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 October 2024.

Authorised by
Marcia Venegas | Company Secretary

1 November 2024

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

MFF advises that its approximate monthly NTA per share as at 31 October 2024 was $4.550 pre-tax ($4.284 as at 30 June 2024), and $3.772 after providing for tax[1] ($3.574 as at 30 June 2024). The pre-tax NTA figures each month are after deducting taxes paid by MFF (including $2.1m for October with $18.8m payable 1 December 2024 for the fiscal 2024 top up). Briefly in October the net investment assets exceeded $2,700m up from MFF's net assets of $412.4m as at 30 June 2013, a few months before MFF became a separate normal company. The difference between pre-tax and post-tax NTA figures for MFF reflect substantial unrealised gains built up over years with deferred taxes being balance sheet non-current liabilities at the full 30% tax rate. Deferred tax liabilities currently approximate 2013's net assets [note that market prices do not guide fair value assessments except for accounting purposes]. Over the years, MFF has also recorded well over $1 billion of realised profits, paid well over $300m in cash taxes and declared over $400m of fully franked dividends (in contrast with indices and unit trusts where figures do not adjust for tax, which they do not incur directly).

The figures are ex the increased fully franked final dividend of 7 cents per share payable today. The Directors foreshadowed a further increased interim dividend for the six months to 31 December 2024, subject to corporate, legal, taxation and regulatory considerations at the time. The Directors also intend to continue the operation of both the DRP and BSP (each at zero discount). As at 30 June 2024 MFF's franking credits were $148.8m (25.34 cents per share). During the month MFF held its AGM and announced its intention to acquire Montaka Global.

In October forceful but random short-term forecasts failed to produce their proponents' expected volatility and risky downwards equity movements, despite a few falling market days including October 31. For MFF, October was another month of very little direct portfolio activity with sales of about 0.6% of portfolio value, and no purchases. Our processes focus on Quality/ Value and Price to provide "margins of safety" to increase the probabilities of satisfactory value compounding with duration advantages whilst seeking to avoid permanent capital loss. MFF continues moderate sales in preparation for future opportunities. We are cautious buyers and reluctant sellers as our holdings are overwhelmingly in outstanding businesses which increase in value over time (with profitable growth characteristics that meaningfully outperform average businesses). Patience helps. We have over $500m of capacity and significant portfolio liquidity, in the case of better opportunities.

September Quarter corporate results and outlook statements released in October have reinforced positive views about portfolio companies regarding 1 sustainable competitive advantages, including accelerating benefits from increased computing power investments which are reducing costs and improving customer satisfaction. So far, scale players are adjusting rather than being disrupted as was often the case with previous major tech advances 2 sustained profitability at scale with many NPATs (for the September Quarter) in the USD billions, some in the tens and two in the mid twenty billions 3 revenue and profit growth well exceeding figures for companies in the vast majority of more static or declining industries and 4 far exceeding the many cases of disruption announced recently, where executive and business case changes have resulted.

We remain concerned about "over earning" and attempt to be cognizant of cyclical factors even for advantaged businesses. Although we are constantly examining quality companies which are challenged, in case the challenges are temporary and market prices offer bargains, past downward revisions have usually been multiple, and these cycles are not yet as adverse as they have previously become. Quality companies deal with cyclicality, with LVMH saying they don't predict future cycles or demand, but adapt quickly. Currently, costs of living are biting non asset owners particularly hard, and longer-term differences between Quality and mediocre are very pronounced and include setbacks in demand and pricing power as sustained profitable advantaged growth remains unusual.

Quality and price are the drivers in considering purchases of shares (being equity interests in businesses), with purchases usually best when traders and elite professionals are most concerned. That is not now, given asset price strength and customary favourable multipliers (including Galbraith "bezzle" and Munger "febezzle"). Quality and margins of safety underpin returns from a group of quality companies that earn for decades and are not dictated by even a bad electoral cycle (which in the US may run for at least 4 years if there is a federal sweep, or more likely until the half term elections, whilst 50 states run their own agendas). Historically such a group of quality companies has also been better placed than most asset classes in both inflationary and deflationary periods, at most bond and equity market prices, given strong profitable/free cash generation, pricing power, high returns on invested (and incremental) capital. It likely would require luck and short-term trading for at risk investors successfully to allocate precious capital on the basis of election result predictions, for example to lower returning, heavily unionised, heavy manufacturing companies, all the while ignoring Boeing's circumstances and other bets next Tuesday. Further, by the end of October, bond markets in the US, UK and elsewhere sold off (ie higher yields) as investors focused on election promises, debt and deficits but lower growth than previous decades, and higher yields are required to fund Governments. Higher interest rates negatively impact lower returning businesses and assets disproportionately.

