MFF
CAPITAL INVESTMENTS LIMITED

Level 36, 25 Martin Place
Sydney NSW 2000 AUSTRALIA

General: +61 2 9235 4887
Facsimile: +61 2 9235 4800
Website: www.mffcapital.com.au
ABN: 32 121 977 884

MFF Capital Investments Limited ("MFF")
Net Tangible Assets ("NTA") per share

Please find enclosed MFF's monthly NTA per share for February 2024.

Authorised by
Marcia Venegas | Company Secretary

1 March 2024

MFF Capital Investments Limited (‘MFF’)
Net Tangible Assets (‘NTA’) per share for February 2024

MFF advises that its approximate monthly NTA per share as at 29 February 2024 was $4.210 pre-tax ($3.398 as at 30 June 2023), and $3.513 after providing for tax[1] ($2.912 as at 30 June 2023). MFF continued investing in a portfolio of extraordinary businesses with sustainable competitive advantages and above average sustainable profitable growth rates, acquired on satisfactory terms. These portfolio companies’ business successes primarily determine whether MFF’s portfolio achieves sustained success. Over time, compound increasing cashflows and strong returns on capital prevail, even against very conservative assumptions on future interest rates. Markets also continue to provide opportunities and risk management benefits for MFF. In February these were modest in the context of MFF, but not negligible.

Equity market indices were strong and bond markets relatively stable in February, although there were notable movements in some areas which had little immediate impact on the MFF portfolio. MFF portfolio changes were again modest, with some ongoing opportunity cost driven actions (rationale remains as discussed in January), and moderate recycling of investments (mostly related to market prices and risk management and to provide for funding of alternative opportunities), reflected in sales in the month of approximately 2% of portfolio value and purchases of approximately 0.35%. Tax payments are required from MFF’s profitable sales, with approximately another $15.5 million (2.7 cents per share) tax paid in February (reflecting 2 months), and more payable monthly [the addition to franking credit balances and MFF’s program of increased fully franked dividends should not distract from the reality that tax costs are real cash outgoings which detract from “performance figures” and, more importantly, future results]. Reducing debts/increasing resources over recent months in prevailing market conditions have taken net borrowings below the 10% level mentioned at the recent AGM, after tax and other outgoings.

At the AGM we hectored that macro was not the lead (albeit a factor) in portfolio allocation, and that recent interest rate movements were less important than Quality and Price/Value of MFF’s portfolio investments [supported by recent significant equity market price increases during/after interest rate increases without interest rate reductions]. However, as discussed repeatedly in recent months, we remain less sanguine than other market participants as the Federal Reserve continues holding its artificial (but hugely influential) interest rates too high for too long. Direct and indirect risk factors are building, with some dormant, unless (re)financing markets remain open and liquid.

MFF continues to be focused on compounding capital and seeking to avoid permanent capital loss via two related business activities. First, our portfolio of Quality, advantaged businesses, compounds over time. Second, Value, applies patience, focus and process to give us mispriced securities with decent probabilities for profitable gains, as the market has done for decades, albeit irregularly. Rarely but sometimes these Value opportunities are in businesses that we then hold for a decade or more. Mostly they are in very good businesses that are mispriced, but without the extraordinary profit compounding potential for the decade plus extraordinary focus group. By number, more opportunities are more likely in the second category, as they were in previous decades.

