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MFF Capital Investments Limited ('MFF')
Net Tangible Assets ('NTA') per share for October 2020

Please find enclosed MFF's monthly NTA per share for October 2020.

Authorised by
Marcia Venegas | Company Secretary
2 November 2020

MFF Capital Investments Limited ('MFF')
Net Tangible Assets ('NTA') per share for October 2020

MFF advises that its approximate monthly NTA per share as at 30 October 2020 was $2.691 pre-tax (ex 3.0 cent per share fully franked final dividend payable 6 November 2020)[2] ($2.809 as at 30 June 2020), and $2.389 after providing for tax[1]. The full portfolio is shown below.

The composition of MFF's portfolio improved in October as some of our cash holdings were substituted for holdings in advantaged companies. Many have high probabilities for sustained profitable growth. MFF portfolio purchase prices typically are at material discounts to what the entire businesses would auction for if sold, and a second month of some equity price weakness curtailed our purchase prices. Balance sheet strength remained at month end, with ongoing high levels of cash awaiting deployment over time. Unrelenting central bank and political actions reinforce our very negative views on holding cash in comparison with investing over time in high quality businesses at sensible prices.

Results and updates released during the month by MFF portfolio companies ranged from resilient to extraordinary. Companies have shown adaptation, use of technology, financial disciplines including liquidity and working capital management, remote working, safety focus, and excellent supply chain management even with COVID cases, demand fluctuations, stress on deliveries and onshoring. Flywheel effects to increase customer engagement, satisfaction and profitable products/services per customer, are not limited to digital native businesses as technology sharpens customer focus for responsive businesses.

We continue to favour a mix of high quality businesses that we hope to hold for many years, rather than as short term trades. We again caution against reading too much into the portfolio changes, which have recently included an increase in the number of holdings and geographic dispersion. Neither are medium or longer term objectives, and simply reflect recent reviews of alternatives. We increased our holdings in some ongoing winners from digitisation, cloud computing, online commerce and in traditional businesses that are successfully increasing online and digital advantages, and in some conglomerates and businesses more directly impacted by the pandemic. Some companies are taking steps to narrow their gaps between market prices and valuations, but others have lengthy transformations with historical and cultural impediments to world best value for their businesses and assets.

Notwithstanding the moderate recent equity price weakness, and the benchmark 10 year US Government bond yield rising in the month from a little over 0.6% per annum to about 0.877% per annum, our expectations for future returns remain much lower than they were a decade ago when equity prices were low after the Financial Crisis. Cash continues to earn zero but has opportunity value for future opportunities, even in the context of MFF's portfolio of large very liquid holdings.

Second and subsequent waves of the virus are again resulting in severe disruption and lockdowns particularly in the northern hemisphere, with the probabilities of very challenging conditions for at least 6-12 months before vaccines and therapeutics may be effective and widely available. Second and lower order effects have so far been far less than feared earlier in 2020, as central banks and Governments are applying stimulus and liquidity, and businesses have adapted. Some important markets are moving materially, with residential real estate and remodelling favoured, traditional oil and other energy complexes downsizing materially and industries and regions severely impacted as international leisure travel demand remains unsatisfied and business travel and conventions cancelled or postponed indefinitely.

Ongoing political uncertainty is obvious with the US election largely framed as a referendum on the incumbent rather than an assessment of alternative policies, with probable down ticket implications that cannot be reversed till mid-terms. Markets and businesses are anxious for more stimulus (increased Government spending particularly towards groups with high marginal propensities to spend, and towards businesses, states, municipalities and cities hit by revenue collapses). In the US and elsewhere the next few years include probabilities of higher taxes (capital gains and corporate), regulatory burdens and restrictions, anti-trust and anti-business actions and interventions favouring preferred industries. Long delayed infrastructure spending might be passed with productivity, multiplier and employment benefits. Inflation remains 'tomorrow's issue' other than for veteran investors and business managers. However, global fiscal and monetary stimulus may well collide with vaccines, therapeutics and unleashing of deferred expenditure to create a 2021 economic/business boom possibly mitigating a portion of the probable post-election buyers' remorse.

