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MFF Capital Investments Limited ('MFF')
Net Tangible Assets ('NTA') per share for May 2018

Please find enclosed MFF's monthly NTA per share for May 2018.

Geoffrey Stirton
Company Secretary

Friday, 1 June 2018

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Net Tangible Assets ('NTA') per share for May 2018

MFF advises that its approximate monthly NTA per share as at 31 May 2018 was $2.676 pre-tax, ($2.324 pre-tax as at 30 June 2017) and $2.236 after providing for tax[1] (mostly deferred). The May figures are ex the dividend paid in the month.

MFF's portfolio remains concentrated in long term holdings in outstanding businesses, many of which appear to have above average prospects for profitable growth and satisfactory market valuations, and there were few material changes in position or outlooks for the portfolio companies in the month. Portfolio composition was again largely unchanged in the month (aggregate purchases and sales were under 1% of portfolio value). MFF maintains significant balance sheet capacity if market prices become more attractive, and may sell some holdings to fund opportunities if they appear to offer better risk adjusted return potential. Ongoing increases in divergence in equity price movements between and across sectors in recent months may reflect equity markets becoming more 'normal' than during the low levels of volatility and divergence in recent years, and challenges and opportunities should be expected.

Corporate results and outlook statements released by portfolio companies in the month continued to reflect favourable economic conditions (lead by the US), corporate tax cuts, continuing low interest rates and liquid financing conditions. Cyclical and secular factors are impacting as well as benefitting. Pressures are increasing from higher commodity and other input costs, [moderate] wage pressure and continuing competitive markets. The internet, mobile devices and other technologies have moderated corporate pricing power. Also many competitors/innovators can launch and stay in business with low operating, margin targets encouraged by strong economic conditions, abundant capital and low/zero venture capital and other funding costs. In markets, movements to and from asset classes and regions appeared to be pronounced, perhaps reflecting short term performance pressures and increased computing power which has reduced the proportion of investors focussed upon underlying earnings and values, compared with trading strategies and analysis of [short term] flows, prices and other measurables.

The business cases and prospects for the larger MFF holdings are generally better than those for the smaller holdings. As the markets and economic cycles mature, we continue to prefer better companies with better business cases than more challenged businesses operating in more competitive industries. In addition, as noted in recent months, we recommenced holding some dividend paying global companies in the tail of the portfolio as alternatives to cash (aggregate market value about 4% of the portfolio). This group has business pressures but lower valuation metrics (to date this group's combined impact is modestly negative, even allowing for the dividend entitlements).

The business, economic and societal implications of political concerns/actions weighed on investors across most continents this month. Equity investor sentiment appears far weaker than in January despite record corporate earnings and many stock prices returning to highs. Outside of numerous emerging market investors, rampant investor concern has reduced in relation to US interest rate increases and the programme for the partial reduction in the Federal Reserve's balance sheet, [perhaps only temporarily]. The benchmark US ten year bond yield (p.a.) fluctuated during the month after starting at about 2.95% and finishing at about 2.86%, and spending about half of the month above 3%. Two way flows were apparent in major debt markets, and liquidity appeared satisfactory, even in Europe where politically driven gyrations were severe.

There are many good reasons why political risks are elevated, although there are small positives as the US continues to roll back modest amounts of regulatory impediments. MFF remains wary of the relentless regulatory, bureaucratic and political issues in Europe and elsewhere. Popular anger is rising with low income growth and high tax burdens being supplemented by high user pays charges for tolls, utilities, medical and other services. The US trend of individuals moving to states with better tax and fiscal positions has spread to corporates seeking to improve their outcomes and those of employees. In many countries multi-nationals are exposed as they lack voting rights. Declining to service consumers or relocate activities away from problem jurisdictions is self-defeating. Government budget constraints are growing, particularly as populations age, and decisions are having greater impacts than in much earlier decades when growth was stronger, populations younger and average debt levels lower. Creative Government accounting and wasting cyclically higher tax revenues increases future risks.

Companies are required to deal with pressures from social and political challenges, fiscal burdens (user pays service charges, targeted special taxes on banks and others). In some cases these pressures are as important as looking after employees, customers, suppliers, partners and distribution channels. Bigger businesses should be better resourced than small to maintain their social contracts to operate on satisfactory terms (despite being less popular) but in many cases the public relies upon their technology, data security and services every day. There was ample evidence in the month that risks and uncertainty have risen for all, policy responses are inevitable and outcomes will vary significantly

Holdings as at 31 May 2018 with a market value of 0.5% or more of the portfolio are shown in the table below (shown as a percentage of investment assets).

Holding	%
Visa	14.1
MasterCard	12.8
Home Depot	10.4
Lowe's	8.6
Bank of America	8.4
JP Morgan Chase	5.3
Alphabet	5.2
HCA Healthcare	4.5
Wells Fargo	4.1
Facebook	3.9
US Bancorp	3.5
Lloyds Banking Group	2.9
CVS Health	2.9

Holding	%
DBS Group	1.6
United Overseas Bank	1.4
S&P Global	1.4
Coca Cola	1.3
Oversea - Chinese Banking	1.2
Kraft Heinz	1.0
AECOM	0.9
Capitaland	0.8
Colgate-Palmolive	0.7
Mondelez International	0.7
Apple Inc	0.5
Schroders	0.5

Net debt as a percentage of investment assets was approximately 0.3% as at 31 May 2018. AUD net cash was 0.8%, GBP net debt 1.9%, USD net cash 1.1% and other currency borrowing/cash exposures were below 1% of investment assets as at 31 May 2018 (all approximate). Key currency rates for AUD as at 31 May 2018 were 0.7567 (USD), 0.6482 (EUR) and 0.5686 (GBP), compared with rates for the previous month which were 0.7549 (USD), 0.6248 (EUR) and 0.5480 (GBP).

Yours faithfully,

Chris Mackay

Chris Mackay
Portfolio Manager

Friday, 1 June 2018

[1] Net tax liabilities are tax liabilities less tax assets, and are partially in respect of realised gains.

All figures are unaudited and approximate.