0.6896 (EUR), 0.5646 (GBP) and 0.9108 (CHF).

Nerida Campbell
Company Secretary
3 August 2010

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