MFF
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 2021.

Authorised by
Marcia Venegas | Company Secretary

1 September 2021

MFF CAPITAL INVESTMENTS LIMITED

MFF Capital Investments Limited ('MFF')
Net Tangible Assets ('NTA') per share for August 2021

MFF advises that its approximate monthly NTA per share as at 31 August 2021 was $3.447 (cum 3.5 cent per share fully franked final dividend)[1] pre-tax ($3.279 as at 30 June 2021), and $2.923 after providing for tax[2] ($2.805 as at 30 June 2021). MFF's 2020/21 financial statements and details of the Directors dividend policy, including the increased fully franked final dividend for 2020/21, were released at the end of July.

MFF had another month of few portfolio changes, but heightened wariness and activity behind the scenes. MFF remains invested in a portfolio concentrated in companies which are advantaged, extremely profitable, cash flow generators, with very solid post pandemic prospects and current resilience, even as pandemic impacts extend for far longer than had been expected by many. Results and updates released this quarter indicate that competitive positions of portfolio companies have continued to improve, along with examples of excellent company management and capital allocations. Near term improvements in profitability are material but less important, particularly where reflecting benefits from the pandemic and widespread, persistent but [ultimately] cyclical wealth effects from high and increasing asset market prices. We review increasing risks associated with rising prices and investor confidence, and our August assessment was not to take action to transform advantaged portfolio company holdings into after tax cash, or to invest in alternative companies at prevailing prices. Our processes allow for increased interest rates/discount rates (which reduce asset values/prices all else equal), increasing anti-business Government, regulatory, taxation and judicial actions and relatively cautious thoughts about future growth. For modellers, projection ranges should be wider and margins of safety stress tested, as uncertainty is elevated (uncertainty is not the same as risk). Margins of safety are diminished, and risks are higher and rising. Earlier, at much lower asset prices, we argued for materially reduced return expectations for broad markets, and confidence about returns should be curtailed further.

Broad, robust business advantages, and focus on profitable growth, for our portfolio companies, are crucial for attempting to deal with globalisation, digitisation, and other disruptive and competitive challenges impacting all businesses. MFF does not copy market indices or avoid inevitable market volatility. Price changes, and the range of mechanisms with which to assess businesses and markets, are core to increasing probabilities for sustained profitable equity market investments. The portfolio currently remains concentrated in very profitable, very liquid securities, which we regard as advantageous for current market cycles and to allow ongoing opportunity cost assessments to consider replacing portfolio components if more attractive risk adjusted opportunities emerge, for example during future market dislocations. Debt markets also remain benign and MFF has access to considerable capital (within our risk limits), if more attractive investment opportunities emerge, particularly during a meaningful market correction. Profitable growth and advantaged companies are the primary recent means by which we have aimed to protect and grow capital built up by MFF. Across history, markets have tended to excess and prices matter, even for the most advantaged companies. We expect to make more price/risk driven sales as prices and risks rise later in current cycles, although not for 'timing' or to massage or smooth short term returns. Recent sales have included modest tidying up of some of the small holdings of margin of safety/price driven, [somewhat] less advantaged, slower profit growing portfolio companies.

As is customary in rising elevated priced markets with broadened participation/speculation, considerable assets are being transferred to promoters and others, in asset markets and in economies generally, as more reach for higher shorter term returns without adjusting for risks including illiquidity. Meaningful cycles are happening, well beyond business overearning, with speculative purchases pushing up paper wealth effects very materially and in August there were increasing reports of banks finally joining non-bank lenders in relaxing lending standards [including to currently ultra-wealthy asset owners for post Archegos speculation]. Decarbonisation has accelerated to become mainstream backed by trillions of capital and investor/Government edicts. Money is plentiful for loss making initiatives, and 'venture capital' and other alternatives market aggressively, with promotions off previous returns. A Carnegie paper looked at 'the bezzle' [Galbraith], and other papers link increasing wealth disparity to sustained low velocity of money, low interest rates, deficiencies in aggregate demand and lower overall growth, as well as misallocations from rich speculation and savings glut. Real world impacts multiply, and Governments are acting, with China promoting Common Prosperity, German opinion polls pointing towards far more permissive fiscal policies post elections, and the US administration aggressively promoting redistribution, all funded from central banks, as pioneered in recent times by Japan. Overall, markets currently view much of this activity benignly, outside of direct impacts on individual companies and industries; despite Government actions portending changing world orders, diminishing confidence in authority, and in expectations for safety, prosperity in some cases, and rule of law.

We are not repeating comments from recent monthly releases and the financial statements which deal with ongoing portfolio principles and portfolio/risk management issues. Comments also remain applicable from last month about risks in emerging markets, historical precedents of risks associated with pandemics, 19th century institutions unable to deal with 21st century issues and political/geo-political risks, for example, that voters turn away from struggling incumbents to appoint alternative Governments that are far worse. Systems struggle under stress, and this extends far beyond the current strains in supply chains causing inflation. Long periods of benign markets, subdued by central bank and fiscal sedatives, add materially to risks.

The 30 largest holdings in the portfolio as at 31 August 2021 are shown in the table that follows (shown as a percentage of investment assets).

	%		%
Visa	14.7	JP Morgan Chase	1.5
MasterCard	13.1	Lloyds Banking Group	1.2
Amazon	10.0	Allianz	1.2
Home Depot	8.8	US Bancorp	1.2
Facebook	7.7	Procter & Gamble	1.2
Alphabet Class C	6.6	Asahi Group	1.2
Microsoft	4.0	L'Oreal	1.0
CVS Health	3.7	Mitsubishi	0.9
Bank of America	3.5	Mitsui & Co	0.8
Prosus	2.4	DBS Group	0.8
Flutter Entertainment	2.2	Lowe's	0.7
Morgan Stanley	1.8	Sumitomo Corp	0.7
Alphabet Class A	1.7	Oversea - Chinese Banking	0.7
Intercontinental Exchange	1.7	United Overseas Bank	0.6
CK Hutchison	1.7	Itochu	0.6

Net debt shown as a percentage of investment assets, was approximately 3.9% as at 31 August 2021. AUD net cash was 0.8% (taxes, other expenses and dividends are paid in AUD whilst proceeds of MFF Options (ASX ticker: MFFOA) exercises are received in AUD), USD net debt 0.1%, Yen net debt 3.5% and other currency borrowing/cash exposures were below 1% of investment assets as at 31 August 2021 (all approximate). Key currency rates for AUD as at 31 August 2021 were 0.731 (USD), 0.619 (EUR) and 0.531 (GBP) compared with rates for the previous month which were 0.735 (USD), 0.620 (EUR) and 0.529 (GBP).

Yours faithfully

Chris Mackay

Chris Mackay
Portfolio Manager

1 September 2021

[1] Figures are cum final dividend 3.5 cents per share fully franked, dividend ex-date 8 October 2021 and payable 5 November 2021.
[2] Net tax liabilities are current tax liabilities and deferred tax liabilities, less tax assets.

All figures are unaudited and approximate.
Figures are not adjusted for unexercised MFF Options (MFFOA).