MFF
CAPITAL INVESTMENTS LIMITED

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24 October 2018

ASX Limited
ASX Market Announcements Office
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

MFF Capital Investments Limited
2018 Annual General Meeting

In accordance with ASX Listing Rule 3.13.3, please find attached a copy of the Chairman's Address and the Managing Director/Portfolio Manager's Comments.

Yours faithfully,

Geoffrey Stirton
Company Secretary

Important Notice

Chairman's Address
MFF Capital Investments Limited 2018 Annual General Meeting
Wednesday, 24 October 2018

Chairman

Good morning ladies and gentlemen, my name is John Ballard and I will be chairing today's AGM. Our Chairman, Dick Warburton is unfortunately not able to join us for today's meeting. He went into hospital on Monday for some urgent surgery and I am pleased to announce that he is doing well and on the road to recovery.

Introduction Portfolio and Risks

MFF's portfolio appreciated significantly in the strong markets of 2017/18 and this is reflected in the financial results which we will detail later.

We will also detail how our attention continues to be focused upon risk controls in these higher markets.

Your Board remains very pleased with the composition of the portfolio and we consider MFF's risk standards and investment processes continue to be well maintained. Your Board also remains pleased with Mr Mackay's focus as Portfolio Manager.

Your Board continues to caution against elevated investor expectations. Risks associated with the sustained low interest rates and higher asset prices increased in the twelve months.

In addition to portfolio reviews, your Board regularly reviews MFF's risk controls, which include borrowing and position size limits.

Mr Mackay will shortly provide some details on the financial results, the portfolio, market risks and other risks.

Dividends

The Directors have declared a fully franked dividend of 1.5 cents per share, to be paid in November 2018. In the Annual Report, your Board also announced our intention to increase the rate of the six monthly dividend, over time, to 2.5 cents per share, subject to corporate, legal and regulatory considerations, with continued operation of the Dividend Reinvestment Plan (at zero discount).

Your Board continues to balance a range of considerations in setting dividend policy. These include MFF's continuing strong investment returns on our retained capital and recent increases in current tax payable (which increases franking credits). The feedback we have received has generally been positive about the dividend changes, although some shareholders took the time to contact us to express their preference that we retain as much capital as possible and continue to earn high returns.

Shares and Capital Structure

Your Board remains focused upon how MFF's investment returns translate into returns for shareholders. MFF's share price appreciated significantly during the year as investors and their advisers reacted to MFF's portfolio gains.

Approximately 97% of the MFF options were exercised prior to their expiry at the end of October 2017. The 1:3 bonus issue of free options in 2012 provided benefits to shareholders whether they exercised or sold their options.

MFF continues to have a very strong balance sheet, with liquid investments, and ready access to debt and equity markets (which remain favourable). We do not currently have any plans to raise additional new capital or otherwise alter MFF's overall capital structure. Capital structure can be reviewed promptly if circumstances change, for example if a general fall in markets leads to far more attractive investment opportunities.

Your Board favours the possible benefits of greater scale but only if this is in shareholders overall interests. Your Board will continue to ensure that shareholders have equal opportunity to participate in entitlements or bonus option issues, and to realise market value for their entitlements and options.

Service Arrangements
During October 2018 MFF extended the financial terms for the service arrangements provided by Magellan Asset Management, for an additional two years. Financial terms are fixed through until calendar year end 2022 on the same terms as we paid this year, with the exception that no performance fees are payable during the period of extension.

On-market Share Buy-back
Shareholders benefitted from the share buybacks we conducted in previous years at prices well below recent prices. It did not make sense to buy back shares in the past 12 months and we have now cancelled the buyback authorization.

Information
MFF provides regular, very high levels of transparency about MFF, our portfolio, decisions made, prospects and risks, in addition to detailed statutory information so that investors can make informed decisions about their investments. We release detailed figures each week including pre and post-tax figures, updates in relation to the portfolio holdings, as well as extensive monthly commentaries.

We welcome the questions we have received during the year and those specifically for the meeting. We will seek to address many in the formal comments and in Q+A, as well as questions from the floor and the phones.

