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 November 2022.

Authorised by
Marcia Venegas | Company Secretary

1 December 2022

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

MFF advises that its approximate monthly NTA per share as at 30 November 2022 was $2.967 pre-tax ($2.744 as at 30 June 2022), and $2.607 after providing for tax[1] ($2.438 as at 30 June 2022). November figures are after providing for $11.2 million tax payable today.

For another month MFF's primary activity remained holding shares in companies we regard as excellent on terms we regard as favourable (the full portfolio is shown below). In the month, total changes to the portfolio were minor (below 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 have scale and other advantages whether interest rates remain at current levels or rise higher as forecast, and whether inflation remains elevated or falls as input price are falling (the portfolio benefits from pricing power, ad valorem billing, cash generation, low inventory and capital requirements, amongst other portfolio features).

Some portfolio companies gave quarterly updates during the month, with resilience and strength of businesses being notable. Overall, margin pressure and slowdowns in activity were more in the current quarter and outlook figures than in the backward-looking figures. Monetary policy tightening and uncertainty are impacting with lags. Our concerns about excessive tightening and damaging regulation continue, and challenge our base case of economies, companies and consumers adjusting with economic shocks of less magnitude than the market falls (which have fallen from the widespread bubble levels). Short to medium term risks increase as each month passes without reductions in geo-political and other uncertainty and no reversals in monetary tightening.

The month was negative for capitalism with bubble unwinds uncovering fraud and significant losses. Falls in confidence, in velocity of money, and in wealth effects are inevitable. Expect more damaging legislation (20 years ago, post Enron, Sarbanes Oxley continues to damage public markets capital formation), expect more anti-business anti-growth regulations (which have already contributed to the evisceration of sales to larger competitors of venture businesses, which are fundamental drivers of economic growth and innovative risk taking), expect more anti-business voters supporting even higher taxes and even more judicial overreach. Our portfolio companies are very profitable market leaders and hence risks are high, and rising, of them being targeted by taxes, legislation, regulation, and general redistributive political actions. Of course, our businesses have scale and other advantages and some of the anti-business actions crowd out smaller competitors and reduce scope for innovators and competitors to stay the course, perhaps offsetting some of the direct targeted negatives. By all means read economist/market strategist descriptions of bubble unwinds, and listen to politicians grabbing power for their vested interests, boasting about legislating even more regulations and taxes, but also consider Googling JK Galbraith's discussion of "the Bezzle", Munger's extension to the "Febezzle", Adam Smith/George Goodman's The Money Game and others from the late 1960s bubble to also compare with the FT reporting the impact for Miami Nightclubs losing $100k per night champagne patrons as crypto loses purchasing power.

In recent years, company executives and analysts have become very accepting of adjustments to accounting standard reported earnings. Expect adjustments to increase as earnings pressures increase. Distortions and risks increase for adverse market and legislative/ regulatory reactions. In strong economies and market bubbles, accounting details were regarded as less important.

Politics and economics are challenging around the world: significant inequality challenges are exacerbated by inflation, and major priority Government roles are expanding (climate change and infrastructure, for example) as well as war/defence requirements. Financial challenges and social challenges self-reinforce. The combination of events may be challenging the truism of mean reversion which benefitted the portfolios of disciplined value investors for almost all of the 20th century (massive computing power allowing for automatic screening for value also reduces returns for value), as well as challenging the more recent portfolio return leadership of Quality. The failure of some of the populists in the US mid-term elections (even as the results allow divided Government to forestall even more damage from Washington), offers some respite that may assist businesses, skilled immigrants, investors and families to meet challenges and opportunities better than others subject to alternative regimes. The normally socialist UN indicated via their Latin American unit that anti-business policies had caused economic failure and stagnation even worse than the so called lost decade of the 1980s debt crises as Governments sought to redistribute away from growth. Norway may be leading Europe into repeating the post war and 1960s years with a multitude of new taxes on its citizenry, continuing to bite after they leave to escape the rising taxes.

More positively, goods and input inflation appear to be subsiding. Outside of union funded Governments enforcing outdated centralisation and control, wages inflation does not appear to be embedded. The most recent sales included massive online and in store discounts in many geographies, particularly as inventory challenges moved from shortages to gluts. The flip side is margin pressure in retail and property (including housing and commercial) which are interest rate and economically sensitive, with some bankruptcies already, but more inevitable post the seasonal selling period. Our portfolio will be subject to indirect impacts, which might already be reflected in market prices and in bank provisions for example. We expect that the technology revolution from companies such as Amazon Web Services, which allows innovative start up companies to launch at low cost (which are meaningfully variable) and with extensive reach, will again allow periods of innovation and recovery, even as recessions occur.

It [still] remains possible that the US Federal Reserve is sufficiently out of touch to cause a recession resembling the global financial crisis (with increased probability this month given some continuing strident rhetoric despite easing concurrent data and the lags between policies and impact), although it remains more likely they do not even cause as much damage as during the early 1990s recession. Inflation expectations (survey data, thus changeable) appear reasonably anchored, input markets continued to roll over and downward pressures on business activity outside the US increase. The very strong US dollar reduces imported inflation for the US, but inflation is higher than otherwise elsewhere as many trade prices are USD denominated or tied. Arguably the US 10 year bond rate (the benchmark or risk free rate) also remains reasonably anchored and it fell month end on month end from approximately 4.05% p.a. to approximately 3.6-3.7% 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 overall monetary conditions that are too tight, the damage caused by a repeat of Lehman type decisions should be avoided. In previous decades, reversals of US central bank interest rate decisions have been customary

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

	%		%
Visa	14.1	Asahi Group	2.0
MasterCard	13.6	JP Morgan Chase	1.8
Amazon	8.5	Intercontinental Exchange	1.6
Home Depot	7.3	Allianz	1.5
Alphabet Class C	6.0	Lloyds Banking Group	1.4
Microsoft	5.8	HCA Healthcare	1.2
American Express	5.6	United Overseas Bank	1.2
Alphabet Class A	4.7	DBS Group	1.0
Bank of America	4.4	Oversea - Chinese Banking	0.9
CVS Health	3.5	Lowe's	0.8
Meta Platforms	2.6	Ritchie Bros Auctioneers	0.5
Flutter Entertainment	2.5	Schroders	0.4
Prosus	2.4	US Bancorp	0.4
Morgan Stanley	2.3	United Health Group	0.1
CK Hutchison	2.1	L'Oreal	0.1

Net debt shown as a percentage of investment assets, was approximately 20.2% as at 30 November 2022. AUD net cash was 1.3% (taxes, other expenses and dividends are paid in AUD), USD debt 14.0% and Euro, GBP, HKD and Yen borrowings total approximately 7.5% of investment assets as at 30 November 2022 (all approximate). Key currency rates for AUD as at 30 November 2022 were 0.670 (USD), 0.650 (EUR) and 0.562 (GBP) compared with rates for the previous month which were 0.639 (USD), 0.647 (EUR) and 0.555 (GBP).

Yours faithfully

Chris Mackay
Portfolio Manager

1 December 2022

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

All figures are unaudited and approximate.