MFF
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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 June 2023.

Authorised by
Marcia Venegas | Company Secretary

3 July 2023

MFF Capital Investments Limited ('MFF')
Net Tangible Assets ('NTA') per share for June 2023

MFF advises that its approximate monthly NTA per share as at 30 June 2023 was $3.398 pre-tax ($2.744 as at 30 June 2022), and $2.912 after providing for tax[1] ($2.438 as at 30 June 2022). The figures are not adjusted for 8.5 cents per share of fully franked dividends paid to MFF shareholders during the financial year, for MFF's capital movements or cash tax paid (which reduces pre-tax NTA).

June was another month of rising market prices for equities, including those in the portfolio, resulting in increased unrealized gains which caused the increased gap between pre-tax and after tax NTA figures. Tax paid in the month was below 1 cent per share, with a similar preliminary estimate for July, principally reflecting modest portfolio sales (below). The double-digit percentage yearly appreciation was above inflation and above GDP, for MFF's portfolio and in some equity markets, and in part reflected depressed sentiment and starting points amidst interest rate and other fear induced panics during 2022, and more optimistic recent investor sentiment (enhancing prices paid for forecasts of future earnings and other variables).

MFF's primary feature remains its combination of shareholding interests in extraordinary businesses with sustainable competitive advantages and above average sustainable growth rates, acquired on satisfactory terms. We prefer companies with decent probabilities of sustainable advantages and above average profitable growth, ideally with excellent management, and, with at least reasonable purchase prices. Hence, month after month, MFF's primary activity has remained holding shares in companies we regard as excellent on terms we regard as favourable (the full portfolio is shown below). Market fluctuations are inevitable and have favoured MFF which has the capital resources and scope not to follow momentum and opinions, and to be objective, disciplined and opportunistic in comparing value with price across its extensive but focused investment opportunities. MFF's structure allows for focus, flexibility, and patience in buying or selling. During financial year 2023, MFF did not buy any new securities and in the latest six months only sold out of one, which had completed its purpose.

MFF's portfolio price/value characteristics remained satisfactory, although the market strength in June reduced some of the important "margin of safety" relating to market prices [another crucial "margin of safety" relating to business Quality is essentially unchanged by equity price movements]. In June MFF's buying and selling were each a little under 1% of portfolio value. Proceeds from the modest sales allow for some future opportunities, and to set aside some capital for tax, dividends, and the buyback. We also made modest purchases as sentiment (and hence prices) moved downward moderately for some quality businesses within our focus areas. Although trivial in the context of MFF, we bought modestly during downward price movements of some health-related businesses partly triggered by post pandemic returns to elective surgeries by older patients, and in some high-quality banks prior to the end of month release of the Federal Reserve's positive reviews under the annual banking stress tests.

June was another appalling month for fans of regulators and politicians, whether of democracies or regimes. Around the world month after month anti-business anti-growth ideological administrations double down on regulating and curtailing their businesses and ultimately their populations, even in the knowledge of dreadful human outcomes including sustained violent rioting by a lost generation in France, crime and hollowing out of US cities and in the collapse in German economic resilience. In the US, many believe that ideology induces the Federal Trade Commission (FTC) to sue Amazon Prime arguing coercion even though it covers a majority of US households, at the same time as the administration doubles down after the Supreme Court ruled as unconstitutional public finance use to forgive loans to university attendees. In the US, businesses and entrepreneurs are moving away inexorably from the highest tax, most anti-business states. The MFF portfolio is disadvantaged by direct regulation, taxes, fines, and levies on large profitable portfolio companies, but some "benefit" somewhat as red tape curtails competition and innovation. The FTC, and other regulatory ideology and bureaucracy continue to dampen US innovation, including the opportunities to recycle capital via IPOs/other capital market exits or sales/mergers and acquisitions. In the US this month activity included the Inflation Reduction Act continuing to add directly to inflation keeping interest rates higher, and included the unappealable, Joseph Heller inspired, pro lawyer announced massive increase in the already overwhelming obligations for filings under the Hart Scott Rodino Act.

Our approach is to seek businesses that will be likely to perform well above average despite the very significant legitimate concerns about Government and economies. The MFF portfolio companies' scale, scope, advantaged technologies, and customer focus contribute to market share gains quarter to quarter and year to year. Innovation matters and we include beneficiaries as well as drivers of important innovation. Scale combined with adaptability allow many to continue to invest in people and capital, applying digital and other new technologies which in some cases materially improve customer satisfaction and reduce ongoing costs for customers and the companies. In technology we are very focused on companies that, as well as having strong pricing power and gross margins allowing cost cutting, are likely major beneficiaries of technological advances in data, cloud, artificial intelligence and simply in digitization. Of course, we also have some of the companies that are driving the new technologies.

