Level 36, 25 Martin Place
Sydney NSW 2000 AUSTRALIA

General: +61 2 9235 4887
Facsimile: +61 2 9235 4800
Website: www.mffcapital.com.au
ABN: 32 121 977 884

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

Please find enclosed MFF's monthly NTA per share for July 2024.

Authorised by
Marcia Venegas | Company Secretary

1 August 2024

MFF Capital Investments Limited (‘MFF’)
Net Tangible Assets (‘NTA’) per share for July 2024

MFF advises that its approximate monthly NTA per share as at 31 July 2024 was $4.430 pre-tax ($4.284 as at 30 June 2024), and $3.679 after providing for tax[1] ($3.574 as at 30 June 2024). The pre-tax NTA figures each month are after deducting taxes paid by MFF (including $2.4 m for July) and 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, MFF reported pre-tax profit of $639.1m ($462.2 m for fiscal 2023) which reduced to $447.4m ($323.6 m 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, as deferred taxes are balance sheet liabilities.

The figures are cum the increased fully franked final dividend of 7 cents per share declared at the end of July. The Directors foreshadowed a further increased fully franked interim dividend of 8 cents per share for the six months to 31 December 2024, subject to corporate, legal, taxation and regulatory considerations at the time. The Directors also intend to continue the operation of both the DRP and BSP (each at zero discount). As at 30 June 2024 MFF’s franking credits were $148.8m (25.34 cents per share).

Yearly figures, and certainly monthly and shorter-term figures, are not focus areas. 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. The table on page 17 of MFF’s 2024 Annual Report of figures for eight years from 1 July 2016 to 30 June 2024, include aggregate NPAT of $1,460.2m, franked dividends declared of $395.4m, and cash tax paid (which reduces pretax NTA) of $302m, from starting Net Assets of $786.4m. Please refer to the notes and to the full accounts for important details.

Sensible portfolio construction and management processes are focused on portfolio risks, opportunities, and challenges in the contexts of objective industry/company analysis and of prevailing market conditions/prices from time to time. Our only capital is within the company, and its opportunity cost is high, particularly measured against probable opportunities for us that may arise over time. In July, the Q2 quarter results and outlook statements are demonstrating wide ranges of outcomes. Some previously high-flying companies are struggling in many markets, whilst the MFF portfolio companies remain advantaged and some results and business decisions are excellent. This is a period when little should be read into the overall positive bank/financials results, which in other quarters have been excellent lead indicators. Distortions include increased expectations that the US Federal Reserve will follow other central banks in reducing the excessively high short term interest rates in their control, and the extraordinary stimulus from the federal deficit will not repeat for calendar 2025(the new President’s stimulus likely will operate with a lag, even before underestimated rate of change impacts). Also, damage from weak plebeian confidence in the current CCP dictates are subduing Chinese domestic consumption whilst surplus subsidized production is shipped to markets in Europe and elsewhere. The energy and cost of living crises are in turn damaging manufacturing and workforces in Europe and elsewhere, provoking public and political reactions.

Relative inactivity has remained a positive for a portfolio with the characteristics of MFF. In July sales were about 2% of portfolio value, with purchases about 0.25%. Others will be convinced that “rotating” makes sense, despite history, Kahneman and Bessembinder demonstrating that, and why mediocrity or worse is probable. Having said that, we welcome market price volatility (and periodically enjoy quality sectors and companies massively out of favour with extreme margins of safety via business resilience and low market prices). Importantly, momentum and index type players benefit a few active investors including professional value aware investors remaining with funds and mandates at turning points. Our processes focus on Quality/ Value and Price. The quality of the portfolio at satisfactory prices gives MFF an excellent platform. Going forward we require very deep research and understanding of at least a few areas where opportunities for sustained profitable growth for outstanding leading business might exceed market perceptions of riskiness. Although we are not macroeconomic or market predictors, we are concerned as political leaders become more anti-business and anti-growth and/or lack competence or experience to design and implement programs that themselves don’t damage society (for example health services and compensation programs that don’t encourage widespread repeated fraud or general anti business actions that increase unemployment whilst soft enforcement on robbery decimate city retail businesses). Inadequate growth increases the difficulty of political decisions, as well as debt management burdens. Separation of powers and strong competition between states to attract business and multiple scale benefits, remain more evident in the US than elsewhere.

We fear that momentum will test us all as each month bullish conditions have continued. Apparently easy gains may well continue, and later in bull markets are as likely as not to accelerate. More mature bull markets separate people from valuable assets. Of course, downturns [cycles] are to be expected. Historically, deteriorating labour markets generate self-reinforcing feedback loops. When jobs are harder to find, households trim spending, the economy weakens and businesses reduce investment, which leads to further layoffs and further spending cuts. Typically, interest rate cuts are late, and hence fiscal and other measures are also required to reverse proper recessions.

All holdings in the portfolio as at 31 July 2024 are shown in the table that follows (shown as percentages of investment assets).

	%		%
Amazon	12.2	United Overseas Bank	1.4
MasterCard	10.1	US Bancorp	1.3
Visa	9.2	United Health Group	1.3
American Express	7.8	Oversea - Chinese Banking	1.2
Bank of America	7.6	Intercontinental Exchange	1.1
Alphabet Class A	7.1	Lowe's	0.7
Meta Platforms	6.6	CVS Health	0.6
Alphabet Class C	6.6	Prosus	0.6
Microsoft	6.6	RB Global	0.4
Home Depot	6.5	Allianz	0.2
HCA Healthcare	2.8	Schroders	0.1
Flutter Entertainment	2.4	L'Oreal	*
Lloyds Banking Group	2.0	JP Morgan Chase	*
CK Hutchison	1.8	Morgan Stanley	*
DBS Group	1.7	** less than 0.1%*	

Net debt shown as a percentage of investment assets was approximately 1.6% as at 31 July 2024. AUD net cash was 6.3% (taxes, other expenses, buybacks and dividends are paid in AUD), USD net debt 1.4% and Euro, GBP, HKD and SGD borrowings totalled approximately 6.4% of investment assets as at 31 July 2024 (all approximate). Key currency rates for AUD as at 31 July 2024 were 0.653 (USD), 0.603 (EUR) and 0.508 (GBP) compared with rates for the previous month which were 0.668 (USD), 0.623 (EUR) and 0.528 (GBP).

Yours faithfully

Chris Mackay
Portfolio Manager

1 August 2024

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

All figures are unaudited and approximate.