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 July 2023.

Authorised by
Marcia Venegas | Company Secretary

1 August 2023

MFF Capital Investments Limited (‘MFF’)
Net Tangible Assets (‘NTA’) per share for July 2023

MFF advises that its approximate monthly NTA per share as at 31 July 2023 was $3.508 pre-tax ($3.398 as at 30 June 2023), and $2.987 after providing for tax[1] ($2.912 as at 30 June 2023). The figures are cum the increased fully franked final dividend of 5 cents per share declared at the end of July. MFF’s short term figures continued to increase in July at least in part reflecting ongoing strength in underlying values and business performances of the portfolio companies. Q2 results and corporate update statements from MFF portfolio companies were extremely positive (absolutely, and particularly compared with markets’ macro-economist dampened expectations). Quality of management and advantages built over many years delivered some portfolio companies multibillion dollar NPAT quarters in sectors with adverse macroeconomic and regulatory conditions, and where numerous competitors struggled.

MFF’s primary feature remains its combination of shareholding interests in extraordinary businesses with sustainable competitive advantages and above average sustainable growth rates, acquired on satisfactory terms. Month after month, MFF’s primary activity has remained holding shares in companies we regard as excellent on terms we regard as favourable (the full portfolio is shown below). In July, MFF’s selling was approximately 2.5% of portfolio value and buying a little under 1%. Proceeds from the sales allow for some future opportunities, and to set aside some capital for tax, dividends, and the buyback. There were modest purchases at sensible prices for some quality businesses within our focus areas. In recent months purchase time windows narrowed as sentiment became more positive (for example in July, 20% + rebounds for leading banks, and United Health’s rise post decent results).

Higher market prices and rising expectations have commenced eroding the margins of safety related to prices. This may well continue, as accelerating momentum and narratives feed each other, with rallies broadening and deepening, for example, as fears of missing out displace fears of loss; overall, however, powerful mean reverting forces eventually prevail. In July 2023, optimistic collective market intelligence (artificial and human) was a world away from the rampant fear and pessimism of late calendar 2022. Major equities markets swept straight past more modest returns from bonds, even after 2022 bonds’ worst calendar year in many decades. Market fluctuations are inevitable and, in the past, have favoured MFF which has the capital resources and scope not to follow momentum and opinions, and to be objective, disciplined and opportunistic in comparing value with price across its extensive but focused investment opportunities.

Economists and strategists have ample material from which to select to dampen the moods of investors, as their views of the “real world” were not as buoyant as equity markets. Obviously, sensible businesspeople and longer-term investors factor in and prepare for downturns as well as upturns. Sadly (for those who put any weight on it), the newly found “consensus” in favour of a “soft landing” may be as akin to an elbow as the consensus forecasts were during and following the panics of 2022. Many small businesses continue struggling as cash pressures build on them and consumers. Banks tightened credit during Q2 2023, and of course the Regulators proposed draconian new capital and reporting requirements to cut off access to capital even further in regulated entities. Time and again over history, this results in disasters as capital moves to unregulated excess. This time, bad outcomes likely will be exacerbated by excessive official interest rate rises impacting with lagged but cumulative effects. Across many continents, the unrelenting myriad of anti-business anti-growth ideologies dominated regulators and politicians continue to dampen initiatives, risk taking and opportunities with cumulative, deleterious effects. The incentives of successful bond traders require them to observe that the dying parrot left in the closed shop, and 50% vacant office blocks, are not inflationary, particularly as reversals of transitory inflationary factors are also confirmed by data, well ahead of central banks.

All holdings in the portfolio as at 31 July 2023 are shown in the table that follows (shown as percentages of investment assets).

	%		%
MasterCard	11.7	Morgan Stanley	1.8
Visa	11.2	Intercontinental Exchange	1.6
Amazon	10.8	Lloyds Banking Group	1.4
Alphabet Class C	7.1	DBS Group	1.4
Home Depot	7.0	United Overseas Bank	1.3
Microsoft	6.2	Oversea - Chinese Banking	1.1
Alphabet Class A	5.9	United Health Group	1.0
American Express	5.8	US Bancorp	1.0
Meta Platforms	5.5	Lowe's	0.8
Bank of America	5.5	RB Global	0.5
Flutter Entertainment	2.8	JP Morgan Chase	0.4
CVS Health	2.3	Allianz	0.2
CK Hutchison	2.2	Schroders	0.1
HCA Healthcare	1.8	L'Oreal	0.1
Prosus	1.8		

We remain very cautious about all currencies and our negative views on the AUD over extended periods continue. Net debt shown as a percentage of investment assets was approximately 12.7% as at 31 July 2023. MFF continues to maintain some liquidity in AUD. AUD net cash was 4.4% (taxes, other expenses, buybacks and dividends are paid in AUD), USD net debt 6.7% and Euro, GBP, HKD and SGD borrowings totalled approximately 10.5% of investment assets as at 31 July 2023 (all approximate). Key currency rates for AUD as at 31 July 2023 were 0.674 (USD), 0.611 (EUR) and 0.524 (GBP) compared with rates for the previous month which were 0.666 (USD), 0.610 (EUR) and 0.524 (GBP).

Yours faithfully

Chris Mackay
Portfolio Manager

1 August 2023

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

All figures are unaudited and approximate.