Chairman's Address
MFF Capital Investments Limited 2022 Annual General Meeting
Wednesday, 28 September 2022

Ladies and Gentlemen

I welcome everyone to the 2022 Annual General Meeting of MFF Capital Investments Limited. Its pleasing that we are able to meet again in person to conduct our AGM and to hear your comments and answer your questions. I also welcome those shareholders who join us today by teleconference. As in previous years, our prepared remarks respond to some of the questions received in advance, rather than waiting for the Q+A section.

It is positive that the Covid-19 pandemic is having a less profound impact on markets and communities around the world than was the case 12 months ago. On the other hand, the first eight months of calendar 2022 have included seven months in which equity markets fell in the US. The resilience of MFF, our portfolio and the businesses in which we are invested were tested again. Notwithstanding meaningful 'mark to market' unrealised losses for the portfolio, MFF completed the year in a strong financial position, with an excellent portfolio of companies and declared and paid increased fully franked ordinary dividends during the year and foreshadowed further increases.

Investment Objectives and Philosophy

Before detailing the outcomes of the financial year, it is appropriate to restate that MFF's long-standing investment objectives are to maximise compound, risk-adjusted after-tax returns for its shareholders and to minimise the risk of permanent capital loss. The core investment philosophy underpinning these objectives is built on taking a medium to long-term view focusing on outstanding companies which are considered to be trading below their intrinsic value. Portfolio activity in Financial Year 2022 has been consistent with these objectives and investment philosophy and MFF took opportunities to add to holdings in businesses with very strong market positions and high market liquidity.

Market fluctuations should continue to benefit MFF over the medium to longer term as they have done in the past. However, MFF has consistently noted that market fluctuations are unpredictable, negative movements are inevitable and adverse movements may be sustained. Also, MFF has often argued for caution; for example, last year it was noted that risks associated with sustained low interest rates and high asset prices continued and the Company was cautious of elevated investor expectations.

The interest rate increases and unwinding of various market prices in the latest six months have reduced some of these risk factors.

Financial Results, Markets and Portfolio Overview

The Company's profit or loss starts each new financial year at zero, based off the market values at the end of the previous financial year. Therefore, significant fluctuations in reported year to year results are to be expected. This financial year MFF recorded a net loss after tax of $170.8 million (last financial year a net profit after tax of $217.5 million). The pre-tax loss was $244.1 million (last year pre-tax profit was $310.7 million). MFF's net loss after tax is approximately 10.7% of MFF's Net Assets as of 1 July 2021. As is required by accounting standards, the Company uses "mark to market" accounting for both investments and foreign exchange and the net loss for the financial year principally reflects the negative movements in the market value of MFF's investments in the second half of the financial year.

The Company's balance sheet and financial flexibility remain strong. At year end, MFF's $1,424.9 million of total equity comprised retained profits and profits reserve of $702.5 million and contributed equity of $722.4 million. Investments at market value were $1,972.0 million. The deferred tax liability was approximately $167.6 million (this relates to unrealised portfolio gains). Borrowings less cash and cash equivalents were $368.2 million. The portfolio remains concentrated in companies with large volumes of daily trading relative to MFF's holdings (in other words, almost all of MFF's portfolio holdings are very liquid, or capable of being converted rapidly to cash if necessary).

During the year, MFF paid cash dividends of approximately $30.3 million (net of dividend reinvestment of approximately $10.3 million) and cash tax payments of approximately $14.6 million.

The Board is positive about the overall composition of the portfolio including the cash reinvestment into the portfolio during the year. MFF's risk standards and investment processes continue to be well maintained. Ultimately, the quality of the portfolio, the success of our portfolio companies' businesses, and the astuteness or otherwise of portfolio purchase decisions will be reflected in future mark to market figures.

MFF's Managing Director and Portfolio Manager, Chris Mackay, will shortly provide details on the financial results, the portfolio, market risks and opportunities and other risks.

ESG

ESG considerations for companies have moved from fringe to mainstream in just a few years. Matters relating to the impact of company activities on the environment, communities and overall governance have become even more prominent in investment decisions. Understanding the ESG policies and practices of companies and the level of risk attached to particular companies' activities is a core input to MFF's decision-making rather than an add on or an overlay.

