MAGELLAN FLAGSHIP FUND LIMITED

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Magellan Flagship Fund Limited ('MFF')
Net Tangible Assets ('NTA') per share for June 2012

MFF advises that its monthly NTA per share as at 29 June 2012 was $0.954 excluding net deferred tax assets[1] of $0.026. These figures are unaudited. Over the twelve months, the pre-tax NTA rose from approximately $0.762 (being a rise of approximately 25.2%). MFF "marks to market" all portfolio and currency movements, and the annual results to be reported in August will reflect this growth.

During the 12 months approximately 4.5 million shares were bought back at an average cost of 66.3 cents per share. Since inception 33.2 million shares have been bought back at an average cost of 58.7 cents per share.

The Company's holdings with a market value of A$1 million or greater (which represent about 41.3% of portfolio securities plus net cash) as at 29 June 2012 were:

Holding	$million	Holding	$million
Wells Fargo	22.3	Lowe's	3.6
Visa	15.7	Bank of America	3.6
McDonald's	15.5	Wal-Mart	3.4
US Bancorp	13.8	China Telecom	2.8
CME Group	11.6	China Unicom	2.5
Procter & Gamble	7.6	HCA Holdings	1.7
Google	6.1	Tesco	1.6
American Express	5.9	Singapore Technologies	1.6
China Mobile	5.8	McGraw Hill Companies	1.3
MasterCard	5.1	SIA Engineering	1.0
Apple	3.7		

In June MFF increased the net cash position with sales outweighing a small number of purchases and June end net cash was approximately $190.8 million (including net receivables from unsettled sales as at 29 June). MFF's equity price gains in June were offset by adverse currency movements (approximately 6% AUD rise in June with about half on the final business day).

We are pleased with our 3 core positions (high quality equities, current net cash and effective short AUD) as each has a reasonable probability of enabling value to be added in future years. Our equity positions are world class and offer quality and value in comparison with equities in general and in comparison with other asset classes. Our sizeable cash position gives us considerable flexibility to acquire more world class equities on attractive terms as stock specific and general market volatility is expected to provide opportunities. We also believe that the effectively short AUD position is more likely than not to provide material value in coming years as a combination of factors including growing uncompetitiveness which appears to have moved from the cyclical to more structural.

We far prefer attractively priced investments in high quality, productive business compared with cash and if we are focused, patient and opportunistic when appropriate, we are very likely to receive opportunities to buy securities in quality businesses on terms that combine limited long term risk and attractive upside probabilities. There appear to be opportunities for some decent returns at the moment, although fewer obvious bargains than in the late 2008/early 2009 panic. Overall high corporate margins and earnings combined with record low interest rates/costs of capital as well as strong commodity prices are not usually sustained in combination.

In terms of currency, our expectation remains that the AUD will trade materially lower for at least part of the next decade. However strength is as likely as not to continue in the near term despite the fall in the terms of trade. Currently there are "non-fundamental" value-based reasons to buy the AUD and AUD bonds (e.g. central bank 'diversification'). The "safe haven" currency argument is not sustained by the data in our view.

The prolonged Euro crisis has been exacerbating negative feedback loops in real economies, including bank withdrawals and substantial movements of liquid capital away from more risky jurisdictions and securities at perceived risk of subordination. Political decisions are getting harder, but overall equity markets are relatively sanguine possibly because interest rates are low, profits and margins high, other asset classes more unattractive/many 'have to invest', austerity is at early stages and the real burdens currently fall elsewhere for most. Central bank liquidity and low interest rate policies allow almost all governments to borrow cheaply for a time and provide inexpensive finance for many market players.

We continue to believe that investors should closely watch weaknesses in banks and regional governments in Europe (and elsewhere).

The "margins of safety" of sound fiscal policy, past savings, excellent skills and sound social fabric, including effective social safety nets, are under increasing pressure. Economies which combine low tax rates and decent services become more attractive. If the negative feedback loops cause meaningful economic slowdowns before buffers are rebuilt, government shortfalls and redistributions to alleviate near term pain carry fiscal risks. Debt can only be repaid, defaulted upon, refinanced or reduced by inflation.

Deflation has become more of a threat than inflation at the moment for slow growth economies. This is a potential problem for debt repayment and potentially for the current record levels of corporate margins especially given widespread overcapacity, more limited cost saving opportunities and slower growth in most geographies and executive incentives which may favour market share/volumes. Government choices are more difficult without margins of safety and shorter term humanitarian and stimulus initiatives are balanced against the longer lead times and careful consultation required for well designed privatisation and infrastructure projects.

About 46% of MFF's portfolio securities 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 8% being China focussed. The revenue and earnings split for the multinationals average almost 40% USA, about 25% Europe and about 1/3 ROW.

As at 29 June 2012, MFF had net cash of approximately 57.5% of total investment assets. Cash balances are almost entirely held in a mix of US Dollars, Singapore Dollars, Hong Kong Dollars and Swiss Francs. Borrowings remain in AUD and a small amount of Euro. MFF remains effectively "short" the AUD.

Key currency rates for AUD as at 29 June 2012 were 1.025 (USD), 0.808 (EUR), 0.654 (GBP), and 0.970 (CHF) compared with rates as at 31 May 2012 which were 0.970 (USD), 0.784 (EUR), 0.630 (GBP) and 0.943 (CHF).

Yours faithfully,

Chris Mackay	Leo Quintana
Director	Legal Counsel & Company Secretary

3 July 2012

[1] Deferred tax assets less deferred tax liabilities.