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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 May 2024.

Authorised by
Marcia Venegas | Company Secretary

3 June 2024

MFF CAPITAL INVESTMENTS LIMITED

MFF Capital Investments Limited ('MFF')
Net Tangible Assets ('NTA') per share for May 2024

MFF advises that its approximate monthly NTA per share as at 31 May 2024 was $4.223 pre-tax ($3.398 as at 30 June 2023), and $3.533 after providing for tax[1] ($2.912 as at 30 June 2023). 31 May 2024 NTA figures are ex dividend (6.0 cents per share fully franked, paid 14 May 2024). The pre-tax NTA figures each month are after deducting taxes paid by MFF. Profits before income tax of slightly over $142.857m are required for each $100m of NPAT, reflecting MFF's tax rate of 30% of pre-tax profits. Cumulative tax becomes larger for MFF in periods of strong price appreciation (such as now) and current tax payments are high. Considerable parts of the year-to-year gains are unrealised and this is reflected in deferred taxes payable [on future profitable realisations]. The tax deferrals are reflected in the monthly figures for NTA after providing for all taxes. Comparative period to period "pre-tax" figures for indices and pass through trusts do not assume any tax incidence and most likely provide comparable measures of performance between indices and pass through trusts across periods, whereas they do not provide comparable measures of performance across periods between themselves and significant tax paying companies such as MFF [theoretically as much as 30% of underlying performance for a single year alone, as per calculation above]. Of course, a little analysis is required in considering any "performance figures" particularly in promotional environments.

Although franking credits do not compensate for tax paid, we note that MFF's 31 December 2023 accounts showed a franking credit balance of approximately $127.1 million (approximately 22 cents per share) and MFF's franking balance are expected to be higher as at 30 June 2024. MFF Directors have increased MFF's fully franked dividends in recent periods, and announced with the half yearly results, their intention to increase the rate per share of the six-monthly dividend to 7.0 cents fully franked for the period ending 30 June 2024, subject to corporate, legal and regulatory considerations, with continued operation of the DRP and BSP (at zero discount). A clear majority of MFF's shareholders by number (of those who have provided feedback) have supported the steadily increasing fully franked dividends declared by MFF. In continuing this approach, franking credits are not the constraining factor, and MFF's capital is managed to make available AUD funds for the increasing dividends (and tax payments necessitated by sales). Attendees at MFF AGMs have discussed the attributes of dividends compared with MFF's retention of capital for reinvestment in outstanding businesses, with its compounding benefits.

Relative inactivity is usually a positive for a portfolio with the characteristics of MFF. Whilst much happened in the world, and May's market confidence concerned us, MFF maintained its investments in a portfolio of extraordinary businesses with sustainable competitive advantages and above average sustainable profitable growth rates, acquired on satisfactory terms. Higher prices for portfolio holdings reduce margins of safety and future returns, importantly caveated that 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 with ongoing very conservative assumptions on future interest rates and (within limits) against higher market prices. In May, the portfolio companies produced world class business and short-term financial performances, combined with massive ongoing investments in technology and skills to increase competitiveness and advantages for the future. Overall, such sustained excellence continues to at least justify the increased market valuations attributed to most of MFF's portfolio holdings, although margins of safety are reduced, and various competitive pressures are expected to increase. Last month we again discussed "overearning" risks for portfolio companies; it continues as an important issue, and we worry about it for more and more companies and industries, although we reiterate the partial amelioration for MFF that some significant portfolio companies have built such advantages that their networks, products and services might enjoy both volume and pricing growth for longer periods than previously anticipated. We also have noted many very adverse market reactions to weaker results than forecast, across a range of industries, and consumer weakness. Businesses continue cutting costs where possible as growth rates slow under stagflationary pressures, and previously important companies are being bankrupted as they seek to cope with increased legislative and regulatory burdens, taxes, and charges as well as competition and other customary business pressures.

For MFF in May sales were about 4.8% of portfolio value, with purchases below 0.1%. MFF increased its very considerable balance sheet strength in recent months in the generally appreciating markets and remains unpressured to increase or reduce portfolio holdings in aggregate or individually. Pockets of markets might have become more interesting for potential purchases in recent months. However, the speculative booms continue; built on sustained low interest rates, and real and perceived technology advances. Promotional activity accelerated again with structured deals, private credit, misleading IPOs of fractions of businesses artificially inducing scarcity, momentum and all other tools in the playbooks inducing many to chase. Yield seeking continues to lead to return free risk for some investors in promoted credit and similar debt markets (other than for promoters). Ongoing unabated USD strength adds to emerging market inflation and currency risks including because of disruptive speculative flows. Any possible cautious messages from the Berkshire US$183 billion cash and Treasuries AGM in early May were trumped via meme games, TikTok donors and crypto ETFs as markets courted the sultry conditions.