As we look at companies around the world, one of the changes we see accelerating is that major companies, including MFF portfolio companies, are not only demonstrating their strong commitments to understanding their environmental footprints and community impacts, but also increasingly using their considerable resources to implement risk mitigation strategies for themselves and the planet. I encourage you to review some of the ESG commitments and programmes of MFF's portfolio companies which are as bold and exciting as one would anticipate from the world's leading companies.

While there are significant costs that attach to these ESG undertakings; there are very significant benefits to accrue especially once there is policy certainty from governments, innovation and clear accountability for outcomes. In parallel with the increasing commitment to ESG matters, there is growing community expectation of transparency and improved performance from companies. These heightened expectations and the proliferation of voluntary standards and increasing regulatory scrutiny require us to monitor these developments, particularly as they affect MFF portfolio companies, very closely.

Dividends and Capital Position

The Company's financial position underpins the fully franked final dividend of 4.0 cents per ordinary share, compared with a fully franked final dividend of 3.5 cents per ordinary share last year. This year's final dividend will be paid on 4 November 2022, with the Dividend Reinvestment Plan to operate (at zero discount). During the year the Company paid fully franked dividends of 3.5 cents per ordinary share in both November 2021 and May 2022.

In recent years, MFF has regularly increased its fully franked dividends. In addition to the increased final dividend, Directors have confirmed details of the path and timing for further increases under MFF's ongoing dividend policy. MFF Directors intend to increase the rate of the six-monthly dividend to 4.5 cents per ordinary share with the next interim results (expected to be announced towards the end of January 2023) and to 5.0 cents per ordinary share thereafter. The Board also intends to continue the operation of the Dividend Reinvestment Plan (at zero discount).

MFF expects dividends to continue to be fully franked, in the absence of legislative or similar changes. As of 30 June 2022, available franking credits for the final dividend and future dividends were approximately $115.4 million (approximately 19.7 cents per ordinary share). Of course, in each case, dividends are subject to corporate, legal, taxation and regulatory considerations at the time.

In addition to dividend policy, the Board regularly reviews capital management as part of overall capital allocation, with many considerations including market prices and conditions for equity and debt (for MFF and generally), and trading in MFF shares. The Board intends to maintain its prudent approach to MFF's balance sheet, risk management and capital management policies; consistent with maintaining the Company's capacity to pay future dividends in accordance with its dividend policy. The Board considers that MFF's retained funds have been put to good use with strong long-term returns which have built the

Company’s capital base and enabled MFF to pay an increased stream of fully franked dividends. Investments in the portfolio continue to be focused upon quality companies, some of which have appreciated materially from MFF's cost prices (hence the sizable, deferred tax liability included in MFF’s financial statements).

The Company remains small from the perspective of both its cost base and investment universe. MFF has access to debt markets (which remain favourable) and borrowing within MFF's risk controls has been disciplined, and beneficial in past market downturns. The Board has maintained the limit on borrowing at 20% of assets (at the time of borrowing). MFF has liquid investments and retains both flexibility to fund further investments from the sale of existing investments (subject to paying taxes on gains) and to access additional equity capacity if required.

A long-standing important policy consideration for the Board in assessing any equity or similar issue continues to be to ensure that shareholders have equal opportunity to participate in entitlements or bonus option issues, including the opportunity to realise market value for entitlements or options. During the 2021 financial year, the Company undertook a bonus issue of options on a 1: 5 basis to shareholders. The options were issued for no consideration. Each option allows the holder to subscribe for a new share in the Company at any time until 31 October 2022 at an exercise price of $2.60 per ordinary share. The options are ASX quoted and tradeable (code MFFOA).

During the 2022 financial year, approximately 12.5 million of the options were exercised and approximately 81.8 million remain to be exercised. Shares issued upon exercise of options participate in dividends equally with all other ordinary shares from their date of issue.

The Board continues to consider a range of matters in setting dividend and capital management policies. These include MFF’s strong long-term investment returns on our retained capital and the increased taxes we have paid recently (which will in turn increase MFF’s franking credits). We continue to welcome shareholder feedback, including from shareholders who prefer us not to raise the dividend and for us to retain capital given the strong investment returns over time.

