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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 April 2023.

Authorised by
Marcia Venegas | Company Secretary

1 May 2023

MFF Capital Investments Limited ('MFF') **Net Tangible Assets ('NTA') per share for April 2023**

MFF advises that its approximate monthly NTA per share as at 28 April 2023 was \$3.194 pre-tax (ex 4.5 cent per ordinary share fully franked interim dividend payable 12 May 2023) (\$2.744 as at 30 June 2022), and \$2.761 after providing for tax¹ (\$2.438 as at 30 June 2022). Tax paid in the month was below 1 cent per share, and a preliminary estimate for May is close to 1 cent per share, reflecting portfolio sales (below) and seasonally high, increased dividends from portfolio companies. Unrealized gains caused the increased gap between pre-tax and after tax NTA figures. Price/value characteristics remained satisfactory.

Many portfolio companies reported March quarter updates during the month. Overall, the companies' reports reflected sustained competitive advantages and resilience, in challenging business, economic and market conditions. In aggregate they generated many billions of cash profits which they reinvested to maintain business advantages and in growth opportunities, as well as paying dividends and many billions for sensible buybacks. Increased interest rates are not as negative for the portfolio that they are elsewhere in economies. The portfolio companies' scale, scope, advantaged technologies, and customer focus contributed to market share gains. Scale combined with adaptability allow many to continue to invest in people and capital, applying digital and other new technologies which in some cases materially improve customer satisfaction and reduce ongoing costs for customers and the companies. Approximately 5-10% of the portfolio companies are bedding down large acquisitions, utilizing strong cashflows to reduce leverage, although acquisition activity is down materially given political and regulatory headwinds. Reflecting these headwinds, announcements of layoffs, "turnarounds" and CEO changes continued to increase, often without any entrepreneur equity lifeline from mergers or other deals. Cost cutting, even by high margin companies, increased portfolio margins further and was "rewarded" by higher market prices, and its precedential value (copying) does not require complex pattern recognition data analysis.

We prefer companies with decent probabilities of sustainable advantages and above average profitable growth, ideally with excellent management, and, with at least reasonable purchase prices. MFF again had no reason to make major changes to the portfolio and hence, for another month, MFF's primary activity remained holding shares in companies we regard as excellent on terms we regard as favourable (the full portfolio is shown below). The main portfolio characteristics remain Quality, Value and Continuity. In most months, our portfolio activity is small in comparison with portfolio value, which is concentrated in advantaged businesses expected to benefit over longer periods. Whilst there was some fear and panic, and ongoing banking and commercial real estate issues, US markets were more optimistic in the month about some consumer related, larger banks and larger technology related companies, and various non-US markets also rose. MFF's selling was about 2.2% of portfolio value and buying below 1% of portfolio value. Little should be inferred from the activity; some reflected ongoing patient realization of value-based purchases made after the initial stage of the pandemic. Our structure allows for focus, flexibility, and patience in buying or selling, with quality characteristics, price/value and opportunity costs being most relevant.

Every month there is much noise, and other news. Mostly it does not change consumer and business behaviors built over decades; changes to winning businesses usually occur over time. In the US, the Government debt ceiling is unresolved and unfathomable default is not off the table. Credit tightening, reductions in money supply and lending appetite and even removal of credit availability is happening. Problems are expected for more banks and non-bank financials. Increasingly, political and social activity is associated with unsettled populations as costs of living exacerbate other divides, anti-business and anti-growth policies continue, and political/socialist/populist risk/rewards are unfavourable. Anti-business anti-growth political and regulatory interventions have been rising in recent years and should be expected to continue to rise. Although large successful businesses are targeted ("user pays" costs, regular technology company fines and special bank levies), the best large businesses are maintaining advantages. Perhaps this is because technology, digitization and networks enable only a profitable few ample scope to meet the regulatory burdens, or because they can scale with less of the sclerotic bureaucracies of past mega corporations. We expect that the portfolio companies will continue to benefit from the banking, market, economic and political turmoil which has dominated recent months, given "flight to safety/quality", but focused watchfulness is required, and permanent dominance is not in the history books.

Serious questions continue to percolate about incompetence/somnolence at the highest levels of the administration, and with agencies dominated by ideologues rather than traditional administrative regulators. Reasonable observers may analyze the Federal Reserve and Treasury regarding safety and soundness goals, supervision, and the interactions with monetary policy and fiscal projects. The preliminary regulatory self-assessment of the initial US financial failures indicated that the professional economists at the Federal Reserve were well aware of the banking sector risks from repeated rapid interest rate rises (provoked by inflation and inflationary expectations amplified by trillions of ongoing post crisis fiscal stimulus) and had presented clear evidence of widespread asset losses based off Q3 2022 figures (specifically including Silicon Valley Bank).

As a consequence of the failures, the terrible but predictable reaction of politicians, US Treasury and the Federal Reserve is to recommend more regulation (ostensibly favouring smaller economically less efficient, and morally hazardous institutions) despite one of the name plates of the previous overreach being embroiled, and encouraging/not addressing the structural problems of thousands of sub scale banks, the trillions of inflationary fiscal spending continuing well post the recovery and the interest rate rises being less impactful/counterproductive this time when excess aggregate demand was not the problem, wealthy [older] retiree/savers benefit from higher rates and so many consumers are not particularly impacted until crisis breakages as they have fixed rate loans and variable rate deposits.

