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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 2024.

Authorised by
Marcia Venegas | Company Secretary

1 July 2024

MFF Capital Investments Limited ('MFF')
Net Tangible Assets ('NTA') per share for June 2024

MFF advises that its approximate monthly NTA per share as at 28 June 2024 was $4.285 pre-tax ($3.398 as at 30 June 2023), and $3.574 after providing for tax[1] ($2.912 as at 30 June 2023). The pre-tax NTA figures each month are after deducting taxes paid by MFF. Profits before income tax of slightly over $142.857m are required for each $100m of NPAT, reflecting MFF's tax rate of 30% of pre-tax profits. For the 2024 financial year, pre-tax profit of modestly over $600m ($462.2m for fiscal 2023) reduces to closer to $420m ($323.6m for fiscal 2023), after allowing for tax on unrealised as well as realised gains. Increased unrealised gains increase the difference between pre-tax and post-tax NTA figures for MFF. Deferred taxes are true balance sheet liabilities.

Although yearly figures, and certainly monthly and shorter-term figures, are at least largely meaningless, longer term figures for MFF arguably support the "proof of concept" of disciplined investment processes focussed upon Quality and Value whilst seeking to protect shareholder capital. MFF's portfolio weightings towards profitable growth (rather than "deep value" favoured for periods last century) in recent markets have contributed to capital compounding, but are always subject to review (opportunity costs, price/value etc) particularly given concentrated market price re-ratings, competition, margin, political/regulatory, technology and other risks. Value traps are terrible but fallen growth stocks offer much less capital protection.

MFF must adapt to increase probabilities of producing decent results in the period to 2035. MFF has discussed at recent AGMs our expectation that the portfolio would have to be widened to include smaller companies, with large future addressable markets but less entrenched current positions and possibly narrower "verticals". Almost certainly to the benefit of the portfolio in recent years, we have not added any new such businesses, or lower quality deep vale opportunities, although we have searched for and considered many. Over the next decade or so past winners will not all be future winners, and likely there will be major differences, but winning cohorts might again be quite narrow, which will require broader more diverse input and analysis for MFF. Conditions will not repeat and likely will be less favourable, reducing the proportion of GDP going to profits whereas during the last decade US official corporate tax rates dropped by 14 percentage points to 21% and interest rates averaged historical lows for short and longer durations. MFF requires clear focus in the current market environment marked by a return to asset price speculation across productive (and unproductive) asset classes, despite interest rates and inflation being stubbornly higher than in the historically extraordinary previous period and building pressures (economic, social, political, geopolitical).

MFF seeks to embrace market volatility and does not manage for short term or "presentation" figures. Many more attractive purchase opportunities become available during panics, whilst periods of higher prices require sales (and prompt tax cash payments). Our results over many years have been enhanced because we are unconstrained (temperamentally or by rules) from embracing out of favour situations where momentum [MOMO] and fear of missing out [FOMO] are absent, but prices and margins of safety are more attractive, provided there is business Quality. Each year MFF starts at zero, based upon a full "mark to market". Recent portfolio price appreciation REDUCES margins of safety and future returns irrespective of how momentum players and promoters might delude. However, the sustained market appreciation has allowed MFF to rebuild capital availability to in excess of $500m within our prudent gearing/balance sheet rules, whilst paying increased fully franked dividends and buying back shares on satisfactory terms for ongoing shareholders.

Cumulative tax becomes larger for MFF in periods of strong price appreciation (such as now), current tax payments are high, and we have paid/accrued over $300m in cash taxes from the start of Covid. No respite in June as MFF cash tax paid was almost $8.6m and this obviously reduced pre-tax NTA for the month. Comparative period to period "pre-tax" figures for indices and pass through trusts do not assume any tax incidence and most likely provide comparable measures of performance between indices and pass through trusts across periods, whereas they do not provide comparable measures of performance across periods between themselves and significant tax paying companies such as MFF. Of course, a little analysis is required in considering any "performance figures" particularly in promotional environments.