Capital Structure

The Company maintains a very strong balance sheet, with liquid investments, and ready access to debt and equity markets (both of which remain favourable).

As previously communicated, MFF still hopes to identify large holding(s) in one or more competitively advantaged, strongly cash generative businesses that might provide MFF with meaningful flows of income where the Company would have control over the allocation. Our processes involve patience. We expect to continue to see attractive investment opportunities over time. In recent years such acquisitions would have been expensive, impractical, and operationally risky for MFF, and no such acquisitions have been made by MFF. Market prices for control currently remain unfavourable in contrast to the benefits of MFF's existing portfolio. Importantly, these benefits include MFF's liquidity attributes which enabled us to purchase high quality portfolio holdings at more attractive levels as opportunities arose during the financial year. Simply put, MFF's investment approach remains focused and disciplined and the investment portfolio is well-positioned.

Expenses

Over the years, MFF's main expense has been corporate tax as was the case again in the 2022 financial year. Corporate tax will continue to fluctuate year to year, principally based on profitable sales from the portfolio. Overall, our other expenses were in line with the previous year except for some additional interest charges as we increased debt levels. As mentioned at recent AGMs, in 2020 MFF paid its final fee for our performance to Magellan Asset Management, our key service provider, and we have reverted to a quarterly fixed-price agreement.

Information

As highlighted in previous years, MFF provides regular, very high levels of transparency about the Company, its 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 have sought to address many in the formal comments and will address follow up questions in Q+A.

General

I remain very positive regarding the effectiveness of the MFF Board and the excellent quality of management. As noted in prior years, the Magellan teams that support MFF are very professional. We all have clear access to these teams, Magellan's senior management and MFF's independent external auditors. The alignment of MFF management with MFF's Directors continues to very strong, and the Company does not incur any outlay on Board or Executive bonuses or share or option plans.

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

Annabelle Chaplain
Chairman
MFF Capital Investments Limited

Comments from Chris Mackay
Managing Director and Portfolio Manager
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Thank you Annabelle. Welcome shareholders.

MFF remains focused on Quality and Value, and we expect that this focus will deliver shareholder value over time (as it has done in the past). The MFF portfolio of businesses as excellent, and I am more positive about the portfolio's investment value relative to price than I have been in years.

We do not forecast short-term market movements, but generally combine our focus on Quality and Value; hence more portfolio sales and caution in very strong markets and high levels of targeted investments when market sentiment is more negative. We had meaningful levels of net sales through the first eight months of the 2022 financial year and targeted net purchases since, as equity market sentiment soured with central bank and interest rate movements (and expectations of more), conflated with many other geo-political, economic and other concerns and fears. Amongst the negative emotion is the absolute key message for today – We seek advantages that compound – which underpins our positive outlook and is not stubborn contrarianism. This year we have bought tomorrow's compounding dollars at much lower prices than yesterday's nominal prices. We benefit from the simple reality that market prices, and the figures companies report, are in nominal currencies AND we expect to benefit from compounding over time.

Having said that, bear markets and recessions are never pleasant; witness the major US pension fund complaining that 'having to mark investments to market isn't fun. It is better to delay and pray'. Downward market price volatility (let alone a recession) is also not easy for professionals, even those with hundreds of billions of funds and many decade investment horizons. Being stoic and focused on key principles helps, as does embracing capitalism's incentives and ongoing advances in technology and medical breakthroughs. But current reality is that consensus expects to descend into a global recession, even if it is policy made and is still avoidable. Accepting reality is necessary and MFF has some advantages; some partial offsets amidst the headwinds.

For MFF, business Quality means high probabilities of sustained business advantages leading to sustained growth in profitable cash flows. High cash generating businesses generate surplus cash beyond what is required to sustain current levels of business. Preferably this surplus cash is deployed to generate future cash flows and/or as intelligent capital return allocations, each of which can compound favourably for shareholders. We believe that a portfolio of such businesses is likely to have well above average business performance over time. We also believe that such a portfolio is at less risk of losing real capital value over the medium to longer term than other asset classes, subject of course to purchase prices, quality of analysis and other factors. MFF's focus eliminates much complexity and is underpinned by historical data of experiences across an extensive range of market and economic cycles.

