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 August 2024.

Authorised by
Marcia Venegas | Company Secretary

2 September 2024

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

MFF advises that its approximate monthly NTA per share as at 30 August 2024 was $4.329 pre-tax ($4.284 as at 30 June 2024), and $3.611 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 $1.9 m for August). The difference between pre-tax and post-tax NTA figures for MFF reflect substantial unrealized gains built up over years with deferred taxes being balance sheet non-current liabilities at the full 30% tax rate.

The figures are cum the increased fully franked final dividend of 7 cents per share declared for the latest six months. The Directors foreshadowed a further increased interim dividend 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).

In August sales were about 2% of portfolio value, with purchases about 0.2%. Our processes focus on Quality/ Value and Price to provide "margins of safety" to increase the probabilities of satisfactory value compounding whilst seeking to avoid permanent capital loss. Prospects for purchase briefly became somewhat more attractive in early August but markets rebounded quickly and MFF reverted to moderate sales in preparation for future opportunities. We are cautious buyers and reluctant sellers as our holdings are overwhelmingly in outstanding businesses which increase in value over time (with profitable growth characteristics that meaningfully outperform average businesses). The "rotation" continued with investors in aggregate ignoring Graham, Munger, Kahneman, Estate Mortgage and past crises and moving towards lower quality businesses, risky jurisdictions, opaque structured products sold via incentives, and yield chasing. Such actions cause the relative/absolute pricing of some major Quality companies to become more attractive, as the flotsam speculations are funded in aggregate from cash, borrowings, or sales of successes. Speculative activity is ramping up in anticipation of central bank reversal of interest rate rises, and direct impacts should be minimized/avoided, but second order and tertiary impacts of combined envy and greed are unknowable in advance. Promoters of financial activity and of private credit had their summers extended as (data dependent) Jackson Hole followed some dubious US labor data revisions causing the Federal Reserve and consensus to accelerate interest rate cut projections. Private credit might now seek to skip stages one and two (from servicing of principal and interest to servicing of interest) for stage three where loan payments require asset sales and/or loan assignments (refer to Minsky) to amplify speculative asset prices.

Businesses and investors that plan to create and retain value over decades are unconcerned about the next few movements in these artificially derived interest rates, unless they cause prices that allow for sensible buying or selling or for improving the longer-term capital structure. During 2022 we argued that the gyrations in the 10-year US Government bond yield were inconsequential in comparison with the bargains available in the highest Quality companies. Similarly, an August 2024 month end 10-year yield of approximately 3.9% should encourage long term investors to focus upon sustainability of competitive advantages and future profitability/cashflows over many years.

Longer term differences between Quality and mediocre were apparent from the half yearly 2024 results and outlook statements issued in August. Many companies reversed optimistic previous growth assumptions with revenue demand pressures from businesses and consumers translating into lower pricing power and a squeeze on some margins. Impacts of CCP policies are being felt widely; for example, promoting capacity in electric vehicles, solar panels and storage, and steel and aluminum provokes tariffs and complaints, whilst repressed confidence and consumption are causing various domestic same store sales to be down by double digits. The US election will increasingly be in market focus, including the impact upon future corporate tax rates and their composition.

We continue to fear that momentum will test us all, as bullish conditions returned after the brief reversal in early August. 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.

All holdings in the portfolio as at 30 August 2024 are shown in the table that follows (shown as percentages of investment assets).

	%		%
Amazon	11.8	United Overseas Bank	1.5
MasterCard	10.6	US Bancorp	1.4
Visa	9.6	United Health Group	1.3
American Express	7.9	Oversea - Chinese Banking	1.2
Bank of America	7.7	Lowe's	0.7
Meta Platforms	7.5	Intercontinental Exchange	0.7
Alphabet Class A	6.8	CVS Health	0.6
Microsoft	6.6	Prosus	0.6
Home Depot	6.5	RB Global	0.3
Alphabet Class C	6.4	Allianz	0.2
Flutter Entertainment	2.6	Schroders	0.1
Lloyds Banking Group	2.1	L'Oreal	*
HCA Healthcare	1.9	JP Morgan Chase	*
CK Hutchison	1.9	Morgan Stanley	*
DBS Group	1.8	** less than 0.1%*	

Net cash shown as a percentage of investment assets was approximately 0.4% as at 30 August 2024. AUD net cash was 6.8% (taxes, other expenses, buybacks and dividends are paid in AUD), USD net debt 0.5% and Euro, GBP, HKD and SGD borrowings totalled approximately 6.0% of investment assets as at 30 August 2024 (all approximate). Although August was another difficult month for Governments in Australia, other countries have many similar challenges with cost-of-living pressures being very real for very many, and socialist/populist anti-business policies are being promoted widely. Australia's lack of scale and 19th century Federation structure descending too often into a race for the bottom on policy and accountability, as well as the economic reliance on CCP policy success, also contribute to some unease about AUD assets and businesses. Key currency rates for AUD as at 30 August 2024 were 0.679 (USD), 0.613 (EUR) and 0.516 (GBP) compared with rates for the previous month which were 0.653 (USD), 0.603 (EUR) and 0.508 (GBP).

Yours faithfully

Chris Mackay
Portfolio Manager

2 September 2024

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

All figures are unaudited and approximate.