MFF CAPITAL INVESTMENTS LIMITED
MLC Centre
Level 36, 19 Martin Place
Sydney NSW 2000 AUSTRALIA

General: +61 2 9235 4888
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 for July 2019

Please find enclosed MFF's monthly NTA per share for July 2019.

Marcia Venegas
Company Secretary

1 August 2019

MFF Capital Investments Limited ('MFF')
Net Tangible Assets ('NTA') per share for July 2019

MFF advises that its approximate monthly NTA per share as at Wednesday 31 July 2019 was $3.384 pre-tax ($3.225 as at 30 June, 2019), and $2.788 after providing for tax[1]. Figures are cum dividend. During the month we paid an additional company income tax instalment of $4.3m (which followed on from the $41.6m we paid in fiscal 2019 as noted in the Annual Report). These payments are MFF's largest expenses and reduce pre-tax NTA.

We again had limited market activity in the month, with sales of about 1% of investment assets and purchases at a lower level.

We continue to prefer excellent companies with sustainable advantages and prospects for profitable growth. Company results for the June period and outlook statements for portfolio companies released during the month again appeared favourable (overall). Adaptable intensity of focus is characteristic of the cultures of many sustained successful companies in testing times such as the current period. This is necessary but may well be insufficient for our portfolio, as slower growth and economic pressures appear to broaden and intensify, whereas market prices continued to rise.

In recent years probabilities favoured excellent companies continuing to earn high returns and grow. Momentum has positively reinforced investment in large index dominant 'winners' and favoured promoters able to repeat the formulae from the Manhattan Fund, and not value investors following John Neff's legacy. These phenomena may continue for extended periods as equity market participation remains narrow with wealth concentrated in older demographics scarred by the tech and financial crises, only making tentative steps back into the big names and big indices as well as hoping for better 'yielding' returns, and euphoria and aggressive paper wealth chasing is not as pronounced as at past peaks. On the other hand, analytical challenges are greater than in the earlier years of the decade long asset price run-up, as challenges increase for less favoured businesses and economies, including dangerous circularity of populist political responses, and these will impact business returns for businesses with better underlying fundamentals. Eventually markets react and the fallout might be material. 'Professional' investors have rushed the 2019 version of low interest rate central bank candy and fired up momentum and promotion to the IPO markets and Beyond.

Much higher asset prices, including bond and equity markets, reduce margins for safety, including (and some argue particularly) for excellent companies. However, every multi-year market up-cycle requires market supply and demand to be dominated for a time by groups chasing yields or heavily promoted returns. Previous uncoupling of soaring market prices from plodding business returns was 'glorious' for exhilarated bull market participants whereas the largest cohort of current market donors are much older, restrained in their 'conscious' uncoupling, until the goop from wealth transfer cyclically uncouples from wealth creation in the context of instant digital, social multinational flows in the gig economy.

For most of the past decade appropriate base case economic and business models have needed to ignore hysteria including macro experts forecasting upward spikes in interest rates and more recently 'lower forever'. Instead, 'muddle along' has been a workable base case with some acceleration and deceleration in different industries and geographies, amidst a lot of noise and distraction. Excellent companies have been favoured and have not recently experienced negative cycles. Excellence (reflected in ongoing business value compounding over longer periods) is now weighed against much higher asset prices, crowded trades and early evidence of 'over earning' which is customary as business cycles progress.

Although market price discomfort remains less than in January 2018 when neophyte optimist extrapolations were soon trumped by a little reality, July market indicators were mostly concerning. Responsible financial planners are struggling as their clients' incomes are being hammered by lower interest rates, promoters are launching a plethora of low-quality yield products and clients gravitate towards what has worked recently. As market cycles progress recent market prices and so-called 'performance' figures and compelling narratives might be unreliable indicators of future price movements, except perhaps for very short-term periods.

Net debt as a percentage of investment assets was approximately 1.5% as at 31 July 2019. AUD net cash was 3.4% (taxes, other expenses and dividends are paid in AUD), GBP net debt 0.6%, USD net debt 4.2% and other currency borrowing/cash exposures were below 1% of investment assets as at 31 July 2019 (all approximate). Key currency rates for AUD as at 31 July 2019 were 0.689 (USD), 0.619 (EUR) and 0.563 (GBP) compared with rates for the previous month which were 0.702 (USD), 0.616 (EUR) and 0.551 (GBP).

Yours faithfully,

Chris Mackay
Portfolio Manager

1 August 2019

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

All figures are unaudited and approximate.

Important note