Chairman’s Address
MFF Capital Investments Limited 2024 Annual General Meeting
Wednesday, 2 October 2024

Ladies and Gentlemen

Welcome to the 2024 Annual General Meeting of MFF Capital Investments Limited. I enjoy the opportunity to meet shareholders in person at our AGM and welcome your comments and questions. I also welcome those shareholders who join us today by teleconference. As in previous years, our prepared remarks respond to some of the questions received in advance, rather than waiting for the Q+A section.

MFF completed the 2024 financial year in a very strong financial position, with an excellent portfolio of companies, declared and paid increased fully franked ordinary dividends during the year and foreshadowed a further increase. Two years ago, markets around the world were very challenged with inflation and interest rate rises dominating and testing the resilience of MFF, our portfolio and the businesses in which we are invested. We felt that there were opportunities, and these are now reflected in significant mark to market gains.

However, we are cautious about elevated investor expectations, not least because of much higher overall equity market prices.

Investment Objectives and Philosophy

Each year before detailing the outcomes of the financial year, we consider it appropriate to restate that MFF's long-standing investment objectives are to maximise compound, risk-adjusted after-tax returns for its shareholders and to minimise the risk of permanent capital loss. The investment process requires sensible allocation of capital and patience from the portfolio manager and shareholders, for the full benefit of compounding.

MFF also seeks to pay a regular six-monthly fully franked dividend out of its considerable retained profits and franking credits. The core investment philosophy underpinning these objectives is built on taking a medium to long-term view focusing on outstanding companies that are considered to be trading below their intrinsic value. Portfolio activity in financial year 2024 has again been consistent with these objectives, investment philosophy and process. MFF's holdings continue to be concentrated in businesses with very strong market positions and high market liquidity.

Financial Results, Markets and Portfolio Overview

The Company's profit or loss starts each new financial year at zero, based off the market values at the end of the previous financial year. Therefore, significant fluctuations in reported year-to-year results are to be expected. The net profit before income tax was $639.1 million (last year $462.2 million). MFF's net profit after tax was approximately 26.5% of MFF's Net Assets as of the start of the financial year on 1 July 2023. As is required by accounting standards, the Company uses "mark to market" accounting for both investments and foreign exchange and the net profit for the financial year principally reflects the positive movements in the unrealised market value of MFF's investments in the financial year.

The Company's balance sheet and financial flexibility remain strong. At year end, MFF's $2,071.0 million of total equity comprised retained profits and profits reserve of $1,364.1 million and contributed equity of $707.0 million. Investments at market value were $2,556.2 million. The deferred tax liability was approximately $390.3 million (this relates to unrealised portfolio gains). Borrowings less cash and cash equivalents were $73.7 million (reduced from $330.2 million at the previous year end). The portfolio remains concentrated in companies with large volumes of daily trading relative to MFF's holdings (in other words, almost all MFF's portfolio holdings are very liquid, or capable of being converted rapidly to cash if necessary).

During the year, MFF paid cash dividends of approximately $46.0 million (net of dividend reinvestment/bonus share plan elections of approximately $17.5 million) and cash tax payments of approximately $60.0 million.

The Board is positive about the overall composition of the portfolio. MFF's risk standards and investment processes continue to be well maintained. Ultimately, the quality of the portfolio, the success of our portfolio companies' businesses, and the astuteness or otherwise of portfolio purchase and sale decisions will be reflected in future mark to market figures.

MFF's Managing Director and Portfolio Manager, Chris Mackay, will shortly provide details on the portfolio, market risks and opportunities, other risks and longer-term positioning towards 2035.

Dividends and Capital Position

The Company's financial position underpins the fully franked final dividend of 7 cents per ordinary share, compared with a fully franked final dividend of 5 cents per ordinary share last year. This year's final dividend will be paid on 1 November 2024, with the Dividend Reinvestment Plan and the Bonus Share Plan to operate (each at zero discount). During the year the Company paid fully franked dividends in both November 2023 and May 2024 totaling 11 cents per ordinary share.

In recent years, MFF has regularly increased its fully franked dividends. In addition to the increased final dividend, Directors have confirmed that they intend to increase the rate of the six-monthly dividend to 8 cents per ordinary share with the next interim results (expected to be announced towards the end of January 2025). The Board also intends to continue the operation of the Dividend Reinvestment Plan and the Bonus Share Plan (each at zero discount).

MFF expects dividends to continue to be fully franked, in the absence of legislative or similar changes. As of 30 June 2024, available franking credits for the final dividend and future dividends were approximately $146.8 million (approximately 25.3 cents per ordinary share). Of course, in each case, dividends are subject to corporate, legal, taxation and regulatory considerations at the time.

In addition to dividend policy, the Board regularly reviews capital management as part of overall capital allocation, with many considerations including market prices and conditions for equity and debt (for MFF and generally), and trading in MFF shares. The Board intends to maintain its prudent approach to MFF's balance sheet, risk management and capital management policies; consistent with maintaining the Company's capacity to pay future dividends in accordance with its dividend policy. The Board considers that MFF's retained funds have been put to good use with strong long-term returns which have built the Company's capital base and enabled MFF to pay an increased stream of fully franked dividends. Investments in the portfolio continue to be focused upon quality companies, some of which have appreciated materially from MFF's cost prices (hence the sizable, deferred tax liability included in MFF's financial statements).

