MFF
CAPITAL INVESTMENTS LIMITED

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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 July 2022.

Authorised by
Marcia Venegas | Company Secretary

1 August 2022

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

MFF advises that its approximate monthly NTA per share as at 29 July 2022 was $3.023 pre-tax ($2.744 as at 30 June 2022), and $2.633 after providing for tax[1] ($2.438 as at 30 June 2022). July figures are cum dividend for the increased fully franked final dividend of 4.0 cents per ordinary share, which will be paid on 4 November 2022. Accompanying the recent results announcement, MFF Directors also reiterated their intention to increase the rate of the six monthly dividend from the current rate of 4.0 cents per ordinary share to 4.5 cents per ordinary share for the 2023 interim dividend and to 5.0 cents per ordinary share thereafter, subject to corporate, legal and regulatory considerations, with continued operation of the DRP (at zero discount).

MFF's primary activity in July was purchasing shares in companies we regard as excellent on terms we regard as favourable (the full portfolio is shown below). We have been positive about potential future returns over multi year periods (as set out in detail in the results announcement and in last month's NTA release, which will not be repeated here) and this positivity continues despite some market price rebounds in the month. In July we were choosing between opportunities that we regard as attractive for the medium term and beyond, with opportunity cost assessments required.

MFF remains concentrated in advantaged businesses with high probabilities for continuing profitable growth well beyond current inflation, interest rate, stagflation, geopolitical, pandemic, economic and other challenges. These factors are central to future returns for MFF, along with price disciplines for purchases and sales, as well as flexibility to target value in markets. The June quarter portfolio company updates during the month highlighted these factors in many portfolio companies. We are less positive about the speculative rebound inherent in the short term upwards equity price movements in the month.

However, we are positive about overall strategies (including ongoing heavy investments in research and development and new market expansions) for portfolio companies to maintain medium to longer term advantages; although these may not be favoured by short term analysts when they review numbers in the next few quarters.

Challenges of inflation, supply chains and constrained spending power in many countries, income groups and demographics are ongoing challenges whether or not some adverse inflationary aspects may have peaked. There are many examples of extreme challenges to margins, revenues, and entire business models, particularly outside of the portfolio company businesses. The urgency of business adaptations accelerates in downturns and pressures have increased this time around. Although business factors, including resilience, are far more important than short term dividend and other capital return activity, note that announcements relating to dividends remained positive for the portfolio, and various portfolio companies took advantage of weaker market prices with buyback activity in the June quarter. Short term analysts were frustrated by the uncertainty of near term guidance from many reporting companies. Their disappointment inevitably resulted in the quarterly reports again being only "the most important until the next quarter" with plenty of opportunities for analysts to hear what we want to hear and disregard the rest.

As many central bankers have relished being central in recent decades, this has required many analysts, investors, and more importantly businesses and Governments, to spend time parsing their utterances as well as decisions. This continued unabated in July, and the product of all such assessments arguably may be manifested in the US 10 year bond rate (the benchmark or risk free rate). This rate fell month end on month end and finished at slightly below 2.7% p.a. from approximately 3.0% p.a. at June end. Whether these gyrations mean much more than short term reductions in inflationary concerns in the context of quantitative tightening and official rate rises, will become clearer in the future. Such moves are well within margins of safety for value based longer term equity investors (business results including compounding of reinvestment are far more important over time for investors focussed on quality profitable growth).

MFF continues with its largest exposures being to North American generated revenues and profits. Our largest currency exposure continues to be the USD. More importantly for us, we most focus on quality companies and seek to have medium to longer term margins of safety in the relevant variables. As with stocks, price movements in currencies may exceed underlying long term movements and reversions occur (although not always in cases where a geography/country/currency cumulative decline becomes sustained). Hence, price changes, as well as risk management considerations, may be weighed against fundamentals and newsflow. In the month US debate over relevance/accuracy of US economic figures continued (do two Quarters of GDP decline mean recession or anomaly?), as economic pressures out of Asia (particularly but not only China) and Europe continued. Policy errors and implementation errors are constant characteristics of complex human organizations operating in ecosystems. We have limited direct exposure to 1 elite European/global policy failures which continued in July after dogma and populism contributed to record European gas prices (during summer siestas!) which may lead to sustainable shutdowns and rationing, or 2 some CCP policies (including diminished productivity investment, directed lending/real estate and COVID zero). Many emerging market businesses and economies are also pressured.

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Such disequilibria are not permanent and second order and beyond ramifications are unknown but likely and may also be significant for the US and other geographies.

All holdings in the portfolio as at 29 July 2022 are shown in the table that follows (shown as percentages of investment assets).

	%		%
Visa	13.4	Intercontinental Exchange	1.4
MasterCard	13.2	JP Morgan Chase	1.4
Amazon	11.3	Allianz	1.3
Alphabet Class C	6.6	Lloyds Banking Group	1.3
Home Depot	6.5	HCA Healthcare	1.0
Microsoft	6.2	United Overseas Bank	1.0
Alphabet Class A	4.9	Chipotle Mexican Grill	1.0
American Express	4.9	DBS Group	0.9
Bank of America	3.7	Oversea - Chinese Banking	0.8
CVS Health	3.3	Lowe's	0.7
Meta Platforms	3.3	Ritchie Bros Auctioneers	0.6
CK Hutchison	2.2	Schroders	0.4
Prosus	2.1	US Bancorp	0.4
Asahi Group	2.1	Sonic Healthcare	0.3
Morgan Stanley	2.0	United Health Group	0.1
Flutter Entertainment	1.7	L'Oreal	0.1

Recent discussions of currency positioning will not be repeated as the key principles remain broadly unchanged. Similarly, the key points discussed regarding MFF's funding remain broadly unchanged, including 1. borrowing amidst inflationary conditions; and 2. foreseeable after tax interest costs are not an impediment to sensible borrowing by MFF for long term quality businesses given MFF's sensible borrowing limits, even assuming further material interest rate increases.

Net debt shown as a percentage of investment assets, was approximately 18.5% as at 29 July 2022. AUD net cash was 2.0% (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 17.8% and other currency borrowing/cash exposures were at or below 1% of investment assets as at 29 July 2022 (all approximate). Key currency rates for AUD as at 29 July 2022 were 0.698 (USD), 0.684 (EUR) and 0.573 (GBP) compared with rates for the previous month which were 0.688 (USD), 0.658 (EUR) and 0.566 (GBP).

Yours faithfully

Chris Mackay

Chris Mackay
Portfolio Manager

1 August 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).