Overall, large companies continue to be advantaged relative to smaller companies. Companies with strong market positions in the largest markets are currently better placed than niche and emerging market companies. Disintermediation of EM labour cost advantages in manufacturing and service centres is being accelerated by robot, cloud, 3D and software/AI adoption.

Sensible market prices are a very important component of Margin of Safety and increase probabilities of satisfactory future returns. In October we acted on opportunities that we expect to be satisfactory over time rather than compelling, as they were after the Financial Crisis when there was widespread selling. Triggers for widespread selling are unpredictable, and may include concerns about future taxes, the pandemic, political concerns or illiquidity in debt and equity markets (recently, funding has been abundant inexpensive and non-discriminating; for example one of the conglomerate holdings is a pre-IPO investor beneficiary of the record massively oversubscribed China Ant Group dual IPO). Momentum selling for non price, non business reasons is also unpredictable and might be sustained as it was in the December quarter 2018. The proportion is smaller than in past decades of price aware, focussed investors.

During the month MFF became entitled to dividends from portfolio companies of approximately $1.13m. Dividend entitlements remain below the run rate of recent years (October 2020 was approximately half of October 2019. For reference, the yearly amount for 2019/20 was approximately $28.3 million). This reflects lower overall levels of portfolio investment (higher cash levels), higher percentages of lower dividend paying portfolio companies, some ongoing reduced/deferred dividends by portfolio companies and comparable levels of non-dividend paying portfolio companies. MFF's yearly outcomes for dividend receipts depend upon factors including calendar year end dividend decisions by portfolio companies and decisions expected to be made in coming months about ongoing limitations on dividends from financial companies (which have accumulated considerable surplus capital). Overall, MFF's portfolio companies continue to be excellent capital allocators and in time we expect value to be reflected whether capital is retained and deployed, or dividends paid by the portfolio companies. The higher payout ratios by some conglomerates in the portfolio also remain sensible.

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Holdings as at 30 October 2020 are shown in the table that follows (shown as a percentage of investment assets and net cash).

Holding	%	Holding	%
Visa	17.3	Berkshire Hathaway Class A	1.4
MasterCard	15.6	JP Morgan Chase	1.2
Home Depot	9.7	Morgan Stanley	1.2
Amazon	6.7	Mitsui & Co	1.1
Facebook	3.9	Sumitomo Corp	1.0
CVS Health	3.3	Lloyds Banking Group	0.9
Berkshire Hathaway Class B	2.5	US Bancorp	0.8
Bank of America	2.2	Lowe's	0.8
Microsoft	2.2	Schroders	0.4
Prosus	2.0	Marubeni	0.4
Intercontinental Exchange	2.0	HCA Healthcare	0.2
L'Oreal	1.9	Ritchie Bros Auctioneers	0.2
CK Hutchison	1.8	Wells Fargo	0.1
Flutter Entertainment	1.7	Magellan High Conviction Trust	0.1
Itochu	1.6	Alphabet	0.1
Mitsubishi	1.6	PM Capital Global Opportunities Fund	*
Asahi Group	1.5	United Health Group	*

* *less than 0.1%*

Net cash (including short term US Treasury bills, which mature this month) shown as a percentage of investment assets and net cash, was approximately 14.8% as at 30 October 2020. AUD net cash was 4.5% (taxes, other expenses and dividends are paid in AUD whilst proceeds of MFFOA Option exercises are received in AUD). USD net cash 10.3%. Yen borrowings/cash and other currency borrowing/cash exposures were below 1% of investment assets and net cash as at 30 October 2020 (all approximate). Key currency rates for AUD as at 30 October 2020 were 0.702 (USD), 0.603 (EUR) and 0.543 (GBP) compared with rates for the previous month which were 0.717 (USD), 0.611 (EUR) and 0.554 (GBP).

Yours faithfully,

Chris Mackay

Chris Mackay
Portfolio Manager

2 November 2020

[1] Net tax liabilities are current tax liabilities and deferred tax liabilities, less tax assets.

[2] Figures are ex final dividend 3.0 cents per share fully franked and payable 6 November 2020.

All figures are unaudited and approximate.

Figures are not adjusted for unexercised MFF Options (MFFOA).