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 April 2019

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

Marcia Venegas
Company Secretary

1 May 2019

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

MFF advises that its approximate monthly NTA per share as at Tuesday April 30, 2019 was $3.223 pre-tax ($2.762 as at 30 June 2018), and $2.664 after providing for tax[1]. Figures are ex dividend (1.5 cents per share fully franked payable 17 May 2019). A tax instalment of approximately 1.38 cents per share was paid at the end of the month and reduced pre-tax NTA.

The portfolio was almost unchanged in April. Transactions were below 1% of portfolio value. Q1 2019 results and company statements released during the month included strong growth and near-term outlooks for various MFF holdings. More importantly, competitive advantages continue.

Our portfolio is structured to benefit from ongoing market/economic positives (some of which are mentioned below), but not be disastrous if economies and markets turn adverse very suddenly. However, we are invested in equities, equities rank at the bottom of the return pile and, as some of our less expensive somewhat less favoured investments increased in market price in the month, MFF now lacks the significant margin of safety we usually seek from low portfolio prices. In that context, we maintain a focus upon quality/value and portfolio risk management disciplines (which mostly show their benefits when market prices are low) although they detract from returns in strongly rising markets (our significant sales in February compare unfavourably with far higher market prices by month end April).

Overall not much has changed since the December NTA note (except for broadly based higher prices) when we argued that 'our portfolio companies continue to be advantaged, continue to have opportunities for profitable growth and we consider that they continue to be satisfactorily priced. We consider that the risk/return profiles for the purchases [in December] (and for the portfolio retentions) are more favourable than alternatives. Overall, we continue to be positioned in growing, less structurally challenged, high margin, sizable, businesses with shares having high levels of market liquidity. We remain disinclined to push down the quality spectrum to chase 'deep value' given our risk/return preferences although it is possible that recent events might extend the duration of some major economic cycles (contrary to current market consensus) and benefit such equities more than our portfolio'.

Although investor sentiment has rebounded, we continue to regard prices as satisfactory in the circumstances although, overall, obviously less attractive for buyers than in December. Cyclical and structural advantages are combining with wealth effects and other sentiment measures. Market and economic conditions are favourable, and even mediocre businesses and managers are being supported alongside 'fresh' stories. IPO markets and debt markets continued to strengthen with numerous US and Chinese cash negative technology related companies accelerating their preparations for public markets. Underwriters and other promoters are aiming for sustained 'melt-up' in markets and sentiment. To date the new raisings have not been at the expense of existing debt and equity holdings [abundant cash remains on the sidelines and funding is plentiful and inexpensive for hedge funds, ETFs, passive funds, sovereign funds, VCs, private equity and start-ups]. Fear of missing out is replacing the opposite predominant emotions from December and the return of 'momentum' appears to be gathering momentum as is typical as positive sentiment from rising prices and 'profits' build. Multiplier benefits of 'unicorn' IPOs are real and spreading, as touched upon in last month's NTA note.

Importantly, the required changes to modelling are being made by market participants (and brokers, advisers, underwriters and promoters) to justify/support buying at higher prices based upon 'updated' assumptions of sustained lower interest rates combined with sustained secular and structural growth narratives for the purchase targets. As in the later stages of past cycles 'value' investors capitulate to buy 'quality' or momentum or withdraw from the business replaced by combinations of passive and heavily promoted alternatives. The latest sports seasons benefit from the excitement of emerging star players born in the 2000s; similarly, capital allocators unrestricted by direct memories of previous cycles have begun contributing to exciting pockets of euphoria boosted by compelling narratives, low interest rates and powerful computing.

MFF CAPITAL INVESTMENTS LIMITED

In addition to the direct and indirect effects of rampant market recoveries, the most impactful event might be the late month preliminary announcement that the US administration might have found common ground with the Democrats for a massive (multi trillion USD) stimulus targeted at infrastructure. Multiplier economic benefits, capital recycling, prolonging of economic cycles and wage/inflation/immigration impacts are some of the possible ramifications. Also, during the month elite consensus credibility attached to their changes in forecasts for interest rates and inflation (to benign) to fuel markets' near-term expansions. Their forecasts for US/China trade and Brexit have become more benign as markets rise which reinforces market consensus.

If markets continue to rise our choices (including choosing to do nothing) become more difficult and have real costs beyond opportunity costs. In addition, the value is far lower from the benefits we have from the deferral of tax liabilities for unrealised gains [higher prices increase the likelihood of increased and earlier sales which incur significant earlier taxes]. We also lack cost free options to have funds on hand for when the next severe downturn occurs (substantial portfolio sales would result in significant cash tax payments; raising capital to sit on for an indeterminant time waiting for lower prices has many flaws; raising and spending capital in the near term involves increased market risks, almost certainly reduces the portfolio's average business quality and adds portfolio management complexity without obvious benefits on a per share basis for existing MFF shareholders).

Net debt as a percentage of investment assets was approximately 2.9% as at 30 April 2019. AUD net cash was 2.2% (taxes, other expenses and dividends are paid in AUD) , GBP net debt 0.7%, USD net debt 3.7% and other currency borrowing/cash exposures were below 1% of investment assets as at 30 April 2019 (all approximate). Key currency rates for AUD as at 30 April 2019 were 0.704 (USD), 0.628 (EUR) and 0.540 (GBP) compared with rates for the previous month which were 0.710 (USD), 0.633 (EUR) and 0.545 (GBP).

Yours faithfully,

Chris Mackay
Portfolio Manager

1 May 2019

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

All figures are unaudited and approximate.

Important note

MFF Capital Investments Limited ABN 32 121 977 884 (**MFF**) has prepared the information in this document. This document is not an offer or invitation for subscription or purchase, or a recommendation of any financial product and is not intended to be relied upon by investors in making an investment decision. Past performance is not a reliable indicator of future performance. This document has been prepared for the purpose of providing general information only, without taking account of any particular investor's objectives, financial situation or needs and MFF does not offer financial advice in any form whatsoever, expressly or implied. To the extent anyone attempts to imply general financial product advice is contained in this document, it is by MFF as a corporate authorised representative of Magellan Asset Management Limited ABN 31 120 593 946 AFSL 304 301.