From time to time shareholders ask about the remuneration of the MFF non-executive Directors. It is MFF's policy to remunerate non-executive Directors at market rates commensurate with the responsibilities borne by the non-executive Directors. We also note that the alignment of MFF with the Directors is very strong: all the Directors and management have large shareholdings (multiples of their fees) that they have held for the long term and all have increased these during their time on the Board. All Directors and management exercised all of their MFF Options. All shares have all been paid for from our own resources on the same terms as other shareholders, and the Company has not incurred any outlay on Board or Executive bonuses or share or option plans.

Board Composition
The non-executive Directors have each been in place since the listing of MFF. Hence the Board has commenced a renewal process which we expect to undertake over the next 24-36 months.

I now invite Chris Mackay to make some remarks and we look forward to your questions.

Richard Warburton AO LVO
Chairman

Comments from Chris Mackay
Managing Director and Portfolio Manager
MFF Capital Investments Limited 2018 Annual General Meeting
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Financial Results and Portfolio Positioning

MFF recorded a net profit of $239.9 million for the year ended 30 June 2018 after allowing for full tax on realized and unrealized gains. The return was well above our expectations as our starting capital was $953.1 million. The results reflect positive movements in the market values of our investments in the very strong markets, as well as moderate currency benefits.

However, we shouldn't get carried away as it was impossible not to get a very strong result given the positioning of our portfolio and the movements in the year. Significant fluctuations in reported year to year results are inevitable and results should be considered over a number of years, rather than single years; particularly for very positive years.

Looking forward, we continue to believe that the portfolio is well positioned, as business advantages and profitable growth of our large holdings continue to exceed optimistic expectations. Investors must be realistic, however, as business and competitive risks have increased in almost all industries and all geographies and the combination of sustained low interest rates and higher market prices are adverse for future returns, reduce margins of safety and increase risks.

Our past two years of portfolio management have primarily focused on risk assessments. However, we will get opportunities and market fluctuations will advantage us if we have quality analysis, but only if we are objective, disciplined and patient.

In addition to having a portfolio focused upon advantaged businesses, MFF is in an excellent financial position. Some years of strong investment results and risk management are reflected in the balance sheet metrics. As at 30 June 2018 the $1,238.2 million Total Equity comprised Retained Profits of $635.8 million and Contributed Equity of $602.4 million. Investments at market value were $1.5 billion and net borrowings $2 million. As a result of net sales in the most recent quarter, MFF had a net cash position of approximately $78 million as at 30 September 2018. Approximately $40 million of this will be set aside to cover tax, dividend and expense payments accruing or payable in the December quarter.

Let's turn briefly to tax. Tax is a fact of life for successful investment companies. Whilst tax detracts from NTA numbers, long term shareholders understand tax follows gains. Tax and tax policies make comparison between investment alternatives a little harder for investors and their advisers. Investment trusts typically report (and distribute) pre-tax income whereas mainstream and investment companies and their shareholders focus on after-tax.

Tax payments have been increasing for MFF. Current tax liabilities at 30 June were $23.3 million and the cash tax paid in the year was approximately $18 million. It is prudent to expect a further increase in 2018/19, given moderate (but profitable) sales in the first quarter and increased tax instalments levied.

MFF's approach and successful portfolio selection means that our balance sheet includes more substantial deferred tax liabilities than most investment companies (approximately $232.5 million as at 30 June 2018). This reflects about $775 million of net unrealized gains compared with the cost of our investments. If the specific investments continue to be held and continue to appreciate, MFF benefits from the tax deferral compared with annual tax payments based off accrued gains.

I will now move on to a brief portfolio discussion including some market related comments. In these comments and in the Q+A your Directors and I will seek to address some important board discussion issues and recent shareholder questions including: How does MFF handle market selloffs? What is your attitude to the concentration in the portfolio, particularly with the largest holdings appreciating more strongly to form larger percentages? Does this change with markets generally being higher and possibly being more correlated when everything falls? Why does MFF have the tail of small positions in the portfolio? How do you use risk measures? Will Quality always be best, or even a sensible focus if high quality companies become very popular and expensive? How does Value fit in? How does MFF deal with cycles-economic, business and market? How does MFF deal with opportunity cost when there are significant unrealized gains on the largest positions; does that mean you must raise new capital for new opportunities or pay out huge amounts of tax on realised gains? Why don't you give forecasts of interest rates, politics etc? Where are you hunting for the next opportunities, what is out of favour but attractive to MFF?