Over the years MFF has also successfully acted opportunistically to buy Value, even where the businesses do not meet all our criteria for the absolute top shelf of quality global businesses (for example, because the businesses are more heavily cyclical, have lower structural growth prospects, or are earlier stage businesses and hence may or may not fulfill potential or have more competitive risks). Shareholders will recall that in the very early months of Covid, MFF sought to protect capital whilst building a large cash store for opportunities that might emerge. MFF's main challenge, starting from about May 2020, was to deploy capital in an environment where unprecedented fiscal and monetary stimulus and resultant speculation massively increased the opportunity costs of cash. Since many of our preferred top shelf Quality businesses were not then priced favourably in our view, we reinvested much of the cash into Value businesses at valuations which we felt gave us very decent protection against adverse outcomes. When markets were generally stronger in the second half of the 2021 financial year and in the first eight months of the 2022 financial year, we realised many of these investments by way of profitable sales and incurred resultant taxes.

More importantly, recent market conditions have enabled us to deploy very substantial capital to our preferred, Quality businesses. The expected lifetime value of our portfolio of businesses is enormous, with cash generation expected to grow materially over time, with compounding benefits, irrespective of whether market prices in upcoming months go up or down depending on the sentiments of the day. Over the medium to longer term, these advantages in comparison with investment in other assets are not overcome by different levels of key economic variables. In fact rising interest rates, squeezed funding and liquidity and supply chain issues are currently increasing business advantages for the portfolio, and reducing competition.

The sustainability of increased cashflow generation is at the heart of the most meaningful business value accretion. Recently, of course, professional investors have been ratcheting upwards their base discount rates as central banks act and increasing their so-called equity risk premium discount factor on top. These upward moves follow years when professional investors used rock bottom discount factors, causing market activity and volatility (and inevitable future adjustments) in their models of the future that purport to run for decades. Although out 10% pa pre -tax bottom hurdle is unchanged, market prices have fallen and hence potential future returns and opportunities have risen.

Market prices are there to provide opportunities, not as primary guides about business values over the medium term. Falling markets and recessions (which are inevitable parts of cycles) provide opportunities to buy Quality at lower prices than amidst a boom. This has typically provided profit for acquirers who are able to become patient holders. Future market historians will assess how opportunities and risks in current cycles compare, with context including the end of 40 years of generally downward trending interest rates and inflation, 24 hour digital "information" and unlimited computing power to influence, measure and publish price, index movements disconnected from long-term business management and prospects. Sentiment moves with rising and falling markets, and price moves far exceed movements in fundamental underlying business values, also magnified by the myriad of financial instruments and vehicles.

Current Portfolio

This brings us to the current portfolio. On the screen we are showing the holdings in the portfolio as at 23 September 2022 (shown at market values percentages of investment assets).

Holding	%	Holding	%
Visa	13.1	JP Morgan Chase	1.5
MasterCard	12.3	Intercontinental Exchange	1.5
Amazon	10.8	Lloyds Banking Group	1.3
Home Depot	6.6	Allianz	1.3
Alphabet Class C	6.3	United Overseas Bank	1.1
Microsoft	5.9	HCA Healthcare	1.0
American Express	5.4	DBS Group	1.0
Alphabet Class A	5.0	Oversea - Chinese Banking	0.9
Bank of America	4.0	Lowe's	0.7
CVS Health	3.8	Chipotle Mexican Grill	0.7
Meta Platforms	3.3	Ritchie Bros Auctioneers	0.6
CK Hutchison	2.3	US Bancorp	0.4
Asahi Group	2.2	Schroders	0.4
Morgan Stanley	2.2	Sonic Healthcare	0.2
Flutter Entertainment	2.1	United Health Group	0.1
Prosus	2.1	L'Oreal	0.1

Last year we spent considerable time talking about the business prospects for some of the larger holdings including Visa and MasterCard. Calendar 2022 has seen the start of a recovery in cross-border travel and both these companies are facilitating the necessary payments, whilst maintaining so many of their other advantages. They are growing strongly despite shutting Russian operations entirely to meet sanction requirements. We will not repeat the detailed discussions on these holdings now and will await questions.