The Company remains small from the perspective of both its cost base and investment universe. MFF has access to debt markets (which remain favourable) and borrowing within MFF's risk controls has been disciplined, and beneficial in past market downturns. The Board has maintained the limit on borrowing at 20% of assets (at the time of borrowing). MFF has liquid investments and retains flexibility to fund further investments from the sale of existing investments (subject to paying taxes on gains) and to access additional equity capacity if required. The Company introduced an on-market share buy-back in January 2023 and since then MFF has bought back and cancelled approximately 16 million ordinary MFF shares at a cost of approximately $43.1 million. Directors consider that the buy-back has been value accretive for remaining shareholders.

Capital Structure

MFF has previously communicated its hopes to identify large holding(s) in one or more competitively advantaged, strongly cash generative businesses that might provide MFF with meaningful flows of income where the Company would have control over the allocation. Notwithstanding that our processes involve extreme patience in most sectors, market prices for control currently remain unfavourable in contrast to the benefits of MFF's existing portfolio. Importantly, these benefits include MFF’s liquidity attributes which enabled us to purchase high quality portfolio holdings at more attractive levels as opportunities arose during periods in almost every recent financial year. Simply put, MFF's investment approach remains focused and disciplined and the investment portfolio is well-positioned.

Our patient and disciplined approach has succeeded in building MFF’s net assets from $412.4 million in 2013 when MFF became a regular internally managed company, and we can now act from a position of strength to enhance further

MFF’s immediate and longer-term positions. Today we announce our intention to acquire Montaka Global Investors to add to and strengthen MFF’s research focus and capabilities. Montaka Global is a global fund manager with offices in New York and Sydney managing approximately $280 million across three main funds (including two exchange traded funds which are tradeable on Australian exchanges under the stock symbols MOGL and MKAX). MFF expects to acquire the main Montaka Global businesses for a nominal consideration on an effectively debt free basis, with completion targeted for the first quarter of 2025.

By way of background, in recent years Montaka Global’s fund investments have focused successfully on long term research led portfolios. This approach is consistent with MFF’s approach, including MFF’s longer term goal of achieving satisfactory shareholder results in the period to 2035. Under MFF’s ownership, Montaka Global will be resourced and able to add to its successful research driven approach and continue to focus on achieving long-term results for unitholders in the funds that it manages. The MFF Board believes that MFF will benefit from access to the strengthened research focus and capabilities. Montaka Global and its portfolios will operate independently of MFF, which will continue to be managed by its existing portfolio manager.,

Expenses

The Board monitors costs closely and costs are at an extremely low level for a Company with $2.6 billion of assets and over $2 billion of net assets. Over the years, MFF's main expense has been corporate tax as was the case again in the 2024 financial year with MFF's cash tax paid of $60 million compared with total expenses (excluding tax and interest) of only $4.2 million. Corporate tax will continue to fluctuate year to year, principally based on profitable sales from the portfolio. Overall, our other expenses were reduced from the previous year except for a moderate increase in interest charges with increased interest rates and increased average debt levels prior to the reductions by financial year end and afterwards.

Information

MFF continues to provide regular, very high levels of transparency about the Company, its portfolio, decisions made, prospects and risks, in addition to detailed statutory information, so that investors can make informed decisions about their investments. We release detailed figures each week including pre and post-tax net tangible assets per share, updates in relation to the portfolio holdings, as well as extensive monthly commentaries.

We welcome the questions we have received during the year and those specifically for the meeting, including for the Q+A.

General

As noted in prior years, I am pleased to report that the Magellan teams supporting MFF are very professional and of great support in many areas. We have clear access to these teams, Magellan’s senior management and MFF’s independent external auditors.

The alignment of MFF management with MFF’s Directors continues to be very strong, and the Company does not incur any outlay on Board or Executive bonuses or share or option plans.

The MFF Board remains focused and disciplined on positioning MFF for strong shareholder returns over the long term. I thank my fellow directors for their wise counsel during the year.

I now invite Chris Mackay to make some remarks and we look forward to your questions.

Annabelle Chaplain

Chairman

MFF Capital Investments Limited

Comments from Chris Mackay

Managing Director and Portfolio Manager

MFF Capital Investments Limited 2024 Annual General Meeting

Wednesday, 2 October 2024

Thank you Annabelle. Welcome shareholders.

Introduction

We have just heard from Annabelle that MFF Capital has been very profitable and comprises equity interests in outstanding businesses with very favourable prospects. Our balance sheet has many hundreds of millions of replenished unused capacity and our tested methodologies give us advantages for the future. Great, but life is lived forward. Opportunity costs may involve processes and systems that are focused, repeatable but adaptive, solid compounding foundations to be improved but not risked, calm patience but occasional active intensity anticipating risks and opportunities, together avoiding relaxed satisfaction, complacency which accompanies failure after initial success.

