

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

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

Authorised by
Marcia Venegas / Company Secretary

4 October 2022

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

MFF advises that its approximate monthly NTA per share as at 30 September 2022 was \$2.723 pre-tax (\$2.744 as at 30 June 2022), and \$2.424 after providing for tax¹ (\$2.438 as at 30 June 2022). September 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.

MFF's primary activity in September remained holding shares in companies we regard as excellent on terms we regard as favourable (the full portfolio is shown below). In the month, changes to the portfolio were minor, with no sales and buying less than 1% of investment assets. MFF remains concentrated in advantaged businesses with high probabilities for continuing profitable growth, at portfolio market prices that we regard as attractive. Our portfolio companies are adaptable and advantaged whether interest rates remain at current levels or rise higher as forecast, and whether inflation remains elevated or falls as input price are falling (pricing power, ad valorem billing, cash generation, low inventory and capital requirements, amongst other portfolio features). Several portfolio companies gave updates during the month, with resilience and market share gains being recurrent themes, as well as action in cutting costs as demand cycles weaken, but with US Dollar translation and cost impacts offsetting some nominal dollar reporting benefits. Elsewhere, increased funding and other pressures have led to businesses reducing/eliminating ancillary and other unprofitable activities that were funded previously (Fintech and crypto, for example) with some reduced demand for services for MFF's portfolio companies (lower online advertising, software, speculative and cloud demand) but less competition and more risk awareness (benefitting well capitalised, digitised financial and other service providers, for example attracting post pandemic likely long term customers paying for reopened travel destination services and new streaming of blockbuster entertainment and Thursday night NFL). Whilst many older people are protecting capital, younger demographics are spending their (lower per capita) funds on travel, events, and experiences, as services rebound post pandemic.

Debt and equity markets had more disruption in September with most liquid markets reflecting sentiment that moved to adverse, and hence forced selling and price dislocation became more widespread. In theory monetary policy targets aggregate demand, but with considerable lags and unevenness, without addressing supply side causes of inflation. In September, the US Federal Reserve again (for the 3rd time in a row) raised very short-term Federal Funds rates by 0.75%, to 3% - 3.25% (range), having started from record low levels, and foreshadowed far more to come. Whilst participants have individual definitions of monetary and/or fiscal policy errors, probabilities and possible severities rose again in September. Anti-business regulation and legislation continued to compound in September, with anti-business, blame, fine, regulate and price controls increasing. Recession risks, and severity projections, rose with frustration at figures for housing in backward looking inflation data not including record sale/purchase and mortgage cancellations, and broad real estate complex reversals. The record high US dollar rose again, exporting inflation and debt risks. Severe UK market and liquidity disruptions required emergency central bank intervention, including for long dated pension obligations, and policy changes. Disinflationary forces (FedEx demand destruction, Nike mark downs after inventory increases by 65% North America 44% overall, commodity input price collapses allowing retailers to pressure FMCG companies to reduce prices, packaging board prices falling) and longer-term deflationary forces continue (robotics, other technology, Silicon Valley becoming more productivity aware, China property and other problems and demographics).

It remains possible (with increased probability this month given the strident rhetoric) that the US Federal Reserve is sufficiently out of touch to cause a recession resembling the global financial crisis, but it remains more likely they do not even cause as much damage as during the early 1990s recession, and a redux of the 1994 derivative/debt problems started this month. Inflation expectations (survey data, thus changeable) appear reasonably anchored, input markets continued to rollover and pressures outside the US increase. Arguably the US 10 year bond rate (the benchmark or risk free rate) also remains reasonably anchored even as it rose month end on month end from approximately 3.2% p.a. to approximately 3.7% p.a. Such moves remain 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) and whether these gyrations mean much more than short term fluctuations in inflationary concerns, will become clearer in the future. Of course, even if the Federal Reserve "overshoots" on quantitative tightening and/or retains interest rates that are too high for too long, and monetary conditions that are too tight, the damage caused by a repeat of Lehman type decisions would not be protected by arguments that they lack the power to act or that they cannot foresee the damage. In previous decades, reversals of US central bank interest rate decisions have been customary.

All holdings in the portfolio as at 30 September 2022 are shown in the table that follows (shown as percentages of investment assets).

	%		%
Visa	12.9	JP Morgan Chase	1.5
MasterCard	12.2	Intercontinental Exchange	1.5
Amazon	11.0	Allianz	1.3
Home Depot	6.9	Lloyds Banking Group	1.2
Alphabet Class C	6.3	United Overseas Bank	1.1
Microsoft	5.9	DBS Group	1.0
American Express	5.3	HCA Healthcare	1.0
Alphabet Class A	4.9	Oversea - Chinese Banking	0.9
Bank of America	3.9	Lowe's	0.7
CVS Health	3.8	Chipotle Mexican Grill	0.7
Meta Platforms	3.3	Ritchie Bros Auctioneers	0.6
Flutter Entertainment	2.2	US Bancorp	0.4
CK Hutchison	2.2	Schroders	0.4
Morgan Stanley	2.2	Sonic Healthcare	0.2
Asahi Group	2.2	United Health Group	0.1
Prosus	2.2	L'Oreal	0.1

Net debt shown as a percentage of investment assets, was approximately 21.8% as at 30 September 2022. AUD net cash was 2.3% (taxes, other expenses and dividends are paid in AUD whilst proceeds of MFF Options (ASX ticker: MFFOA) exercises are received in AUD), USD debt 17.5% and Euro, GBP, HKD and Yen borrowings were increased during the month to total approximately 6% of investment assets as at 30 September 2022 (all approximate). Key currency rates for AUD as at 30 September 2022 were 0.643 (USD), 0.656 (EUR) and 0.576 (GBP) compared with rates for the previous month which were 0.686 (USD), 0.682 (EUR) and 0.589 (GBP).

Yours faithfully



Chris Mackay
Portfolio Manager

4 October 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).

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