First let's repeat the MFF framework for what we seek to achieve. MFF is a business investor; we invest in businesses. The business results over time most determine whether we succeed or fail. Markets eventually coincide with business reality. As such MFF seeks to achieve above market investment returns over the medium to longer term and to minimise the risks of permanent capital loss. Both goals are important in shaping and applying the investment processes for changing market and business conditions, in specific capital allocation analysis and decisions. These goals frame our processes and the answers to most of the shareholder questions.

Our investment processes have two core components. First is the hunt for low prices (Value). Second is Quality; finding companies with advantaged businesses, ideally with high probabilities of achieving above average profitable growth. If successful, MFF benefits from an extended period of business compounding at above market rates and, if the initial purchase price is inexpensive, we might also receive a benefit from a market rating uplift.

Ideally MFF would allocate all of our capital to underpriced Quality companies with sustainable competitive advantages driving above market growth rates for extended periods.

In the real world, high market prices, disruption, technological change, globalization, intense competition, regulation, political and business risks dictate that portfolios are not static. These factors also require that the opportunity costs of alternatives are regularly evaluated.

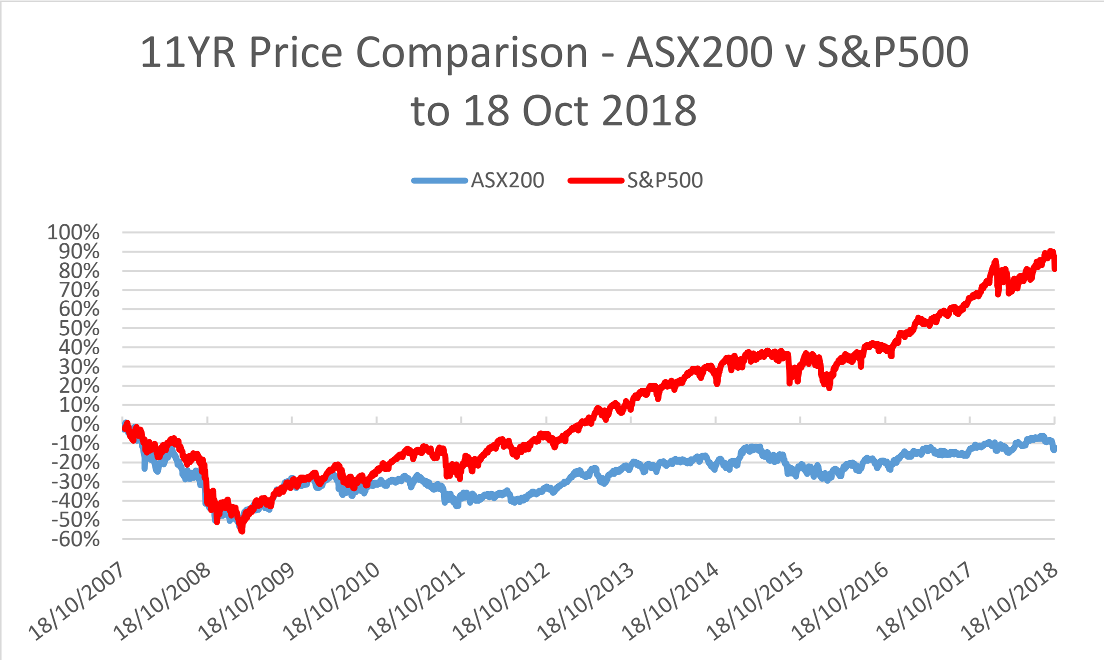
In the years after the Crisis when we felt that market prices were extremely low for the highest quality companies, portfolio management involved choosing between plenty of favourable alternatives. Over recent years market prices have risen strongly for many of the highest quality companies, business cycles have progressed, and some businesses in our portfolio bought when they were under pressure have enjoyed cyclical and secular recoveries. Also the factors mentioned in the previous paragraph have become more pressing, in part fueled by very low cost money.

Hence, risk controls and portfolio returns have dictated that MFF has gone beyond a set-and-forget portfolio. For example MFF has also invested parts of the portfolio in undervalued securities, some with deep values, in some businesses subject to significant cyclicality, and in out of favour situations. Almost always we are not expecting these business types to compound their values over long periods of time at well above market rates. Our expectations for positive outcomes from these situations typically involve reversion to the mean and margins of safety, with disciplines around sizing, portfolio risks, duration of holdings and opportunity costs.