We attempt to assess where companies are impacted by technology changes currently, and with obvious difficulties, into the future. Typically, we prefer companies with many customer relationships, which give them scope to be fast adopters of technology and may protect against disintermediation.

Last month we noted some factors which have led to the collapse in much of the FMCG/other goods inflation in the US and some other markets. Much was transitory as the global supply chain crisis ended entirely during H1 calendar 2023, and commodity prices mostly fell; these remove the associated significant but temporary inflation multipliers. Services inflation will reduce as immigration's bureaucratic bottlenecks eventually allow the US to increase vital supply of workers, including nurses. Mismeasurement of the artificially derived "occupier rent" will eventually pass through the US inflation figures but not before interest rates themselves act to reduce housing supply(and hence distort actual rental supply and demand). Europe and other jurisdictions (such as Australia) with centralized wage and benefit systems (and increases in taxes, levies, weaker currencies and energy charges) are experiencing higher inflation for longer than the US. Demographic factors remain important in most countries (low birth rates as "boomers" and older have most aggregate wealth and induce lower velocity of money after their post pandemic catch up).

Almost every month for the most recent financial year the risks of Central bank misjudgments and disfunction have featured. For ten consecutive months we have argued that "the US 10 year bond rate (the benchmark or risk free rate) remains reasonably anchored" and only once at month end did it exceed 4% p.a. (4.05%p.a.). The rate peaked for last financial year in October 2022 and has not acted as a headwind for Quality equity prices since that time (and arguably for various other asset classes as supply and demand are the main factors; arguably, for example, non-trivial diversions in price movements for residential real estate city to city within geographies and between price ranges within cities). In June 2023, the ten year bond rate rose month end on month end from approximately 3.64% p.a. to approximately 3.84% p.a. Business results including compounding of reinvestment are far more important over time for investors focussed on quality profitable growth than the 10 year bond gyrations. Of course, as 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 still be avoided (despite the damage to date). In previous decades, reversals of US central bank interest rate decisions have been customary.

All holdings in the portfolio as at 30 June 2023 are shown in the table that follows (shown as percentages of investment assets).

	%		%
MasterCard	12.3	JP Morgan Chase	1.6
Visa	11.8	Intercontinental Exchange	1.6
Amazon	10.9	Prosus	1.5
Home Depot	6.7	Lloyds Banking Group	1.4
Alphabet Class C	6.7	DBS Group	1.3
Microsoft	6.6	United Overseas Bank	1.1
American Express	6.1	Oversea - Chinese Banking	1.0
Alphabet Class A	5.5	US Bancorp	0.8
Meta Platforms	5.2	Lowe's	0.8
Bank of America	5.0	United Health Group	0.7
Flutter Entertainment	2.8	RB Global	0.5
CK Hutchison	2.2	Allianz	0.2
CVS Health	2.2	Schroders	0.1
HCA Healthcare	1.8	L'Oreal	0.1
Morgan Stanley	1.7		

We continue to maintain some liquidity in AUD. Most MFF expenses, and taxes, dividends, and buybacks are paid in AUD, and we regard this as prudent matching. We remain very cautious about all currencies and our negative views on the AUD over extended periods continue. The current sustained period of USD strength and US investment opportunity (and immigration flows to the US and a few other democracies) is already becoming associated elsewhere with banking, hard currency debt, inflationary and other pressures, even prior to customary damage from predictable (but unprepared for) reversals of commodity price and volume strength. Net debt as a percentage of investment assets, was approximately 14.3% as at 30 June 2023. AUD net cash was 3.8%, USD net debt 8.2% and Euro, GBP, HKD and SGD borrowings totalled approximately 9.9% of investment assets as at 30 June 2023 (all approximate). Key currency rates for AUD as at 30 June 2023 were 0.666 (USD), 0.610 (EUR) and 0.524 (GBP) compared with rates for the previous month which were 0.647 (USD), 0.607 (EUR) and 0.522 (GBP).

Yours faithfully

Chris Mackay
Portfolio Manager

3 July 2023

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

All figures are unaudited and approximate.

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