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MFF Capital Investments Limited ("MFF") Net Tangible Assets ("NTA") per share

Please find enclosed MFF's monthly NTA per share for March 2022.

Authorised by
Marcia Venegas | Company Secretary

1 April 2022

MFF Capital Investments Limited ('MFF')
Net Tangible Assets ('NTA') per share for March 2022

MFF advises that its approximate monthly NTA per share as at 31 March 2022 was $3.121 pre-tax ($3.279 as at 30 June 2021), and $2.710 after providing for tax[1] ($2.805 as at 30 June 2021). Figures are cum the 3.5 cents per share fully franked interim dividend (3.0 cents per share fully franked for the comparable period last year). MFF will trade ex-dividend on 22 April 2022.

MFF portfolio continuity continued in March. MFF remains concentrated in advantaged businesses with high probabilities for continuing profitable growth well beyond current geopolitical, pandemic, economic and other challenges. Market gyrations in March selectively provided decent conditions for modest purchases and allowed MFF to add modestly (approximately 3.5% of portfolio value) to core advantaged holdings many of which, ideally, will be held for decades. There were no portfolio sales in March. Our best purchase opportunities have been when markets were falling and panic was around, for many reasons which seemed valid at the time, but in market terms often represented material wealth transfers from the pressured and impatient, to others including deeply researched, objective, patient, longer term investors.

MFF retains excellent balance sheet strength, and the portfolio is concentrated in very liquid securities (multiples of daily trading compared with our holding sizes), which assists MFF in opportunity cost comparisons with portfolio component after tax market values. MFF has capacity as well as focus to increase our exposure to outstanding investments, ideally on attractive conditions, if recent market volatility continues, to improve potential purchase prices. MFF continues to benefit from considerable net unrealised portfolio gains compared with cost, but any sale proceeds for reinvestment are after tax. Also, in considering MFF's available resources and balance sheet, it appears not unreasonable to expect proceeds from exercise of at least some of the 83.86 million unexercised MFF Options ($2.60 exercise price) prior to expiry at end October 2022, including a smaller amount before the next ex dividend date later this month. In addition to other funding options for potential opportunities over time, MFF retains its mostly unutilised 20% borrowing capacity, which has been very valuable for purchases in past market downturns. Current and foreseeable interest costs are low by any historical standards, even if interest rate rises proceed in 2022, which markets expect.

In recent times MFF has had only modest indirect exposures to Chinese consumption, direct mainland Europe only exposures are zero, indirect Europe exposures are mostly insignificant, and indirect Eastern European exposures are tiny in portfolio terms. We have previously explained our thinking on a range of these issues, with our focus being on sustainably advantaged, profitably growing companies at sensible prices. The portfolio positioning is not in response to recent events but reflects portfolio companies chosen for financial and business strength and resilience to deal with adversity, which is inevitable. Also, whilst the portfolio mix includes positions which may benefit from rising interest rates and advantaged pricing power to address inflation risks, this was not done in response to today's issues. Very short term, which has very modest impact upon properly assessed business valuations, but usually far more on market sentiment, the so-called reopening is happening with considerable pent up demand, post the latest waves of COVID possibly moving from pandemic to endemic, with reopening accelerating in March in many countries outside of China.

Whilst our current base case outlook is for rising interest rates and for extremely strong consumers in the US/North America, and in a few other places, our focus is company by company seeking excellence and sustainable advantages which are not reflected in market prices when we buy, and more fully reflected if we sell. MFF has benefited for many years from holding businesses with pricing power (including the best financial institutions), which are leaders in technology, as well as scale, with inexpensive client acquisition and retention, across far more of their businesses than has been perceived as advantaged. Digitisation, cloud computing and advantaged global reach from scaled North American bases, have been recurrent portfolio features. Our base case market assessment obviously includes elements from the 1960s through 1980s but also includes 1994/95, and of the December 2018 quarter which benefited MFF for some years. The current cycle appears to include conventional cyclical elements, as the pace of pandemic reopening accelerates in many parts of the world and the northern hemisphere moves into Spring and Summer.

Short term results and outlook statements are not particularly relevant and receive excessive focus, and this was the case again in March. When considering geopolitical and other challenges, we prefer owning sustainably advantaged companies with billions of customers/end users, and earning billions of dollars regularly, ideally with significant longer term profitable growth in their cores and adjacencies and excellent capital management. Marginal market participants (i.e. those making the market prices) have confirmed their shortened time frames for focus, and many have become more cautious about near term factors. This is rationalised given the rate rise environment as well as geopolitical and other risks, particularly after lengthy periods of market strength. MFF continues to attempt to assess market prices, opportunities, and risks objectively with disciplined focus on the medium term and beyond. Market sentiment may change rapidly and unpredictability as it has done in the past, to confuse the maximum number of participants. Price/value is the crucial discipline to augment our quality focus with benefits accruing in the future.