Although franking credits do not compensate for tax paid, we note that MFF's 31 December 2023 accounts showed a franking credit balance of approximately $127.1m (approximately 22 cents per share) and MFF's franking balance is higher as at 30 June 2024. MFF Directors have increased MFF's fully franked dividends in recent periods, and announced with the half yearly results, their intention to increase the rate per share of the six-monthly dividend to 7.0 cents fully franked for the period ending 30 June 2024, subject to corporate, legal and regulatory considerations, with continued operation of the DRP and BSP (at zero discount). A clear majority of MFF's shareholders by number (of those who have provided feedback) have supported the steadily increasing fully franked dividends declared by MFF. In continuing this approach, franking credits are not the constraining factor, and MFF's capital is managed to make available AUD funds for the increasing dividends (and tax payments necessitated by sales). Attendees at MFF AGMs have discussed the attributes of dividends compared with MFF's retention of capital for reinvestment in outstanding businesses, with its compounding benefits.

Relative inactivity has remained a positive for a portfolio with the characteristics of MFF. MFF has maintained its investments in a portfolio of extraordinary businesses with sustainable competitive advantages and above average sustainable profitable growth rates, acquired on satisfactory terms. Higher prices for portfolio holdings reduce margins of safety and future returns, importantly caveated (to date) that portfolio companies' business successes primarily determine whether MFF's portfolio achieves sustained success. Over time, compound increasing cashflows and strong returns on capital prevail, even with ongoing very conservative assumptions on future interest rates and (within limits) against higher market prices. The portfolio companies produce world class business and short-term financial performances, combined with massive ongoing investments in technology and skills to increase competitiveness and advantages for the future. Overall, we believe that such sustained excellence continues to at least justify the increased market valuations attributed to most of MFF's portfolio holdings, although margins of safety are reduced, and various competitive pressures are expected to increase. Overearning continues as an important risk for portfolio companies, and some bad June reports (outside the portfolio) increase the urgency of wider spreading concerns. Balanced against these trends is that for MFF some significant portfolio companies have built such advantages that their networks, products and services might enjoy both volume and pricing growth for longer periods than previously anticipated. June again saw many very adverse market reactions to weaker results than forecast, across a range of industries, and consumer weakness.

Businesses continue cutting costs where possible as growth rates slow under stagflationary pressures, and previously important companies are being bankrupted as they seek to cope with increased legislative and regulatory burdens, taxes, and charges as well as competition and other customary business pressures. Australia may again be a canary despite past complacency perhaps warranted by sustained decades of high commodity prices across wider ranges of mineral exports, as stagflation may be more entrenched (absent recession/severe market panic), compounded by policy and structural factors (including centralised wages/benefits/labour, automated taxes and charges at indexation plus, federation misdirection accelerated via Covid by state Governments deprioritising historical fiscal prudence; not being comparable with the US Federal system including states favouring businesses with lower taxes, regulatory support and stricter fiscal limits, daily record regulatory burdened bankruptcies, Treasury incentives that favour bracket creep, high comparative marginal taxes and corporate tax rates, rental and energy cost failures, oligopoly business structures and an otherwise attractive forced retirement savings system continuing to reduce liquidity/transparency [and value focus] of investments, whilst increasing risks of systemic real capital reversals unless future market conditions remain unusually favourable). Prudence is warranted rather than complacency for market participants and for political bodies in middle ranking and smaller economies; for example, recent warnings from the UK 2022 debt and equity market meltdown around forced margin calls for long dated pension funds, France June 2024 moves into more dangerous territory, and despite low volatility the current re-emergence in benign markets of "hedging losses" which in standard adverse market cycles crystallized unexpected liquidity mismatches and bankruptcies.

For MFF in June sales were about 0.6% of portfolio value, with purchases about 0.1% (another year passed without a single new portfolio company). MFF increased its very considerable balance sheet strength in recent months in the generally appreciating markets and remains unpressured to increase or reduce portfolio holdings in aggregate or individually. The speculative booms and promotional activity continue and arguably accelerated again in June with tools in the promoters' playbooks inducing many to chase. Yield seeking continues to lead to return free risk for some investors in promoted credit and similar debt markets (other than for promoters). Ongoing unabated USD strength continued to add to emerging market inflation and currency risks including because of disruptive speculative flows (the Yen returned to weaker levels before interventions).