We are delighted when outstanding management has operational excellence combined with outstanding capital allocation, particularly in businesses with sustainable structural advantages. We believe that sustainable secular growth will be far more unusual and more valuable over the next decade post the Bubble unwinds and central bank actions. Currently, the portfolio remains populated by companies with atypical market characteristics:

1. sustainable pricing power, with ready scope to increase prices with inflation (for example because they offer extreme value for money [think Amazon Prime] and/or their charges increase in terms of increasing nominal prices [card and health networks, marketplaces and exchanges];

2. high gross margins which allow most scope to maintain net margins, perhaps via cuts to expenditures if volumes/values fall with cyclical movements [currently happening in tech];

3. opportunities for profitable adjacencies or ancillary businesses which ideally reinforce customer satisfaction and customer lifetime value propositions and advantaged profitable core activities without typical centralized conglomerate problems;

4. 'stay in business' capital requirements which are modest relative to scale (and hence lower risks of material cost overruns during inflation and shortages);

5. hundreds of millions or billions of customers or end users utilising the products and services on a very regular basis, without choosing to substitute;

6. sensible capital deployment towards profitable growth and in some cases many billions of dollars of share buybacks on sensible terms;

7. use of technology to improve customer service and satisfaction at the same time as cutting costs [the best banks and health providers are digitising] and/or as advantaged networks or platforms [including Ritchie Brothers and the health and beauty omnichannel businesses within Hutchison] and

8. combinations of balance sheet strength, access to capital and focused advantaged core businesses with adaptability and resilience.

Applying portfolio management principles in current conditions

As current cycles evolve, we are assessing the portfolio for business continuity as well as risks and changes. Despite current pressures on globalization, powerful multi decade forces continue to increase billions of networked, digitalized, internet and mobile consumers, businesses and Governments which benefit a billion global entrepreneurs, suppliers of goods and services continue in most developed markets and in India Brazil and elsewhere, whilst financialization has multiplied trillions of capital and benefits across the globe. MFF seeks to maintain its discipline in holding excellent businesses with continuing profitable growth prospects and sensible risk/reward tradeoffs. We want future winners, and this likely includes current winners with ongoing opportunities for profitable growth.

Downturns and higher interest rates obviously impact business development, with pressures on Boards and professional investors from rising discount rates and equity risk premia. Many new initiatives for companies and whole ventures lose funding and support in such conditions, particularly if they are in loss making phases. The Airlie investment team, for example, understands market cycles and has been very clear about the benefits of leaning in and finding companies, experienced owner capital and business people who take opportunities when competition (in customers, talent and supplies) and capital availability are subsiding. Competition is falling away for some portfolio companies, including because of misguided burdensome regulation.
MFF must protect itself and seek returns through process, adaptation and risk controls. Regulatory risks, including price controls, are countervailing factors that must be assessed objectively. We must also assess and accept cyclicality which is inevitable and seek appropriate market prices and probabilities. In all cases, prices matter. We are looking for possible direct and second order effects for our companies and possible systemic stresses, whether they be high US Dollar borrowing emerging market countries or companies, or borrowers without duration and/or liquidity, as they become under pressure from bankers, law makers and regulators protecting their short term perceived interests.

Longer-term shareholders are well aware of the extraordinary opportunities that came during and after the financial crisis. We are not predicting a near term return of these opportunities and hence we have moved the portfolio to an invested position. However, our portfolio is extremely liquid and as such we have considerable flexibility to move capital (after tax), as better risk adjusted opportunities arise and risks/circumstances change.

Cost and availability of capital are very important for market returns and trajectories. On balance we believe that costs of capital and its availability are not likely to be longer term impediments to business activities. Sensible high return projects can be funded, and funding continues to be available for many lower return projects. US investors have an estimated US$5 trillion in market funds, and our few portfolio banks have 30% of the US$18 trillion US bank deposits. Current investment and cost disciplines from major companies aim to increase returns and are not driven by the capital scarcity of past inflationary decades. Arguably, the world remains awash with enough capital and capital generating capacity (including taxes on profitable enterprises) which may allow not excessively inflationary funding of the main developed world fiscal deficits, and of decarbonisation transition, with strong employment opportunities from young to old. Capital surpluses reduce rates of inflation over time (i.e. are disinflationary) and continue to be driven by factors including demographics, wealth effects, services economies, technology and globalisation of billions of labor participants.

