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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 September 2024.

Authorised by
Marcia Venegas | Company Secretary

1 October 2024

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

MFF advises that its approximate monthly NTA per share as at 30 September 2024 was $4.383 pre-tax ($4.284 as at 30 June 2024), and $3.655 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 $5.1 m for September). 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. 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 cum the increased fully franked final dividend of 7 cents per share declared for the latest six months. 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).

Market commentators and pundits again demonstrated the randomness of short-term forecasts when their expected volatility and risky downwards equity movements failed to eventuate. For MFF, September was another month of very little direct portfolio activity with sales of about 0.54% of portfolio value, and purchases of about 0.52%. 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. Nothing should be inferred from the purchases or sales; for example, a pocket of extreme pessimism rebounded more than 20% during the month after the CCP edict. 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).

In September, the “rotation” continued and accelerated with investors in aggregate moving towards lower quality businesses, risky jurisdictions, opaque structured products sold via incentives, yield chasing and ignoring Graham, Munger, Kahneman, Estate Mortgage and past crises. Such popular trades typically move rapidly and proponents chase returns and herd, as is typical activity in bull markets (volumes most help the intermediaries). Speculative activity accelerated as the Federal Reserve joined other central banks in starting the reversal of previous interest rate rises. Promoters of financial activity and of private credit were joined by all number of other promoters seeking to convince savers and investors; such promotion and activity might continue to amplify speculative asset prices. Momentum trades do not depend upon comparing expected future cashflows with market prices for the highest quality companies. The unknown outcomes of the US elections for President and both houses, and associated business, economic, political, societal, ideological, incompetence and geopolitical risks, dampened some speculations. Open discussions of tax increases on business also dampened some and included France, Japan, US and Australia as none were accompanied with efficiency programs for Governments and regulators, let alone accountability.

Yields on ten-year US Government bonds at almost 3.8% continue not to be a headwind for business or investments. Similarly for current USD levels, although experts worry about rising debt and ongoing deficits. Of course, the rise in the USD against the AUD from low 65s to above 69 over the last two months (despite repeated governance failures) has been a direct headwind for NTA figures which are reported in AUD. Businesses and investors that plan to create and retain value over decades should have a long term perspective about the next few movements in central bank artificially derived interest rates, unless they cause prices that allow for sensible buying or selling or for improving the longer-term capital structure. During 2022 we argued that the gyrations in the 10-year US Government bond yield were inconsequential in comparison with the bargains available in the highest Quality companies. Similarly, long term investors should focus upon sustainability of competitive advantages and future profitability/cashflows over many years.

In September, markets were relatively calm as the “everything rally” progressed. In real economies costs of living bit hard and longer-term differences between Quality and mediocre were again apparent with various September updates, including setbacks in demand and pricing power (as well as in the emergency politburo CCP edict). Sustained profitable advantaged growth remains unusual, and the major networked businesses continued to reaffirm their competitive advantages, despite relentless ideological targeting from politicians, regulators, and some judges. The high ROIC and strengths of the businesses with hundreds of millions or billions of direct or indirect customers and multiple billions of free cash earnings every period were highlighted. In contrast, a leading non bankrupted Australia home builder transferred majority control for a relative pittance this month, and at the same time a leading US and global real estate long term owner and developer noted that its US$1 billion cashflow was significant compared with the industry and the leading consumer apparel and upmarket cosmetics companies made significant management changes in response to poor results. Whilst many in the market expect significant uplifts from lower official rates, many companies have now reversed optimistic previous growth assumptions with revenue demand pressures from businesses and consumers translating into lower pricing power and a squeeze on some margins.

Impacts of CCP policies continue to be felt widely; for example, 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 sales to be down by double digits. The Pacific ICBM added tension. The US election is increasingly in market focus, including the impact upon future corporate tax rates and their composition.

We continue to fear that momentum will test us all, as bullish conditions continue. Apparently easy gains may well continue, 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.

All holdings in the portfolio as at 30 September 2024 are shown in the table that follows (shown as percentages of investment assets).

	%		%
Amazon	11.8	United Overseas Bank	1.5
MasterCard	10.5	US Bancorp	1.3
Visa	9.3	Oversea - Chinese Banking	1.3
American Express	8.0	United Health Group	1.1
Meta Platforms	7.9	CVS Health	0.8
Bank of America	7.2	Prosus	0.7
Home Depot	6.9	Lowe's	0.7
Microsoft	6.8	Intercontinental Exchange	0.5
Alphabet Class A	6.6	RB Global	0.2
Alphabet Class C	6.2	Allianz	0.2
Flutter Entertainment	2.7	Schroders	0.1
Lloyds Banking Group	2.1	L'Oreal	*
CK Hutchison	1.9	JP Morgan Chase	*
DBS Group	1.8	Morgan Stanley	*
HCA Healthcare	1.8	** less than 0.1%*	

Net cash shown as a percentage of investment assets was approximately 0.5% as at 30 September 2024. AUD net cash was 6.5% (taxes, other expenses, buybacks and dividends are paid in AUD), USD net debt 0.2% and Euro, GBP, HKD and SGD borrowings totalled approximately 5.9% of investment assets as at 30 September 2024 (all approximate). Although September was another difficult month for Governments in Australia, other countries have many similar challenges with cost-of-living pressures being very real for very many, and socialist/populist anti-business policies are being promoted widely. Australia's accelerating business bankruptcies, lack of scale, centralized bargaining 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 30 September 2024 were 0.694 (USD), 0.622 (EUR) and 0.517 (GBP) compared with rates for the previous month which were 0.679 (USD), 0.613 (EUR) and 0.516 (GBP).

Yours faithfully

Chris Mackay

Chris Mackay
Portfolio Manager

1 October 2024

[1] Net tax liabilities are current tax liabilities and deferred tax liabilities, less tax assets.
All figures are unaudited and approximate.