



**MFF**

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***MFF Capital Investments Limited ('MFF')***  
***Net Tangible Assets ('NTA') per share for October 2019***

*Please find enclosed MFF's monthly NTA per share for October 2019.*

**Marcia Venegas**  
**Company Secretary**

1 November 2019



## **MFF Capital Investments Limited ('MFF') Net Tangible Assets ('NTA') per share for October 2019**

MFF advises that its approximate monthly NTA per share as at Thursday 31 October 2019 was \$3.505 pre-tax (\$3.225 as at 30 June 2019), and \$2.863 after providing for tax<sup>1</sup>. Figures are ex dividend (2 cents per share fully franked payable in November). During the month we paid an additional regular monthly company income tax instalment of \$1.6m. Tax payments are MFF's largest expense and reduce pre-tax NTA.

We again had limited market activity in the month, with sales and purchases each being less than 1% of investment assets. The rationale, processes and portfolio construction for maintaining our significant exposures to business/equity risks, are little changed from the explanations provided in recent years and months. We would have been far better served in 2019 to have been more active buyers, as, month by month, savers have been forced into equity markets and higher yielding investments. However as noted at the AGM we have added only one small holding this financial year, as it was perceived to be somewhat out of favour and less expensive.

The portfolio continues to be focussed upon advantaged companies perceived to have reasonable prospects for profitable growth. Overall, in October, our companies reported satisfactory or better September quarter business updates and results. More broadly, corporate results were positive for equity markets in the month with many being characterised as 'not as bad as feared' or 'better than [diminished] expectations'.

Looking back, ongoing consumer strength outweighed corporate caution. Looking forward, data remain ambiguous as do corporate statements of investment intention. Multiplier effects operate across equity market cycles and detach markets and return expectations from full cycle probabilities. Overearning, complacency, overconfidence, risk taking, share buybacks and vulnerability to promoters rise with rising markets. Deferred down cycles are not eliminated or ameliorated, as consequences of central bank interventions build. Momentum may also build until rocky conditions predominate.

Although markets were positive about results and continue to be buoyed by extremely accommodative monetary policy and increasingly accommodative fiscal policies, by month end some focus returned to political risks. Increased government intervention, price controls and socialist/nationalist policies appear to be base cases in many jurisdictions, well beyond mainland Europe. If interest rates remain lower for longer (as broadly expected), arguably the minimum requirement for an equity market euphoria phase is reduced political uncertainty. Market rejection of some heavily promoted so called tech businesses subject to vigorous competition is favourable for equity market supply/demand, as is market ignorance of risks of so called long term investment in heavily promoted yield and equity pooled schemes and index products (at least for the current market phase). We continue to have far lower return expectations.

Net debt as a percentage of investment assets was approximately 1.0% as at 31 October 2019. AUD net cash was 3.2% (taxes, other expenses and dividends are paid in AUD), GBP net debt 0.8%, USD net debt 3.4% and other currency borrowing/cash exposures were below 1% of investment assets as at 31 October 2019 (all approximate). Key currency rates for AUD as at 31 October 2019 were 0.689 (USD), 0.618 (EUR) and 0.532 (GBP) compared with rates for the previous month which were 0.674 (USD), 0.619 (EUR) and 0.547 (GBP).

Yours faithfully,



Chris Mackay  
Portfolio Manager

1 November 2019

<sup>1</sup> Net tax liabilities are current tax liabilities and deferred tax liabilities, less tax assets.

All figures are unaudited and approximate.

**Important note**

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