MFF is not forecasting but seeking to maintain process focus and disciplines. Subsequent studies will likely confirm (as Kahneman and Munger observed) that digital trading second to minute, increases activity and addiction, and confidence temporarily, but precludes successful longer-term results, other than for the few algorithmic firms acting as croupiers. In recent years MFF has very profitably focussed on outstanding Quality at perceived Value, whilst examining many smaller and potentially emerging companies. Minimising foreseeable business risks, underpinned by the focus on higher probability sustained growth/successful businesses, has been valuable in considering portfolio construction and composition, as technological changes and regulatory burdens have been less disadvantageous for some large companies than for earlier cohorts of large companies [overall, smaller companies, "riskier" businesses and emerging markets have underperformed in recent years]. Past market cycles may caution against forecasting losers to become winners, as business conditions become more difficult. For MFF the base case against which opportunities are compared, is that our portfolio of Quality, advantaged businesses, compounds over time, whilst Value applies patience, focus and process to give us mispriced securities with decent probabilities for profitable gains, as the market has done for decades, albeit irregularly. Rarely but sometimes these Value opportunities are in businesses that we then hold for a decade or more. Mostly they are in very good businesses that are mispriced, but without the extraordinary profit compounding potential for the decade plus extraordinary focus group.

We fear that momentum will test us all. Apparently easy gains may well continue and are as likely as not to accelerate. Being out of touch may become polite criticism. Participants will likely not undertake pre mortems where they subsequently regret trying too hard to invest in equities in extended bull market conditions, paid too much for [temporary] Winners, did not sell at attractive prices, held on to loser businesses despite disconfirming evidence, and felt that anti-business populist and totalitarian regimes might help their returns. We will likely join the subsequent chorus in arguing that we should have better adhered to common sense processes and risk controls. In our case we hope to have available resources to deploy as opportunities become very attractive. Although not many take heed of its wisdom, if the 2024 updated edition of The Intelligent Investor were instead a 2024 IPO, it would be marketed with the high price and scarcity that (ironically) multiplied the resale value of another book of reason, Klarman's Margin of Safety.

As noted repeatedly in recent months, we remain less sanguine than other market participants as the Federal Reserve continues holding its artificial (but hugely influential) interest rates too high for too long. Many speculators and other economic and market participants have commenced adjusting to the moderately higher interest rates, higher for longer has become much closer to consensus. In contrast to its relatively limited impact (so far) upon market participants and wealthy boomers/retirees, the real burden is upon poorer people, less able to cope even after major cutbacks in spending. Hopefully, some mitigation is ahead. Very modest strains in refinancing have been overshadowed by the ongoing bull markets in equities and other assets. As to politics, June farce descended at an accelerated dangerous pace and leaves ample that is better left unsaid, and gaping holes in which totalitarians (and lesser, self-interested socialists/populists and business leeches and vultures), capriciously help themselves. Systemic resilience will be tested further as the reinforcements of easy good decisions and good actors, are replaced by difficult circumstances exacerbated by increased inequalities, debt burdens, bad choices and paradigms requiring winners/losers. More mature bull markets separate people from valuable assets (in hindsight), with old methods and new and with whatever terminology as Galbraith described the Bezzle in his seminal Great Crash, Munger added the Febezzle which others described as "trickle down" and to include cyclical overearning.

All holdings in the portfolio as at 28 June 2024 are shown in the table that follows (shown as percentages of investment assets).

	%		%
Amazon	12.8	Intercontinental Exchange	1.6
MasterCard	9.6	United Overseas Bank	1.4
Visa	9.1	Oversea - Chinese Banking	1.2
Bank of America	7.5	US Bancorp	1.2
Alphabet Class A	7.5	United Health Group	1.1
Alphabet Class C	7.2	Lowe's	0.6
Microsoft	7.1	CVS Health	0.6
American Express	7.1	Prosus	0.6
Meta Platforms	6.8	RB Global	0.4
Home Depot	6.0	Morgan Stanley	0.3
HCA Healthcare	2.5	Schroders	0.1
Flutter Entertainment	2.3	L'Oreal	*
Lloyds Banking Group	2.0	JP Morgan Chase	*
DBS Group	1.7	Allianz	*
CK Hutchison	1.6	** less than 0.1%*	

Net debt shown as a percentage of investment assets was approximately 2.9% as at 28 June 2024. AUD net cash was 6.1% (taxes, other expenses, buybacks and dividends are paid in AUD), USD net debt 2.4% and Euro, GBP, HKD and SGD borrowings totalled approximately 6.6% of investment assets as at 28 June 2024 (all approximate). Key currency rates for AUD as at 28 June 2024 were 0.668 (USD), 0.623 (EUR) and 0.528 (GBP) compared with rates for the previous month which were 0.665 (USD), 0.613 (EUR) and 0.522 (GBP).

Yours faithfully

Chris Mackay
Portfolio Manager

1 July 2024

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

All figures are unaudited and approximate.