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Although we seek minimum returns more than double the increased bond yields, and bond and currency markets remain within reasonable boundaries, there are risks for mark to market asset prices from rising bond yields, currency gyrations and possible related multiplier and psychological market impacts. Overall, for long term Quality focused investors the gyrations in the 10-year US Government bond yield remain less important than the sustainability of competitive advantages and future profitability/cashflows over many years.

Some current challenges have real risks and perhaps opportunities in time 1. is "moral equivalence" specious between CCP China 2024 stepping up export manufacturing subsidized overcapacity and the USA post 2009 recovery from overleveraged "financialised" consumers and intermediaries? 2. the west will react to the failure of its WTO inclusion processes with China rejecting the west's systems and structures [more than 20 leaders representing half the global population gathered in Kazan in October to seek alternatives]; 3. increased Government spending and choosing "winners" to promote growth whilst ramping up anti-business anti-growth legislation and regulations, which add to inflation and reduce smaller business competitiveness; 4. yield seeking via fee incentivised intermediaries is not better for lending quality with major regulated financial institutions disadvantaged; 5. Governments have increasingly difficult balancing acts to compensate expectations whilst promoting favoured agendas, crowding out private sector employers, amidst risks of capital flight, particularly after the Truss disaster in the UK; 6. for decades since WW2 disciplined pro market pro-growth pro individual choices with fairness guardrails have compared favourably with failed Marxist/Stalinist/Leninist and socialist/populist experiments. Obvious ignored/discarded questions with the experiments include implications and reactions to policy decisions, including how to pay for promises without trashing currencies besides aiming to retain perks and power. Although state and local governments that focus on issues at hand are able to use technology and other advances well, competent central Government administrations are unlikely to become easier or more prevalent, requiring additional margins of safety for sensible investors and businesses.

Europe has finally started reacting to CCP policies which have transformed competitive positions against car manufacturing and other major industries. This is very difficult from both sides, as the CCP aims to meet production and growth targets via record trade surpluses, promoting capacity/dumping in electric vehicles, solar panels and storage, steel and aluminium provokes tariffs and complaints, whilst repressed confidence and consumption are causing various domestic same store and other comparable sales to be down by double digits.

We continue to fear that momentum will test us all, as bullish conditions continued in October. Apparently easy gains may well resume, and later in bull markets are as likely as not to accelerate. More mature bull markets separate people from valuable assets. Of course, downturns [cycles] are to be expected. Change is the only certainty as circumstances will change recency biases, probably very materially. Many citizens of central Canada became pessimistic and cautious as they worried daily in the mid-1980s about dueling ICBMs from the Soviet Union and USA. At the same time, young citizens of Soviet satellites defected to Italy via Hungary; Vienna was a veritable paradise after being in the east; Cuba's education, scientists, doctors, and sports were world class with significant perceived potential; Yugoslavia had not disintegrated into civil wars and young Chinese were beginning to dream about individual fortunes and freedoms rivalling the west.

All holdings in the portfolio as at 31 October 2024 are shown in the table that follows (shown as percentages of investment assets).

	%		%
Amazon	11.9	United Overseas Bank	1.4
MasterCard	10.6	US Bancorp	1.4
Visa	9.8	Oversea - Chinese Banking	1.2
American Express	7.9	United Health Group	1.1
Meta Platforms	7.9	CVS Health	0.8
Bank of America	7.7	Lowe's	0.7
Alphabet Class A	6.9	Intercontinental Exchange	0.5
Home Depot	6.6	Prosus	0.4
Alphabet Class C	6.5	RB Global	0.2
Microsoft	6.4	Allianz	0.2
Flutter Entertainment	2.7	Schroders	0.1
DBS Group	1.8	L'Oreal	*
Lloyds Banking Group	1.8	JP Morgan Chase	*
CK Hutchison	1.7	Morgan Stanley	*
HCA Healthcare	1.6	** less than 0.1%*	

Net debt (post dividend) shown as a percentage of investment assets was approximately 0.2% as at 31 October 2024. AUD net cash was 5.4% (taxes, other expenses, buybacks and dividends are paid in AUD), USD net debt 1.0% and Euro, GBP, HKD and SGD borrowings totalled approximately 4.7% of investment assets as at 31 October 2024 (all approximate).

Although October was another difficult month for Governments in Australia, other countries have many similar challenges with business collapses, Government burdens, cost-of-living pressures being very real for very many, and socialist/populist anti-business policies being promoted widely. Australia's accelerating business bankruptcies, lack of scale, centralized bargaining/one job one pay and 19th century Federation structure descend too often into a race for the bottom on policy and accountability, as well as the economic reliance on CCP policy success, also contribute to some unease about AUD assets and businesses for the longer term. Key currency rates for AUD as at 31 October 2024 were 0.655 (USD), 0.603 (EUR) and 0.509 (GBP) compared with rates for the previous month which were 0.694 (USD), 0.622 (EUR) and 0.517 (GBP).

Yours faithfully

Chris Mackay
Portfolio Manager

1 November 2024

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

All figures are unaudited and approximate.