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 March 2024.

Authorised by
Marcia Venegas | Company Secretary

2 April 2024

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

MFF advises that its approximate monthly NTA per share as at 28 March 2024 was $4.337 pre-tax ($3.398 as at 30 June 2023), and $3.608 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. Higher prices for portfolio holdings reduce margins of safety and future returns. However, the 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 higher market prices and ongoing very conservative assumptions on future interest rates.

In March, portfolio changes were again modest, with some ongoing opportunity cost driven actions (mostly related to market prices and portfolio risk management, and to provide funding for alternative opportunities), and negligible recycling of investments. Combined, these actions were reflected in sales in the month of approximately 2% of portfolio value and purchases of approximately 0.12%. As noted in the December NTA update, MFF’s results over time will be better if our selling has been unnecessary, too early, wrong. Over recent months in the strengthened market conditions MFF has taken net borrowings further below the 10% level mentioned at the recent AGM, after tax and other outgoings (i.e. some resources for future opportunities). Tax payments are required from MFF’s profitable sales, with approximately another $4.8 million (0.8 cents per share) tax paid in March, 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, most importantly from future results and also from “performance figures”/comparisons of movements in “pre-tax NTA” unless adjusted for franking credits and tax paid].

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 [The Boys in the Boat allowed viewers to marvel at the changes over decades in Seattle, with many absolutely world class companies nurtured by capitalism’s opportunities, contrasts the headwinds for many people then and now not cured by capitalism or Governments]. 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.

Index funds with inflows and active managers viewing and chasing recent price appreciation limit current opportunities. We want the least expensive, highest quality understandable business portfolio for every dollar of cost, whether it is available to be bought now or in the future. Price/value for quality companies rather than short term macro factors meant that recent interest rate movements were less important than Quality and Price/Value for MFF’s portfolio. 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. In March, even as equity market indices were strong and bond markets relatively stable, there were notable movements in some areas and nascent contrary indicators, perhaps worthy of investigation, albeit with little immediate impact on the MFF portfolio. In March, MOMO (momentum) accelerated and many market participants increased speculation and movement from the sidelines with FOMO and career protection for professionals. Hence equity price momentum continued; unevenly as is typical, with many participants being more comfortable with a very short-term approach (which of course has logic but difficulty even in rising markets, perhaps illustrated by the earnest debate about [wishing for] market broadening).

Higher prices are riskier, not less, and presage lower future returns, not higher. 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 March and 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 trump perceived requirements for market breadth. Many memes trumpeted by the markets and ”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 is becoming systemic as non-bank lending and related activities continued accelerating, 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 prevent Y2K and 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 memes/tokens. As this stage of AI involves many billions of capital, data and computing power the market reaction remains 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 remain 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 28 March 2024 are shown in the table that follows (shown as percentages of investment assets).

	%		%
Amazon	12.2	Prosus	1.5
MasterCard	10.2	Intercontinental Exchange	1.5
Visa	9.4	DBS Group	1.5
American Express	8.0	United Overseas Bank	1.3
Bank of America	7.0	US Bancorp	1.1
Home Depot	6.6	Oversea - Chinese Banking	1.1
Microsoft	6.5	United Health Group	0.9
Meta Platforms	6.4	CVS Health	0.8
Alphabet Class C	6.3	Lowe's	0.7
Alphabet Class A	6.0	RB Global	0.4
HCA Healthcare	2.5	Schroders	0.1
Flutter Entertainment	2.5	L'Oreal	*
Morgan Stanley	1.9	JP Morgan Chase	*
Lloyds Banking Group	1.9	Allianz	*
CK Hutchison	1.6	** 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 accelerating disfunction, asymmetry and unaccountability at multiple levels of Federation and deliberate anti-business actions), 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 7.1% as at 28 March 2024. AUD net cash was 6.5% (taxes, other expenses, buybacks and dividends are paid in AUD), USD net debt 2.3% and Euro, GBP, HKD and SGD borrowings totalled approximately 11.3% of investment assets as at 28 March 2024 (all approximate). Key currency rates for AUD as at 28 March 2024 were 0.652 (USD), 0.604 (EUR) and 0.516 (GBP) compared with rates for the previous month which were 0.651 (USD), 0.602 (EUR) and 0.515 (GBP).

Yours faithfully

Chris Mackay
Portfolio Manager

2 April 2024

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

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