As markets have continued to rise and market volatility has returned, the focus on detail and disciplined processes are again more important.

Current Markets

The chart may be helpful in providing context of where markets are and where they have come from. This year we are showing 11 year graphs of the S+P 500 index (the leading US equity index) as well the S+P/ASX 200 (the leading Australian equity index).



Sizeable gains were achieved in the strongly rising equity markets post Crisis, and we have discussed Momentum, narratives and sentiment in recent years. Focus on quality profitable growing companies has benefitted MFF compared with focus on the worries of the day and more consensus views.

The graphs indicate that rises in large capitalization indices were more likely than falls across the period. Being invested in successful businesses has made sense in this period as it has done in most periods. The same benefits have not always applied to the median small or start-up company over previous full cycles where timing and/or greater selectivity has been required.

In the latest 12 months sentiment and Momentum became increasingly positive and equity markets moved further into a strong upswing through the time of our last AGM, until, with perfect timing at the end of January, the Davos elite celebrated synchronized global growth in time for sharp corrections in markets and some slowdown in economies. Our moderate discomfort with the rising markets was reflected in the increase in MFF's net cash to 11.5% of investment assets at the end of January from a net debt position of approximately 5.8% at 30 June 2017. By 30 June 2018 MFF's reinvestment resulted in approximately zero net debt/cash.

We bought equities in most downturns in the period covered by the graphs, including in calendar 2018, but buy on dips will not always be sensible. Downturns, dips, corrections, recessions, bear markets, depressions have different pathologies, and have been studied over the years.

Recent corrections have been relatively trivial, despite 'expert' commentary. Hence, and obviously, we are well away from the exceptional potential returns coming out of the Crisis, when businesses were materially under earning and market prices added further discounts. A summary of all of our purchases and sales through the year is contained in the notes to the Accounts as well as the portfolio turnover figures.

Cycles matter. Strong cyclical business expansions are reflected in, and are reflective of, strong markets for equities, businesses and properties as well as Government/central bank stimulus. Cyclical 'over earning' again increased this year.

Although we think about business and market cycles we must not fool ourselves that we will gain advantage by attempting to anticipate them, and certainly not better than market participants. Simply put, we increase our levels of caution as risk increases if prices advance ahead of business developments. We included some calculations in the Annual Report.

On the screen we are showing all of our investments as at 30 September 2018 (as percentages of investment assets).

Holding	%	Holding	%
Visa	14.8	S&P Global	1.3
MasterCard	13.7	Oversea - Chinese Banking	1.1
Home Depot	10.6	Coca Cola	1.1
Bank of America	8.0	Kraft Heinz	0.8
Alphabet	5.9	AECOM	0.8
Lowe's	5.7	Capitaland	0.7
JP Morgan Chase	5.5	Colgate-Palmolive	0.5
HCA Healthcare	4.2	Schroders	0.4
Wells Fargo	3.7	Mondelez International	0.4
Facebook	3.6	Blackrock	0.3
US Bancorp	3.4	Singapore Technologies Eng	0.2
CVS Health	3.0	SIA Engineering	0.1
Lloyds Banking Group	2.6	Starbucks	0.1
DBS Group	1.4	SATS	0.1
United Overseas Bank	1.4	Microsoft	0.02

MFF's primary focus in seeking out investments in advantaged companies at attractive prices remained difficult this year. We again found very few new opportunities to buy and none that we have regarded as compelling. On the other hand we remain cautious about selling very high quality companies, although we reduced some cyclical exposures (for example in the credit based financials which increased in market values as their businesses recovered strongly). During the year we disclosed small holdings in out of favour consumer multinationals, which have been alternatives to cash balances. We bought a group of these companies, which contributed to a temporary increase in the overall number of holdings.

MFF's opportunity cost is high when selling high quality existing investments which we expect to be more valuable in 5 and 10 years, thereby incurring tax on accrued gains, in order to buy replacement investments. As foreshadowed last year we did not make any short term 'deeper value' investments and remain very cautious about this category. Buying lower quality securities late in a market cycle does not reliably create value and certainly not in aggregate; investors making lots of money are less focused on risks. Periodic extended downward pressures are usually far more severe than can be perceived during the upturn. 'Dry powder' will again be valuable in investment processes.