Broad context is that businesses, governments and economies are complex adaptive systems which involve multiple variables working in multiple directions that disprove theories of sustained equilibria and the world becomes more challenging. For 4 decades markets have ridden a sustained wave that boomers self attribute (if anyone listens), but today the next generations must work three jobs to meet costs of living at fractions of boomer consumption, all the while advancing digital and other technologies globally, at an accelerating pace, to disrupt businesses large and small, hoping that modern ambitions (sometimes cloaked in ancient quarrels) do not cause irreparable damage.

For MFF, Price matters, and business Quality matters. We seek attractive Value when we purchase, above average sustainable profitable growth when we own and disciplined assessments of values including Opportunity Costs when we sell. We make a few major decisions, and periodically act in size, possibly contrary to prevailing opinion with duration on our side, we target margins of safety and objectively attractive probabilities for success.

We expect opportunities from cycles and negative events. We want the strongest, best companies for the future. It is rational to expect that the current "everything rally" will reverse, that market cycles will turn, that Government fiscal ill discipline and tariffs correlate over time with higher inflation and interest rates, and as Governments expand with plenty of gas to fill all space, taxes, charges, levies, tolls, user pays fees, regulations and ideology will expand. Financial repression is a favourite of Governments with debt burdens and their central bankers, and cash is unlikely to be a satisfactory store of value after inflation and taxes.

Montaka Global will have MFF's same complete flexibility to invest where Price/Value and Quality are best, with objective independence. Their focus on returns for their unitholders is paramount and they will have plenty of opportunities to allocate capital to businesses with high probabilities of generating present value future cashflows well in excess of market prices. If they become excellent and sustain excellence, they will well serve unitholders, become a wonderful partner for advisers and investors, attract well deserved attention, and MFF will benefit. Successful Montaka will attract and develop wonderful talent for decades, an employer for careers of choice. MFF's future success requires diverse input, the best talent, ideas and application; this has underpinned our past and is mandatory for the future.

MFF's Investment Environment

Risk and Opportunity are never far apart. It would be more comfortable but imprudent to talk only of the Federal Reserve cutting interest rates, of China's belated stimulus multiplying around the globe, of Goldilocks, of the owners of capital riding sustained increases in record market prices for most asset classes plus better interest rates on their bonds than they have had for decades.

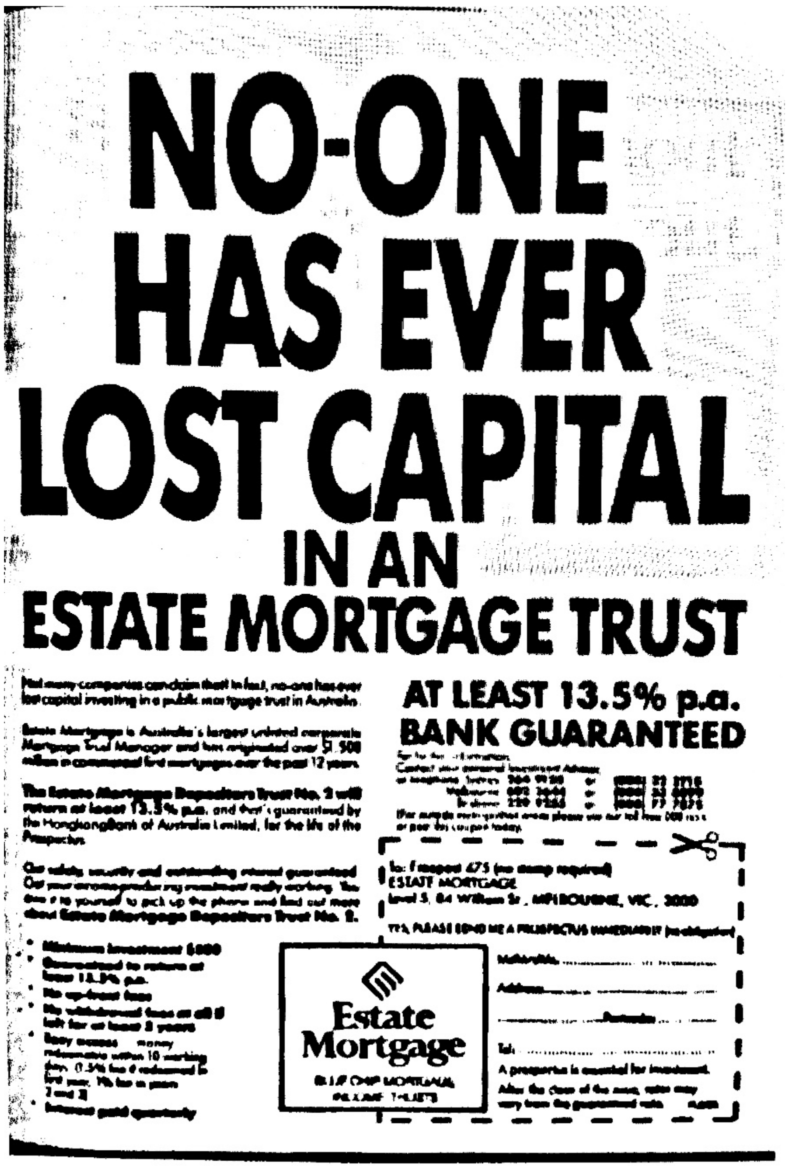
Most importantly and before we get distracted by risks or anything else, now is the time of greatest opportunity for many, including calm rational knowledge seeking investors. A few decades ago, it was impossible to access knowledge easily. Now, in an instant, we can go back centuries to first principles. Steve Jobs famously studied Aristotle and wished to know what Aristotle might have thought about digital technologies' ability now to deliver the knowledge and learnings of modern geniuses as well as centuries of cumulative knowledge. In business we have at our fingertips the combined experience of thousands of failures and successes, the track records of the greatest entrepreneurs, capitalists and investors.

