



MFF

CAPITAL INVESTMENTS LIMITED

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

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

**Marcia Venegas
Company Secretary**

2 January 2020



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

MFF advises that its approximate monthly NTA per share as at Tuesday 31 December 2019 was \$3.610 pre-tax (\$3.225 as at 30 June 2019), and \$2.988 after providing for tax¹.

December was a poor month for expenses and the more than 3% rise of the AUD/fall in USD was also an NTA headwind. During the month we paid two company income tax instalments totalling \$15.6m. Our tax payment schedule reflects realised gains this financial year and 2018/19 payments as well as regular monthly instalments. The final \$1m 'performance fee' payable to Magellan Asset Management was triggered at year end on top of the Quarterly payment of \$1m. Tax and these payments are MFF's largest expenses and reduce pre-tax NTA.

We have had very little market activity for many months, and this continued in December. Sales and purchases were each below 1% of investment assets. Although some sales were made from the US domiciled holdings and purchases elsewhere, and we continue to move small amounts of currency away from USD (partly to pay AUD expenses and reversing the GBP Brexit related positioning), in aggregate this was very modest and does not represent a trend. Last month we referenced equity markets sentiment and price contrasts versus a year ago. The factors continued or even accelerated in December as equity prices rose in many industries and geographies. Hence market risks continue to rise for our portfolio. Past favourable currency correlations are unlikely to provide much protection from these levels when downward equity price volatility returns.

Prices and quality matter most for us. Our core activity remains to invest in strong businesses with advantaged prospects for profitable growth. Some have above average business (and market) cyclicality. A number have been over-earning in recent years (extremely low bad debt experiences for credit-based financials and technology investment multipliers are examples) and these factors are unlikely to have fallen in Q4 2019. Public markets have afforded strong premia for perceived safety and perceived profitable growth, which has increased market prices for the portfolio. Published surveys indicate that positive investor sentiment broadened and rose materially in Q4 2019; this reflects, and is reflected in, rising equity markets and strong calendar 2019 returns for major asset classes. Numerous commentators have shifted to the US Federal Reserve rhetoric moving on from a mid-cycle slowdown, with yield and other 'opportunities' to be chased and not missed.

Although we have consciously held considerable market related risk and cyclical risks and adjust these periodically, we are not active in market timing or similar actions. In recent years we have remained largely invested in large high quality very liquid businesses/securities, whilst maintaining balance sheet strength and available resources if markets weakened. Pricings of long-term opportunities remain far less attractive than a decade ago.

Mean reversion has been expected for some years but further central bank stimulus, low/zero interest rates and US/Chinese/elsewhere fiscal deficits and Government programmes have also favoured economic and market momentum and growth. Promoters have ample material with which to extrapolate so called lessons from the sustained bull markets and accelerate wealth transfer.

Holdings as at 31 December 2019 with a market value of 0.5% or more of the portfolio are shown in the table below (shown as a percentage of investment assets and net cash).

 Holding 	 % 	 Holding 	 %
Visa	16.1	Lloyds Banking Group	2.9
MasterCard	16.0	Blackrock	2.2
Home Depot	9.9	DBS Group	2.0
Bank of America	8.8	US Bancorp	1.8
JP Morgan Chase	6.5	United Overseas Bank	1.8
Alphabet	5.9	Oversea - Chinese Banking Corp	1.4
Lowe's	4.2	Microsoft	1.3
HCA Healthcare	4.0	Capitaland	0.8
Wells Fargo	3.4	Kraft Heinz	0.8
S&P Global	3.3	Facebook	0.7
CVS Health	3.1		

Net cash as a percentage of investment assets was approximately 2.2% as at 31 December 2019. AUD net cash was 3.0% (taxes, other expenses and dividends are paid in AUD), USD net debt 0.5% and other currency borrowing/cash exposures were below 0.3% of investment assets as at 31 December 2019 (all approximate). Key currency rates for AUD as at 31 December 2019 were 0.703 (USD), 0.626 (EUR) and 0.531 (GBP) compared with rates for the previous month which were 0.676 (USD), 0.613 (EUR) and 0.523 (GBP).

Yours faithfully,



Chris Mackay
 Portfolio Manager

2 January 2020

¹ 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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