MFF continues to have structural advantages allowing focus upon rolling 3-to-5-year periods without needing to meet popular opinions, as investors panic or otherwise act contrary to their own longer-term interests. If future stages of interest rate rises and bubble unwinds eventuate, they may provide some encouragement to search amongst the detritus for quality businesses at reasonable prices. Inevitably such opportunities will include out of favour businesses, and investor unpopularity or short term focus may allow margins of safety in purchase price and in business quality, if analysis is correct and subsequent business management (and luck) are satisfactory or better. For some time in prevailing market and interest rate conditions, we have had a primary focus on seeking to avoid major permanent losses of capital, and this continues. Lower market prices arise from market fears but lower prices increase margins of safety compared with purchase prices, allow for higher future returns off the lower base (crucial if market overall future returns are lower than historic returns) and, along with active deep research, are central to seeking to avoid major permanent losses of capital.

All holdings in the portfolio as at 31 March 2022 are shown in the table that follows (shown as percentages of investment assets).

	%		%
Visa	14.9	Flutter Entertainment	1.7
MasterCard	14.2	JP Morgan Chase	1.5
Amazon	11.2	Lloyds Banking Group	1.5
Alphabet Class C	8.1	United Overseas Bank	1.3
Home Depot	6.9	DBS Group	1.1
Microsoft	5.2	Oversea - Chinese Banking	1.0
Meta Platforms	4.5	Lowe's	0.8
CVS Health	3.7	American Express	0.6
Bank of America	3.6	HCA Healthcare	0.6
Alphabet Class A	3.3	Ritchie Bros Auctioneers	0.6
CK Hutchison	2.6	Chipotle Mexican Grill	0.5
Asahi Group	2.3	US Bancorp	0.5
Intercontinental Exchange	2.0	Schroders	0.4
Prosus	1.8	Sonic Healthcare	0.3
Allianz	1.8	United Health Group	0.1
Morgan Stanley	1.8	L'Oreal	0.1

The month on month currency movement noted below was adverse by approximately 3.44%, as the AUD rose in the month (adding to a rise in the previous month). Over time, MFF benefits materially in its exchange and bank holdings from the very significant fluctuations, speculation and hedging in commodity and currency markets. These usually outweigh AUD currency moves related to the commodity moves which have always reversed since Australia's early 1970s tentative steps towards market-based currencies. In the month there was also the upwards AUD reaction following some rescue stimulus in China, albeit less stimulus and less effective stimulus than previously, and with less internal political support, as it reversed their stated policies to reduce repression of wages and benefits, and reweight away from unproductive investments.

MFF remains currency unhedged and our previous explanations remain apposite, albeit somewhat stronger. COVID has stressed Australia's co-operative Federal system, and compared even with recent decades, there is far more appetite for Government intervention, for regulation and for direct Government payments and subsidies to address any setbacks or challenges. There is little support for fiscal restraint and reduced community support for business and entrepreneurism. Hence AUD economic risks are rising, as high mineral prices may reverse, after windfalls are converted into hundreds of billions of unfunded future outlays including massive permanent programs. Previously, financialisation and Government debt build up compared with narrowing tax bases have been less problematical for Australia, particularly given sustained mineral windfalls. Repeatedly throughout history this can reverse quickly, including during/after pandemics and wars, and recent events around the world show strains well beyond so called emerging markets, well into previously very advanced economies including in Europe, even before debt repayments and bond market disciplines re-emerge.

March was a sad month for many, including within the wider Magellan/MFF groupings. 20 years ago in January 2002, a small, listed company made a 15% placement to me to commence the journey to what became Magellan. After some delays related to ongoing employment, four years later that company New Privateer Holdings became the founding partner and largest shareholder in the capitalisation of the Magellan group and a foundation shareholder in MFF. Sadly, the Chairman of New Privateer Alan Naylor passed away this month after long illnesses. Alan and his Directors David Baer and Norman Anderson have been long time supporters and great sources of wise counsel and kindness. Also, sadly, the Chairman of Bell Potter Colin Bell passed away this month, again after a long illness. Colin was a giant of the finance industry and supported me and my colleagues through many complex underwritings for billions of dollars over many years. Amongst many personal and career highlights, we worked very closely with Colin who was a Director of Challenger International, to recapitalise and to strengthen management in very difficult markets in early 2003, and establish the very successful Challenger Financial Group. Subsequently Bell Potter was also a great supporter of Magellan from concept to inception and beyond. The best wishes and gratitude go out to the families of both Alan and Colin from our Magellan teams.

Net debt shown as a percentage of investment assets, was approximately 4.3% as at 31 March 2022. AUD net cash was 0.6% (taxes, other expenses and dividends are paid in AUD whilst proceeds of MFF Options (ASX ticker: MFFOA) exercises are received in AUD), USD net debt 3.6% and other currency borrowing/cash exposures were below 1% of investment assets as at 31 March 2022 (all approximate). Key currency rates for AUD as at 31 March 2022 were 0.751 (USD), 0.675 (EUR) and 0.570 (GBP) compared with rates for the previous month which were 0.726 (USD), 0.646 (EUR) and 0.541 (GBP).

Yours faithfully

Chris Mackay
Portfolio Manager

1 April 2022

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

All figures are unaudited and approximate.
Figures are not adjusted for unexercised MFF Options (MFFOA).