Concurrently, in markets, opportunity has the huge advantage that the Index has conquered the world; it has been perverted even beyond what Jack Bogle feared and market players today require immediacy of reward and validation of opinion. Many trillions of dollars are misapplied on the basis of 140 "characters" of false opinion, predictions of short-term unknowables, trumped up cats and dogs of narrow ETFs, record single day Option and meme trading, agency fallacy idiocy that higher prices for illiquidity or opaque black box lock-ups better protect capital, and where active decisions are handed to index providers, provided that they are labelled passive and fee takers take but don't think to question. Beliefs are embedded into marketing, and huge incentives and institutional imperatives retard prospects of change; they reinforce the narratives and nothing exceeds like success.

Bertrand Russell decided that most people fear thought as they fear nothing else on earth. This applies to 2024 markets despite the massive advantages of technology which should unlock curiosity. MFF's opportunities are better and our risks of permanent capital loss smaller when most do not seek to question and understand the WHY of principles and processes, the how of business operations and valuations and refuse to accept ambiguity, to challenge shortcuts, the beliefs and truisms of appearance.

Contrary to today's noise, and despite the Intelligent Investor being first published 75 years ago, successes in markets continue to include sensible rationalists, to outsiders willing to use old-fashioned patience and focused analysis, now aided by vast tools of new technology. History Rhymes.

Why the Giraffe? Why the advertisements from Australia's leading mortgage trust from before Australia's last real recession, before many were born [the Prime Minister's recession we had to have to avoid becoming a banana republic], before Victoria almost was bankrupted, unions marched in the street and their beloved VFL was first won by a non-Victorian team and Royal Commissions were held into economic collapse and mismanagement.



In Australia in the early 1990s it was not about equity speculation as euphoria had not returned after the heavily borrowed paper entrepreneurs evaporated with the 1987 market crash aftermath. Early 1990s risks were disguised by the success of yield chasers which encouraged greed and envy and of course fraud and total devastation.

In the 2020s the 'everything' rally amazes, with direct and second order risk effects building over time. Yield chasing has become rampant with myriad promotions providing everyone with extra percentages and basis points, except in Omaha where US treasuries are rolled over month after month. As many companies report reduced revenues, profits and forecasts, their share prices gloriously uncouple from the drudgery, whilst cost of living pressures bite hardest on non-asset owners. Anti-business, anti-growth regulations, decisions, commissions and enquiries, fines, taxes and tariffs are becoming more popular as many voters favour populists and socialists, rejecting responsible, prudent societal growth policies.

However, unlike the early 1990s there are massive booms going on in all things digital and in financialisation. Massive efficiency benefits of the internet, mobile data and communication and digitization is followed by general artificial intelligence. The profits of digital businesses and networks have exploded, and equities have followed as have alternative investments. Real technology benefits accrue to some businesses on revenue and to more on costs. Alphabet technologists already use AI with leading health insurance companies to cut half hour human tasks to mere seconds for each of many thousands of claims. Of course, euphoria loves technological success and breakthroughs to amplify rather than replace market economic cycles. Alphabet's Google easily finds credible research that a small minority of equities represent total sustained above inflation returns over decades and very few animals sustain the heights of giraffes.

Fundamental principle: MFF Business Investor

A fundamental principle is that MFF is a business investor, investing in a portfolio comprising a small number of advantaged businesses. Portfolio companies' business successes primarily determine MFF's success. Over time, compound increasing cash flows and strong returns on capital prevail, even as interest rates are higher for longer. In addition, markets will continue to provide opportunities and risk management benefits for MFF.

We have two related businesses. Value (acquisitions at attractive prices) and Quality (compounding growth) underpin the portfolio's medium to longer term analytical focus. We expect our portfolio of advantaged businesses to compound over the long term. We also have a value orientation, and it is the market's gift to give. As new opportunities (and risks) appear, over and over, as they have done for decades. We have scale, systems, and advantages of process and patience for both businesses. Results from retention of the long term quality portfolio provide balance sheet strength, upon which MFF seeks to improve upon through periodic activity. Many market players who want to get rich want it to happen quickly; agents and many others don't handle volatility and become sellers when the markets are most attractive for buyers.

We sometimes benefit when markets are irrational. In early August the Japanese equity markets fell more in a short period than they had in over 30 years: 20% in less than 2 days. Other markets collapsed in sympathy. We dropped everything, assessed causes and anticipated effects, and swapped our steady selling for some buying. The rebound happened within days which was not to our favour as we are investors who can hold high quality businesses for decades.