Currently, every day, almost everywhere, central bankers occupy the spotlight, and hammer inflation with imperfect tools of higher short-term interest rates and quantitative tightening. Probabilities of central bank policy errors requiring reversal are increasing. Eventually, conditions may again become deflationary (e.g. low growth/reducing general prices in Europe and Japan in recent decades). All risks are more pronounced in the context of increasingly urgent Government and other official anti-business, anti-growth interventions, controls and taxation which are being imposed, some in the pretense of responding to the pandemic, but many far wider, to reshape societies in ways that were unthinkable in past decades. Many of the anti-business initiatives are anti-successful businesses and impact MFF's portfolio companies. Geo-political risks are also rising, affecting all.

Fortunately, by and large the real world economy is oblivious, and today the young generations are the most educated, the most global, ever; driving progress and change, making up for years lost to Covid and lockdowns, although control of wealth and power is much slower to pass.

As mentioned earlier, as value investors, we have a duration advantage - for example, we can look to the next decade and acquire interests in high quality businesses on sensible terms. Periodic 'mark to market' losses, such as over the past seven months, are a [hopefully temporary] cost for out-of-favour opportunities for investors unconstrained by time. Of course, we do not know when the current interest rate pendulum swings back. Short-term market price movements, even of a year or so, do not predict the future, and successful long-term business investment is not a series of short-term periods. We target margins of safety in both business quality and in purchase price.

Other

Over the years we have searched for businesses, or large shareholdings in businesses, which might produce strong, growing cash flows for us. Currently we have no active prospects in these categories. We have continued to prefer the risk reward tradeoffs of investing in our portfolio of Quality businesses via fluctuating market prices. Of course, the hurdles are high in considering the alternatives, and we also prefer simplicity to greater complexity.

Currencies

In recent years we have made detailed comments regarding our approach to currencies, and these comments remain applicable. Our regular monthly releases also periodically mention currency analysis, process and patience.

To date, our assets have almost entirely comprised international equities. Although in most circumstances we seek to hold AUD to pay taxes, other expenses and dividends, and borrowings are typically in international currencies, we have not hedged the overall currency exposures, as longer-term shareholders are aware. Overall, the strength of the USD benefitted MFF this year although USD strength is a material near term translation impact for US multinationals, and an operational issue for some with USD operating cost bases unmatched by foreign currency revenues.

We believe that this profile continues to offer some possible risk mitigation benefits, as currency movements are a primary transmission mechanism for risk adjustments in the world economy. Of course, currency movements will be painful from time to time, particularly when 'risk on' sentiment boosts the AUD and weakens the USD. Our multinational, high return on capital portfolio holdings benefit from cumulative returns, whereas fluctuations amongst major currencies have usually not been cumulative in recent decades.

Longer-term concerns have again increased in the last year for the currencies of most countries, with few possible exceptions. We are not predicting repeats of the Asian currency and broader emerging markets crises, but each year recently they are becoming more likely as more countries face more pressures and China acts unilaterally. The medium-term position for Australia has also weakened in relative and absolute terms, despite valuable iron ore and other commodity price and volume strength. Headwinds include:

1. automatic inflationary increases in charges and payments entrenching non-

transitory, dollar-depreciating, characteristics;

2. cost burdens of global and corporate acceleration of decarbonisation; and

3. challenges to Australia's federated structure as moderate multi-decade disciplines of central taxation (with reforms required for payments) are replaced by unconstrained no-fault populism and Government ubiquity.

If we make material changes to the foreign exchange positions, we will include details in the subsequent ASX announcements to inform shareholders.

Closing

We are all grateful for the Board's leadership given the ongoing challenges ahead. We thank the teams at Magellan who have continued to look after us.

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

Chris Mackay
Managing Director and Portfolio Manager