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***MFF Capital Investments Limited ('MFF')  
Net Tangible Assets ('NTA') per share for December 2016.***

*Please find enclosed MFF's monthly NTA per share for December 2016.*

***Geoffrey Stirton  
Company Secretary***

*3 January 2017*

**MFF Capital Investments Limited ('MFF')**  
**Net Tangible Assets ('NTA') per share for December 2016**

MFF advises that its approximate monthly NTA per share as at 30 December 2016 was \$2.215 pre-tax, (\$1.914 pre-tax as at 30 June 2016) and \$1.891 after providing for tax (mostly deferred). If all of the remaining MFF 2017 options had been exercised by 30 December 2016, the pre-tax NTA would have been reduced by approximately 15.8 cents per share (and the approximate post tax figure by approximately 11.6 cents per share). The figures are after allowing for costs and provisions including the December 2016 contingent payment of approximately 0.4 cents per share which became payable.

December was another month of modest portfolio activity (about 0.6% of portfolio value in sales and less in purchases). During the month we continued to feel that valuations for our portfolio were broadly satisfactory in prevailing circumstances. Whilst we have not perceived compelling value in advantaged companies for a number of years, and have struggled to find better risk adjusted opportunities than our existing holdings, we have continued not to prefer cash in comparison with our business advantaged, liquid largest holdings.

Overall, our companies are increasing their earnings, and continue the trend of recent years of increasing their dividends and shareholder payments. Some business risks for our credit based financials reduced in December (e.g. early cycle rate rises positively impact their revenue lines), and there are some expectations that recent decades of dramatic increases in regulatory and taxation burdens might reverse somewhat. Key economies appeared to absorb the December 2016 interest rate increase, the US election and problems in Europe and elsewhere. The stronger USD has not yet reversed the relative scarcity of US profit warnings.

Even after considering recent buying, many professional investors (and intermediaries/clients) remain cautious about equity weightings, with uncertainty, valuations and volatility risks remaining prominently conjoined with FUM gathering and career/agency protection in commentaries. Our perception is that, even at year end, the 'investment pendulum' had not swung decisively from capital protection to risk taking either in equity markets or in the broader economies. Even in sectors that should have benefitted from artificially low interest rates, business people have exhibited considerable caution, bureaucracies and regulators have dominated, lending has been restricted and the velocity of money has been declining.

Markets appear not to have reached a period where it is consensus that equity managers are being penalized with outflows because their positioning has been too cautious. Whilst caution is prudent and the future is always uncertain, many of the numerous valid risk factors (for markets overall) require a series of events and are not immediate or near term. For example, many recent discussions of inflation, deflation, interest rates and discount factors appear to extrapolate single or few variables (and not other possibly offsetting factors) combined with anecdote and selectivity. These possibilities are considered against the most probable near term trends towards increased earnings from our portfolio companies and continued momentum for ETF/index investments.

Regulatory burdens and complexity are real imposts upon activity, with emaciated IPO activity in the US a direct consequence of legislative and regulatory overreach. Principals behind thousands of successful US and international tech and medical companies have delayed listings, and there are few benefits for their existing shareholders in operating in lower disclosure transparency unlisted markets, and significant negatives for the wider economies.

We continue to expect that our portfolio activity will increase from the very low levels of recent years. We also continue to expect that the proportion of global multinationals and non US domiciled holdings will increase in due course. However relative inactivity has remained sensible, and our balance sheet and other factors mean that we are not under external pressure to buy or sell portfolio holdings.

Currencies benefitted MFF's NTA in the month. However, currencies obviously remain unpredictable, and any positive market movements should not be extrapolated. Our positioning has remained relatively constant with a large unhedged positive USD focus. This is only very partially offset by the increased level of USD borrowings. Although the key underlying factors we have highlighted over recent years continue (e.g. December releases showing Australia's weakened Government and external debt positions), the USD strength/AUD weakness in recent months reduces the remaining upside from our positioning and increases the risks of reversals in 2017.

Holdings as at 30 December 2016 with market values of 1% or more of the portfolio are shown in the table below (shown as percentages of investment assets). Recent movements in the order of holdings in the portfolio mostly reflect higher prices for the credit based financials which ceased being out of favour.

Holding	%
Visa	11.1
Bank of America	10.5
Home Depot	10.1
MasterCard	9.6
Lowe's	9.4
Wells Fargo	9.4
HCA Holdings	6.7
US Bancorp	5.8

Holding	%
JP Morgan Chase	4.6
CVS Health	4.1
Lloyds Banking Group	3.3
BlackRock	3.1
S&P Global	2.5
Bank of New York Mellon	2.4
Microsoft	2.2
State Street	1.3

Net debt as a percentage of investment assets was approximately 8.7% as at 30 December 2016. USD net debt was 7.0%, AUD net debt 0.8% and other currency borrowing exposures 0.9% of investment assets as at 30 December 2016 (all approximate). Key currency rates for AUD as at 30 December 2016 were 0.7241 (USD), 0.6865 (EUR) and 0.5860 (GBP) compared with rates for the previous month which were 0.7389 (USD), 0.6965 (EUR) and 0.5914 (GBP).

Yours faithfully,



Chris Mackay  
Portfolio Manager

3 January 2017

<sup>1</sup> Net tax liabilities are tax liabilities less tax assets, and are partially in respect of realised gains.  
All figures are unaudited and approximate.