Despite equity markets generally being high by historical standards and volatility modest over recent years we have found a few opportunities where high-quality companies within our focus areas have been underpriced. Even very large companies have periodically been materially underpriced, sometimes because of disillusioned, panicked forced sellers. Although these recent opportunities have been okay, huge, low risk, high probability massive margin of safety opportunities are rare, and we have not seen them recently. Our process is to be prepared but, in the meantime, to earn from more usual, more moderate mismatches and from compounding gains from high quality businesses we hold.

MFF's portfolio companies remain advantaged with excellent returns on invested capital. They are extremely profitable, and cash generative; some of our companies report real, cash profits after tax of US$1 billion or more, per week. We believe they have sustainable advantages and strong prospects for above average profitable growth over the medium term. The portfolio companies are well placed to weather inflation and deflation, and increasingly adverse rules, regulations and taxes. A quality portfolio means that MFF is never under pressure to act; patient accumulation and long-term retention of a portfolio of outstanding companies should compound to at least satisfactory results.

A very small number of advantaged companies with scale advantages and innovation are growing their advantages with compounded results without meaningful disruptions, most observably in recent years alongside digitisation and globalisation. This anomaly continued in 2024; it bears careful analysis and has wide ranging potential implications. It is contrary to observable disadvantages of scale past tipping points across organizational structures and histories.

Currently it is fashionable to rebalance towards lesser quality businesses and demonstrably less attractive market jurisdictions as most market participants chase short term rewards and overweight lower probabilities with perceived higher potential payoffs, but history indicates lower aggregate results. Better to instead read Benjamin Graham's warnings about lower quality and late cycles.

US technology, entrepreneurialism, innovation, capital markets, separation of powers including 50 states continue to lead more ideological parochial markets with inferior companies and governance standards, and a few mostly overpriced global champions (which must be bought by home biased domestic pension funds and not compared with the full menu of choices available), even with current serious stresses upon US democracy. We also move our global capital to places such as Singapore which scores highly on many measures.

In assessing risks, the primary focus is upon individual companies and industries within the context of the portfolio. If we were required to invest directly in so-called emerging markets so-called macro considerations would loom larger than simply saying No thank you. Many will have seen the charts for share price returns for the greatest emerging market which net out to about zero over 20 years. Specificity also applies to opportunities; for example, markets underestimating the potential for profitable growth for a small number of extraordinary companies which can comprise significant holdings in the portfolio.

Broader risk assessments currently include high levels of Government and consumer debts (with unconstrained, unfunded election promises currently not dissuaded by the recent UK Truss crisis), geopolitical issues, ageing demographics, immigration, competing deflationary and inflationary pressures, which mean that margins of safety (or margins of error) should be wider than in recent decades of digitization and globalization benefits plus low inflation and interest rates. Wider margins of safety apply in capital allocations, in considering (and stress testing) possible future levels of inflation and interest rates, and hence sensible asset values, as well as investment, productivity, consumption and other underpinnings of economic activity.

For those interested in the very short term and overall markets, our views are of limited value. It is best to ignore much of the Noise that derogates from core fundamental processes and risk controls must consider alternatives. Less time is wasted if we do not predict but focus upon understanding businesses, their cycles and current details in comparison with market prices. Best bargains are when outlooks are bleakest.

Market noise includes short termism and polished historical results. For at least a decade MFF has published every holding that we have held at any time in any year, and success and failures are completely visible. In the accounts each half year, the Board includes a medium-term unpolished data table, notwithstanding that interested shareholders always had all the information in previous reports.

Whilst focused on the goals of compounding capital and seeking to avoid permanent capital loss, it is evident from the table that over the last eight years to 30 June 2024, MFF has declared fully franked dividends of $395.4 million, paid income tax of $302.0 million and bought back and cancelled $43.1 million MFF shares. MFF also managed capital growth over this period, with net profits of $1,460.2 million after (30%) income tax on unrealised gains as well as realised profits, starting from net assets of $786.4 million.

Period Ended[1]	Net Profit/ (Loss) After Income Tax $'m	Opening Statutory Net Assets $'m	After Tax "Performance Indicator" %[2]	Share Buy-back m	Dividends Declared $'m[3]	Dividend Yield Indicator %[4]	Cash Tax Paid $'m	Closing Franking Account $'m	Expenses Excluding Income Tax and Interest $'m[5]	Expenses Indicator %[6]
30 Jun 2017	158.8	786.4	20.2	-	10.0	1.3	3.9	1.3	9.4	1.2
30 Jun 2018	240.0	953.1	25.2	-	16.2	1.7	18.0	11.0	7.0	0.7
30 Jun 2019	218.6	1,238.2	17.7	-	19.0	1.5	41.6	45.6	7.0	0.6
30 Jun 2020	25.1	1,443.6	1.7	-	139.0	9.6	129.4	118.0	8.0	0.6
30 Jun 2021	217.5	1,361.9	16.0	-	37.2	2.7	3.4	106.9	6.9	0.5
30 Jun 2022	(170.8)	1,593.6	(10.7)	-	43.8	2.7	14.6	104.1	7.0	0.4
30 Jun 2023	323.6	1,424.9	22.7	25.6	55.0	3.9	31.1	114.0	5.6	0.4
30 Jun 2024	447.4	1,687.3	26.5	17.5[7]	75.2[8]	4.5	60.0	146.8	4.2	0.2
	1,460.2			43.1	395.4		302.0		55.1	