MFF is not forecasting but seeking to maintain process focus and disciplines. Subsequent studies will likely confirm (as Kahneman and Munger observed) that digital trading second to minute, increases activity and addiction, and confidence temporarily, but precludes successful longer-term results, other than for the few algorithmic firms acting as croupiers. In recent years MFF has very profitably focussed on outstanding Quality at perceived Value, whilst examining many smaller and potentially emerging companies. Minimising foreseeable business risks, underpinned by the focus on higher probability sustained growth/successful businesses, has been valuable in considering portfolio construction and composition, as technological changes and regulatory burdens have been less disadvantageous for some large companies than for earlier cohorts of large companies [overall, smaller companies, "riskier" businesses and emerging markets have underperformed in recent years]. Past market cycles may caution against forecasting losers to become winners, as business conditions become more difficult. For MFF the base case against which opportunities are compared, is that our portfolio of Quality, advantaged businesses, compounds over time, whilst 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.

We fear that momentum will test us all. Apparently easy gains may well continue and are as likely as not to accelerate. Being out of touch may become polite criticism. Participants will likely not undertake pre mortems where they subsequently regret trying too hard to invest in equities in extended bull market conditions, paid too much for [temporary] Winners, did not sell at attractive prices, held on to loser businesses despite disconfirming evidence, and felt that anti-business populist and totalitarian regimes might help their returns. We will likely join the subsequent chorus in arguing that we should have better adhered to common sense processes and risk controls. In our case we hope to have available resources to deploy as opportunities become very attractive. Although not many take heed of its wisdom, if the 2024 updated edition of The Intelligent Investor were instead a 2024 IPO, it would be marketed with the high price and scarcity that (ironically) multiplied the resale value of another book of reason, Klarman's Margin of Safety.

As noted 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. Many speculators and other economic and market participants have commenced adjusting to the moderately higher interest rates, higher for longer has become much closer to consensus. In contrast to its relatively limited impact (so far) upon market participants and wealthy boomers/retirees, the real burden is upon poorer people, less able to cope even after major cutbacks in spending. Hopefully, some mitigation is ahead. Very modest strains in refinancing have been overshadowed by the ongoing bull markets in equities and other assets. As to politics, May farce leaves ample that is better left unsaid, and gaping holes in which totalitarians (and lesser, self-interested socialists/populists and business leeches and vultures), capriciously help themselves. Systemic resilience will be tested further as the reinforcements of easy good decisions and good actors, are replaced by difficult circumstances exacerbated by increased inequalities, debt burdens, bad choices and paradigms requiring winners/losers. More mature bull markets separate people from valuable assets (in hindsight), with old methods and new and with whatever terminology as Galbraith described the Bezzle in his seminal Great Crash, Munger added the Febezzle which others described as "trickle down" and to include cyclical overearning.

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

	%		%
Amazon	11.8	Intercontinental Exchange	1.6
MasterCard	9.9	United Overseas Bank	1.4
Visa	9.6	Oversea - Chinese Banking	1.2
Bank of America	7.7	Prosus	1.2
American Express	7.5	United Health Group	1.1
Alphabet Class A	7.2	US Bancorp	1.1
Alphabet Class C	6.9	Lowe's	0.7
Microsoft	6.7	CVS Health	0.6
Meta Platforms	6.4	RB Global	0.4
Home Depot	6.0	Morgan Stanley	0.3
HCA Healthcare	2.7	Schroders	0.1
Flutter Entertainment	2.5	L'Oreal	*
Lloyds Banking Group	2.1	JP Morgan Chase	*
DBS Group	1.7	Allianz	*
CK Hutchison	1.6	** less than 0.1%*	

Net debt shown as a percentage of investment assets was approximately 3.5% as at 31 May 2024. AUD net cash was 6.5% (taxes, other expenses, buybacks and dividends are paid in AUD), USD net debt 2.5% and Euro, GBP, HKD and SGD borrowings totalled approximately 7.4% of investment assets as at 31 May 2024 (all approximate). Key currency rates for AUD as at 31 May 2024 were 0.665 (USD), 0.613 (EUR) and 0.522 (GBP) compared with rates for the previous month which were 0.649 (USD), 0.607 (EUR) and 0.519 (GBP).

Yours faithfully

Chris Mackay
Portfolio Manager

3 June 2024

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

All figures are unaudited and approximate.

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