In the meantime we continue to favour large, high market liquidity, profitable businesses with strong competitive positions and reasonable growth potential as the current market, business and economic cycles progress. In past market cycles, these business characteristics have been relatively favoured in later stages and in pullbacks. Overall, our major holdings have maintained their excellent recent business performances, cashflows and sensible capital allocations. Portfolio sizing is important for risk and returns.

The portfolio dividends received by MFF last year of $22.5 million were up 9%; average dividends were up by more, as our average invested level was lower. More importantly, markets ran well ahead of the dividends, with MFF's positive changes in market values being $324.7 million for the year.

Valuations and interest rate risks matter more now than in recent years. Overall, we continue to manage these risks by seeking considerable headroom for unfavourable business developments and interest rate movements. 10 year US Government Bonds yield approximately 3.2% (up from 2.35% last year and below 2% the previous year). Bond investors have either (or both) diminished capital as the market value of their bonds have fallen or have been locked into lower yields if held to maturity. Equity investors and algorithmic traders have sold in recent months as bond yields have risen. Whilst there are numerous inputs that markets consider regarding the various bond classes, and there are factors which point either way from time to time and over time, MFF's analysis has allowed for bond yields of 4% or more. In that case, MFF's portfolio market prices will likely decline but we are structured not to have financial distress.

Currently we continue to have significant market exposure, and recent higher prices have increased market risks. We continue to feel that the likely returns from the portfolio compare favourably with cash, and that the medium to longer term return probabilities compare sensibly with current alternatives. However, in elevated markets, market falls result in lower market ratings and prices for quality companies, including MFF's portfolio, and not only for more challenged businesses. Our risk processes allow for the likelihood of being wrong about our level of market exposure. As cycles turn we must adapt again, accept fluctuations, and aim to benefit from them over time. If general market prices are lower, we would also expect more attractive investment opportunities.

During the year overall asset prices continued to rise as is customary towards the latter stages of bull markets. Governments and central banks have continued stimulus and many businesses and investors feel good about the gains they are seeing, creating economic multiplier effects. Arguably these cycles are similar to historic cycles, albeit extended in part because of the low recovery growth in early stages. However an increased number of industries and economies generally are 'overearning' as cycles continue and multipliers operate despite rampant overcapacity.

Investments in equities become more risky later in business cycles and at higher market prices. Dangers of optimistic forecasts are leveraged as equity investments rank below fixed and variable business costs such as wages and rent, and below debt securities. Recent declines in some equities have reflected concerns over margin squeeze with input costs rising, but sales constrained by lower demand than expected. Investors do not currently have the protection of low market prices.

MFF's high proportion invested in domestically focused US companies helped again in fiscal 2018, but this will likely reduce in future years. MFF adjusts exposures and portfolio construction having regard to market prices, business characteristics and risks rather than diversifying widely for its own sake, which costs shareholders. In previous years we have noted that world economies and markets would benefit materially over time if China undertook a massive privatisation program, empowering workers and investors and releasing trillions of proceeds to be recycled and reducing development risk. Similarly, the US could undertake a program to fund necessary infrastructure. This would substantially prolong the economic expansion and broaden participation. Neither game changing program is nearer in 2018.

We have not progressed any possibility to acquire a substantial interest in a cash generating business on sensible terms, given market prices, our focus on liquidity and comparisons with the businesses in the portfolio

Our assets comprise international equities, and we have not hedged the currency exposures. We continue to believe that this profile might offer some benefits given our perception of the medium term fundamental dynamics around the AUD. Possible risk mitigation also remains an important consideration as currency movements are a primary transmission mechanism for risk adjustments in the world economy. Of course, this AUD currency position may add to MFF's risks; for example, AUD strength has correlated with significant Chinese stimulus, and recently we have worried about the broad investor consensus around USD strength.

I thank my fellow Directors who deserve my gratitude and that of our shareholders. They are wonderful professionals, people and leaders and we have all been very well served by them individually and as a Board team. The Board also join me in thanking the team at MAM who again were superb, skilled and kind in looking after us over the latest 12 months.

I will hand back to the Chairman and we would be happy to address questions.

Chris Mackay
Managing Director and Portfolio Manager