[1] Figures are rounded, approximate and not audited.
[2] Net Profit/(Loss) After Income Tax Expense divided by Opening Statutory Net Assets.
[3] At declaration date, dividends include DRP/BSP. All dividends fully franked except 2017 interim (1 cent per share franked to 85%).
[4] Dividends Declared divided by Opening Statutory Net Assets.
[5] MFF was not required to pay performance fees to Magellan from 31 December 2019. MFF also does not pay cash or other incentives or grant any stock awards to staff or board members.
[6] Expenses (excluding Income tax and Interest) divided by Opening Statutory Net Assets.
[7] During the period ended 30 June 2024, the Company purchased on-market, and cancelled, 5,981,990 shares, at a total cost of $17,495,000 (refer Note 8 to the Financials Statements).
[8] The amount of the proposed final 2024 dividend is based on the number of shares on issue at 30 June 2024.

Current portfolio

This brings us to the current portfolio. On the screen we are showing the holdings in MFF's portfolio at 30 September 2024 (shown at market values as percentages of investment assets).

All holdings in the portfolio as at 30 September 2024

	%[1]		%[1]
Amazon	11.8	United Overseas Bank	1.5
MasterCard	10.5	US Bancorp	1.3
Visa	9.3	Oversea - Chinese Banking	1.3
American Express	8.0	United Health Group	1.1
Meta Platforms	7.9	CVS Health	0.8
Bank of America	7.2	Prosus	0.7
Home Depot	6.9	Lowe's	0.7
Microsoft	6.8	Intercontinental Exchange	0.5
Alphabet Class A	6.6	RB Global	0.2
Alphabet Class C	6.2	Allianz	0.2
Flutter Entertainment	2.7	Schroders	0.1
Lloyds Banking Group	2.1	L'Oreal	*
CK Hutchison	1.9	JP Morgan Chase	*
DBS Group	1.8	Morgan Stanley	*
HCA Healthcare	1.8	** less than 0.1%*	

[1]Shown as percentages of investment assets.

Whilst we remain very confident about the prospects for their extraordinary businesses, we have calmly worked down Visa and MasterCard such that neither is the largest holding, and they each reached the 10% level discussed in previous years. Alphabet has numerous ongoing growth businesses, with YouTube, being measured by some as the most watched television system, whilst its talent acquisition costs are low and costs for its many digital uploaders getting less expensive with generative AI and other digital technologies.

Obviously many of the portfolio companies are at the forefront of digital technologies; but many underestimate the technology and data advantages accruing to many of our non technology businesses. Networks, scale, focus and expertise have helped develop vital and profitable adjacencies including in data and security. Previous extensive comments about the competitive advantages of the portfolio companies will not be repeated. Some of the positive characteristics that were noted at the 2022 AGM have been reinforced and extended in many cases (these remarks are included as an Annexure to this address). It is delightful when outstanding management has operational excellence combined with outstanding capital allocation, particularly in businesses with sustainable structural advantages.

We have moved to a small net cash position since fiscal year end, primarily in response to risk management and opportunity costs arising from differential price movements (rather than any notable changes in underlying businesses). The opportunity cost of cash becomes more attractive if falling yields entice others into value unaware asset chasing. Of course, for MFF our completely liquid portfolio has very similar optionality as cash (which may allow a much higher percentage to be invested than for an illiquid portfolio requiring financing).

MFF's outstanding Quality portfolio remained the primary focus for the year and happened to coincide with upwards short-term market movements for fiscal 2024. We continued to see a few sensible Value opportunities, particularly in out of favour sectors. MFF seeks to maintain its discipline in holding excellent businesses with continuing profitable growth prospects and sensible risk/reward trade-offs. We want future winners, and this likely includes current winners with ongoing opportunities for profitable growth.

We expect lower overall returns from the higher starting point of today's markets, possibly much lower. A few years ago, in the context of discussing our Amazon purchases, we noted lowered general market return expectations of 6% or so compared with historical returns of about 8% or above across most periods. The subsequent market corrections and out of favour sectors enabled our higher minimum return thresholds to be met, and a few satisfactory opportunities have continued even in recent months.

Not long ago, in 2022, markets were adverse, and investors were nervous. Frankly, our positive market perspectives and focus upon opportunities were not accepted by most. Negative short-term earnings revisions and sharply reversing momentum provoked selling by institutional investors, and falling prices encouraged further selling. Elite consensus was that recessions were imminent as interest rates rose. Whilst panic and fear were building, we utilised as much of our balance sheet as was prudent. Agency risks encouraged professional investors to act in the short-term, to protect their jobs as prices of shares and bonds fell in tandem.