Data continue to indicate slowing US inflation and inflationary expectations, in many but certainly not all respects. Monetary policy acts with lags and the Federal Reserve has not yet paused; perhaps the steadily accelerating reduction in availability of traditional credit (banks' commercial real estate for example) moving to a credit crunch as non-bank sharks circle, and/or data confirming the fall in inflation, will halt the record rapid rate rises before much more damage is done, after rates were held at zero with quantitative easing for so long. The latest corporate results season indicated the disinflationary/deflationary impacts of widespread technological innovation and adoption continue and are extending into cloud computing, digital advertising, ecommerce, and other activity as well as accelerated robotics and labor saving/replacing software. The results also indicate that many companies maintained their margins by raising prices with less than expected (but increasing) elasticity. The US economy is likely to move through the very elevated inflation phase more effectively than economies with more rigid/centralized union/wage/employment bargaining processes and very large Federal government direct and indirect economic involvements (owned, "tied" funded or directed state/provincial enterprises), well beyond necessary infrastructure. Labor shortages are easing in the US, immigration has rebounded post pandemic and layoffs are becoming more widespread.

In April, MFF continued the recently announced on-market buyback of 30 million MFF shares (ASX notices are lodged promptly after each day of buyback purchases). In addition to the recently increased 4.5 cents per share fully franked dividend payable next week, Directors have stated their intention to increase the rate per ordinary share of the six monthly fully franked dividend at each of the next 3 results to 5 cents, 5.5 cents and then 6 cents per share respectively subject in each case, to corporate, legal and regulatory considerations, with continued operation of the DRP (at zero discount) (see the MFF half yearly report for details including franking credits, retained profit and profit reserves).

Future opportunities may arise from market prices which remain available to serve rather than to guide, and to allow sensible purchases (or sales) for detached, fundamental investors without adherence to efficient market theories but with access to capital. Whilst we are usually not impacted directly by the riskiest excesses, our portfolio is impacted by the indirect and business/economic effects of the unwinding of the "everything bubble" and the domineering political/regulatory ideologues and/or incompetents. Near term activity by MFF has been limited, and MFF aims to continue to act prudently with sensible risk controls and portfolio construction parameters.

As well as non-bank funders moving into areas where regulated banks are leaving, short term perspectives include companies exiting lines of business and rising bankruptcies (as noted last month). Market participants with longer term perspectives may consider a portfolio of quality businesses with sustainable pricing power to be less risky than so-called risk-free bonds, in periods of rapid interest rate rises and/or inflation. Of course, expected overall business and market returns are much lower than in past decades when asset prices were lower. Almost all businesses are subject to rapid technological change and competitors able to fund their initiatives.

The US 10 year bond rate (the benchmark or risk free rate) remains reasonably anchored and it fell month end on month end from approximately 3.5% p.a. to approximately 3.42% p.a. The fall in rates in March continued in April and began mitigating some of the concerns about mark to market for held to maturity bank securities. Business results including compounding of reinvestment are far more important over time for investors focussed on quality profitable growth than the 10 year bond gyrations. Of course, even if the Federal Reserve "overshoots" on quantitative tightening and/or retains interest rates that are too high for too long, and overall monetary conditions that are too tight, the damage caused by a repeat of Lehman type decisions should be avoided (but with more questions being asked; see above). In previous decades, reversals of US central bank interest rate decisions have been customary.

All holdings in the portfolio as at 28 April 2023 are shown in the table that follows (shown as percentages of investment assets).

	%		%
MasterCard	12.9	Prosus	1.7
Visa	12.3	Intercontinental Exchange	1.6
Amazon	9.4	HCA Healthcare	1.5
Microsoft	7.1	Lloyds Banking Group	1.5
Home Depot	6.9	DBS Group	1.3
Alphabet Class C	6.4	United Overseas Bank	1.2
American Express	5.9	Oversea - Chinese Banking	1.1
Alphabet Class A	5.3	Lowe's	0.8
Meta Platforms	5.2	US Bancorp	0.7
Bank of America	4.7	Ritchie Bros Auctioneers	0.5
Flutter Entertainment	2.8	Asahi Group	0.4
CK Hutchison	2.5	Allianz	0.2
CVS Health	2.4	Schroders	0.2
Morgan Stanley	1.9	United Health Group	0.1
JP Morgan Chase	1.7	L'Oreal	0.1

We continued to maintain some liquidity in AUD. Most MFF expenses, and taxes, dividends, and buybacks are paid in AUD, and we regard this as prudent matching. We remain very cautious about all currencies and retain our strongly negative views on the AUD over extended periods. The current sustained period of USD strength and US investment opportunity is already becoming associated with banking, hard currency debt, inflationary and other pressures elsewhere, even prior to customary damage from predictable (but unprepared for) reversals of commodity price and volume strength. Net debt shown as a percentage of investment assets, was approximately 14.1% as at 28 April 2023. AUD net cash was 4.7% (taxes, other expenses and dividends are paid in AUD), USD net debt 8.8% and Euro, GBP, HKD, SGD and Yen borrowings totalled approximately 10.0% of investment assets as at 28 April 2023 (all approximate). Key currency rates for AUD as at 28 April 2023 were 0.661 (USD), 0.599 (EUR) and 0.526 (GBP) compared with rates for the previous month which were 0.670 (USD), 0.616 (EUR) and 0.542 (GBP).

Yours faithfully



Chris Mackay
Portfolio Manager

1 May 2023

¹ 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).

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