In February many market participants became less concerned about short term worries, and they continued moving from the sidelines to FOMO and career protection for professionals, as equity price momentum continued; unevenly as is typical. Higher prices are riskier, not less, and presage lower future returns, not higher. Additionally, there were nascent contrary indicators, perhaps worthy of investigation, reminiscent of Michael Corleone’s observations about Cuban rebels to Hyman Roth. Sentiment can change quickly, and will change eventually, as company/industry specific issues and geopolitics, elections, inflation/stagflation/interest rates assume fluctuating levels of importance for market participants, the vast majority of which are not investing in equity markets for long term exposure to sustainably advantaged businesses. Professional investors are measured at least monthly and are expected to have views on unknowable sentiment and macro events, and to act upon them. In addition, in recent months, some businesses were hammered by market participants upon results/updates, including businesses with very decent histories and positions in “narrow verticals” and/or specialisations competing with new entrants/new technologies and some mega scale players including in hitherto advantaged business areas [ancillary cloud computing, cyber security, online verticals]. FWIW these issues may in time impact overall sentiment and market breadth. Many ”run of the mill” businesses have been struggling for extended periods either side of bankruptcy [some impacted by the self-reinforcing avalanches of anti-business regulatory and political overreach]. Perhaps the fastest, most dangerous, acceleration in recent months has been in non-bank lending and related activities where fee/commission (miss)selling is encouraging many to reach for yield (rather than focus on return of capital), with arrangers growing their OPM/fees at many multiples of economic growth, predictably in response to regulatory incentives and extending well beyond the traditional feeding grounds of vulture investors.

The positives of the Artificial Intelligence revolution continued unabated, with leading companies exhibiting profitable growth reminiscent of the leading companies that provided the gear to facilitate the late 1990s' first wave of the internet revolution. Unabashed optimism reinforced reflexivity and upward moving prices for crypto and a wider range of tokens. As this stage of AI involves many billions of capital, data and computing power the market reaction is less speculative than previous episodes primarily because bankers and entrepreneurs are still working on creating commensurate loss making narratives for speculation with maximum OPM and sufficient credulity. The transformative AI revolution materially benefits user companies and their customers/clients (obviously cost outs but far more) including but well beyond the mega cap tech incumbents and has decades to run, so there will be ample scope for more capital accretive investment as well as speculation. Interest rates have not been as impactful as many expected, and although we continue to focus on very high return on capital investments for whom interest rates are less relevant, we watch for the cumulative impacts of the higher interest rates across many parts of economies, including consequential and counterparty issues. Outside of markets, sentiment measures are very poor and anxiety high, with evident political distaste, despite economic aggregates remaining satisfactory and unemployment subdued in many countries.

All holdings in the portfolio as at 29 February 2024 are shown in the table that follows (shown as percentages of investment assets).

	%		%
Amazon	12.3	Intercontinental Exchange	1.6
MasterCard	10.4	Prosus	1.5
Visa	9.7	DBS Group	1.4
American Express	7.8	United Overseas Bank	1.2
Meta Platforms	6.8	US Bancorp	1.1
Home Depot	6.7	Oversea - Chinese Banking	1.1
Microsoft	6.6	United Health Group	0.9
Bank of America	6.4	CVS Health	0.8
Alphabet Class C	6.0	Lowe's	0.7
Alphabet Class A	5.6	RB Global	0.4
Flutter Entertainment	2.9	JP Morgan Chase	0.3
HCA Healthcare	2.5	Allianz	0.2
Morgan Stanley	1.8	Schroders	0.1
Lloyds Banking Group	1.7	L'Oreal	*
CK Hutchison	1.7	** less than 0.1%*	

Although we remain very cautious about all currencies and maintain our negative views on the AUD over extended periods (exacerbated by commodity boom complacency, ongoing disfunction, asymmetry and unaccountability at multiple levels of Federation and numerous recent anti-business actions on display every day in February), we continue to move money into AUD in advance of obligations, including sizeable tax and dividend outgoings in coming months. Net debt shown as a percentage of investment assets was approximately 9.2% as at 29 February 2024. AUD net cash was 6.4% (taxes, other expenses, buybacks and dividends are paid in AUD), USD net debt 3.8% and Euro, GBP, HKD and SGD borrowings totalled approximately 11.7% of investment assets as at 29 February 2024 (all approximate). Key currency rates for AUD as at 29 February 2024 were 0.651 (USD), 0.602 (EUR) and 0.515 (GBP) compared with rates for the previous month which were 0.661 (USD), 0.609 (EUR) and 0.519 (GBP).

Yours faithfully

Chris Mackay
Portfolio Manager

1 March 2024

[1] Net tax liabilities are current tax liabilities and deferred tax liabilities, less tax assets.

All figures are unaudited and approximate. NTA figures are cum dividend (6 cents per share fully franked).