In markets investing, sustained success usually involves improving probabilities through systems and processes, guided by core principles such as market prices being there for opportunities not as primary guides about business values over the medium term. In Q4 of calendar 2022 we attempted to look towards the medium and longer term. "Amongst the negative emotion is the absolute key message – We seek advantages that compound – which underpins our positive outlook and is not stubborn contrarianism. This year we have bought tomorrow's compounding dollars at much lower prices than yesterday's nominal prices. The expected lifetime value of our portfolio of businesses is enormous, with cash generation expected to grow materially over time, with compounding benefits, irrespective of whether market prices in upcoming months go up or down depending on the sentiments of the day".

Whilst many of the hugely advantaged companies to which we increased our exposures in 2022 will continue to deliver excellent returns if their businesses continue compounding, we are not in line again for huge bounces off the bottom. Investors and speculators chasing extrapolations are aided in the short term by momentum and more buyers are paying far more based on objective measures of value than the fewer buying very decent but out of favour businesses. As usual, we should be wary of touting any business that we own or have owned but can cover some strengths and weaknesses for individual companies in response to specific questions.

As at 30 June 2024, the largest unrealized "market" loss for MFF was slightly below 0.4% of portfolio value (well below 0.4% if adjusted for dividends received); 3 holdings were below AUD cost; total unrealised losses were below 1%; and 5 holdings were below cost in underlying currencies (ignoring not insignificant dividends received and meaningful realised profits on previously larger holdings). Notwithstanding last year's cautious comments, this likley reflects appropriate portfolio management in those markets.

A key question is what happens when we are wrong? Bad analysis must be corrected by constant review and objective assessment. We have no excuses not to act. MFF's portfolio is extremely liquid as it is invested in securities that have very high levels of daily trading in comparison with our holdings. Large or small parts of the portfolio can rapidly be converted to cash if it is in MFF shareholders' interests, after paying significant levels of tax on currently unrealized portfolio gains.

For MFF, portfolio turnover has been relatively low and has been driven by opportunity costs. Our broad categories of portfolio activity currently are related to 1. risk management, for example significant changes in factors influencing businesses 2. improvements to the quality and/or value of the portfolio or 3. transforming some holdings to liquidity to allow for future buying opportunities and/or the funding of dividends, the buy-back, and taxes and other expenses.

Counterintuitively, very often investors can buy higher quality companies at discounts to prices paid for illiquid, inferior businesses and other assets i.e. a discount for liquidity. Looking forward, there are even greater dangers in chasing and holding illiquid assets and most likely risk assessments should become even more important as private credit and similar gain in size (for MFF possible second order and tertiary impacts may be relevant).

Unashamedly we are looking forward, although current market appearances of "easy" wins may eventually get swamped by euphoria, envy, crowding and greed as margins of safety disappear. In current circumstances some fear of loss remains but euphoria has increased for asset owners.

For businesses, we maintain our inherent caution about the sustainability of competitive advantages; consider the leading apparel company and a leading cosmetics company noted in the latest monthly release. We continue to believe that sustainable secular growth will be far more unusual and more valuable over the next decade, as competition continues to ramp up and post the Bubble unwinds and central bank actions. Hence, we continue to hunt for opportunities and compare them with existing holdings. We are very grateful for the deep and valuable research insights we received last year, as short-term noise levels rose in most places. In the future they may well also help deliver more advantaged companies with long runways of advantaged profitable growth, including some smaller companies.

The Montaka Global team's deep research was the primary source of very valuable (but zero cost) external insights referenced by MFF at recent AGMs, and contributed meaningfully to MFF's strong profitability in 2023 and 2024. Assuming completion of the intended purchase by MFF, we are confident that Montaka Global will maintain and enhance its research and portfolio disciplines and increase probabilities of achieving very satisfactory results for its unitholders particularly over time. MFF is very focused on successful long term capital allocation over the period to 2035, and we expect that success for Montaka Global unitholders will increase the probabilities of success for MFF. Montaka Global has been very successful in many aspects of investing and within its portfolio, large holdings it identified, such as Spotify Salesforce KKR and Blackstone, clearly would have benefitted MFF if we had acted.

A few general portfolio comments

We continue to favour businesses with sustainable advantages and asset light, low stay in business capital expenditure, low working capital but high returns on capital models. We prefer those businesses, even in times of inflation, compared with so-called traditional inflation hedges which are bid up by speculators but lack their income, returns on capital and asset turns. Over time, investments in absolute premium businesses are materially better than holding cash and bonds or weaker businesses, particularly in extended inflationary periods. The extremely cash generative nature of the digital network winning businesses underpins their strength over time even as the capital intensive generative artificial intelligence levels fluctuate. All risks are more pronounced in the context of increasingly urgent anti-business, anti-growth interventions, controls and taxation which are being imposed to reshape societies in ways that were unthinkable in past decades. Many of the anti-business initiatives are anti-successful businesses and impact MFF's portfolio companies. Geo-political risks are also rising, affecting all.

Many had been looking for how the pandemic and related events have fundamentally changed future economic activities and outlooks; our view from last year is little changed that over time more similarities are perceived in common with the pre-pandemic period, notwithstanding ongoing debates over work from home and increased Government involvements and dependence.

Notwithstanding the recent self-assessed Federal Reserve declaration of victory with reduced short term artificially derived interest rates (which were held too high for too long principally because of faulty data via derived economist inflation as "owner occupied rents" which are not paid by anyone), we would be scared if we were holders of longer-term Government bonds. There is none of what was described last year as fiscal discipline suggested by Adam Smith in 1755 along with peace, easy taxes and a tolerable administration of justice. Instead, markets continue digesting a flood of debt issuance from the US and other Governments.

Cost and availability of capital are very important for market returns and trajectories. Similarly cost of living pressures bite now not because 1 inflation is as high as it was but because prevailing disinflation is higher prices from the previously increased levels; 2 wages and benefits have not risen above inflation from the Covid period and 3 businesses are under numerous cost pressures. Currently deflation is rare outside of China and prices are not reducing.

On balance we continue to believe that costs of capital and its availability are not likely to be major longer-term impediments to overall business activities. Sensible high return projects can be funded, and funding continues to be available for many lower return projects. Overall, we believe that this is still the case despite risks increasing with ongoing fiscal profligacy by Governments seeking to buy votes and/or redistribute income, along with anti-business, anti-growth legislation, regulators/regulations, with European Courts and central bargaining bodies as examples. Arguably, the world remains well supplied with enough capital and capital generating capacity (including taxes on profitable enterprises) which may allow not excessively inflationary funding of the main developed world fiscal deficits, of decarbonisation transition, and with strong employment opportunities., capital surpluses are disinflationary (or deflationary as China continues to endure) and continue to be driven by factors including demographics, wealth effects, services economies, technology and globalisation of billions of labour participants. Productive capital availability is reduced by the misallocation of capital towards risky speculation without price discipline and towards yield seeking and enticed by fraud (and negative impacts are multiplied when the misallocation and losses become obvious).

Currencies

In previous years we have made detailed comments regarding our approach to currencies, and these comments remain applicable. Our regular monthly releases also periodically mention currency analysis, processes and patience.

To date, our assets have almost entirely comprised international equities and we have not hedged the overall currency exposures, as longer-term shareholders are aware (although borrowings are typically in international currencies and in most circumstances, we seek to hold AUD to pay dividends, fund the buy-back and pay taxes and other expenses).

In reality there was almost nothing to report on currencies in 2024. However, such stability is likely to be temporary.

We believe that MFF’s currency profile continues to offer some possible risk mitigation benefits, as currency movements are a primary transmission mechanism for risk adjustments in the world economy. Of course, currency movements will be painful from time to time, particularly when ‘risk on’ sentiment boosts the AUD and weakens the USD. Note, our multinational, high return on capital portfolio holdings benefit from cumulative returns, whereas fluctuations amongst major currencies have usually not been cumulative in recent decades.

Longer-term concerns have again increased in the last year for the currencies of most countries, with few possible exceptions. Even the USD is vulnerable if post-election policies repeat the Truss experiment which caused the British market collapse. We are not predicting repeats of the Asian currency and broader emerging markets crises, but each year recently crises of some sort are become more likely as more countries face more pressures and China acts unilaterally. The medium-term position has also weakened for Australia as a middle-sized economy, with anti business anti growth headwinds building, despite obvious strengths.

If we make material changes to the foreign exchange positions, we will include details in the subsequent ASX announcements to inform shareholders.

Closing

We are all grateful for the Board's leadership given ongoing opportunities and challenges ahead. We have intentionally sought to structure MFF with interests aligned, patiently focused upon a moderate number of periodically very advantaged opportunities, whilst seeking to minimise agency risks, short-termism, unrealistic expectations and repeated process failures (of omission and commission). We also thank the teams at Magellan who have continued to look after us with professionalism and care.

I will hand back to Annabelle and we would be happy to address questions.

Chris Mackay

Managing Director and Portfolio Manager

Annexure

PORTFOLIO COMPANY CHARACTERISTICS (EXTRACTED FROM 2022 AGM COMMENTS)

Currently, the portfolio remains populated by companies with atypical market characteristics:

1. sustainable pricing power, with ready scope to increase prices with

inflation (for example because they offer extreme value for money [think Amazon Prime] and/or their charges increase in terms of increasing nominal prices [card and health networks, marketplaces and exchanges];

2. high gross margins which allow most scope to maintain net margins, perhaps via cuts to expenditures if volumes/values fall with cyclical movements [currently happening in tech];

3. opportunities for profitable adjacencies or ancillary businesses which ideally reinforce customer satisfaction and customer lifetime value propositions and advantaged profitable core activities without typical centralized conglomerate problems;

4. 'stay in business' capital requirements which are modest relative to scale (and hence lower risks of material cost overruns during inflation and shortages);

5. hundreds of millions or billions of customers or end users utilising the products and services on a very regular basis, without choosing to substitute;

6. sensible capital deployment towards profitable growth and in some cases many billions of dollars of share buybacks on sensible terms;

7. use of technology to improve customer service and satisfaction at the same time as cutting costs [the best banks and health providers are digitising] and/or as advantaged networks or platforms [including Ritchie Brothers and the health and beauty omnichannel businesses within

Hutchison]; and

8. combinations of balance sheet strength, access to capital and focused advantaged core businesses with adaptability and resilience.