



**MFF**

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***MFF Capital Investments Limited ('MFF')  
Net Tangible Assets ('NTA') per share for November 2020***

*Please find enclosed MFF's monthly NTA per share for November 2020.*

Authorised by

Marcia Venegas | Company Secretary

1 December 2020



## **MFF Capital Investments Limited ('MFF') Net Tangible Assets ('NTA') per share for November 2020**

MFF advises that its approximate monthly NTA per share as at 30 November 2020 was \$2.863 pre-tax (\$2.809 as at 30 June 2020), and \$2.564 after providing for tax<sup>1</sup>. The full portfolio is shown below.

The composition of MFF's portfolio improved in November as we continued to substitute some of our cash holdings for holdings in advantaged companies. Many have high probabilities for sustained profitable growth. MFF portfolio purchase prices typically are at material discounts to what the entire businesses would auction for if sold. Balance sheet strength remained at month end, with cash awaiting deployment over time and a concentration in equity securities of large profitable companies. At the AGM and in recent monthly reports we discussed our very negative views of cash, and our preference remains for investing over time in high quality businesses at sensible prices. Equity market participants chased some new winners during the month (albeit away from our spaces), and our lower expectations and some indicators of bullish market conditions are noted below.

The portfolio includes companies that are likely longer-term beneficiaries from ongoing digitisation. The portfolio includes pockets which are out of favour with investors and appear inexpensive compared with underlying values. The reopening of economies as COVID vaccines and therapeutics are deployed will benefit most portfolio companies but likely is of limited impact upon most future longer-term values. The vaccine and therapeutics progress and US election results likely have materially reduced some material tail risks (although rampant cases of COVID remain, particularly in the northern hemisphere, and optimism/concerns remain about 'blue wave' prospects given Biden's 'honeymoon' extended support is buttressed by GOP diva behaviour and impacts on the January 6th Georgia runoffs for Senate control).

We continue to favour a mix of high quality businesses that we hope to hold for many years, rather than as short term trades. We again caution against reading too much into the portfolio changes, which include an increase in the number of holdings and geographic dispersion. Neither are medium or longer term objectives, and simply reflect recent reviews of alternatives. We continued to increase our holdings in some ongoing winners from digitisation, cloud computing, online commerce and traditional businesses that are successfully increasing online and digital advantages, and in some conglomerates and businesses more directly impacted by the pandemic. Some companies have commenced steps to narrow their gaps between market prices and valuations, but others have lengthy transformations with historical and cultural impediments to world's best value for their businesses and assets.

Our expectations for future returns remain much lower than they were a decade ago when equity prices were low after the Financial Crisis. Very strong market prices in the month obviously reduce future average returns at month end. Favourable conditions for capital are unlikely to continue unabated for another decade or so as, for example, the proportions of economies that accrue to businesses remain at record highs. Real wages have stagnated for a decade or more. Record government borrowings require ongoing servicing (taxes, charges, growth) and/or eventual refinancing. Recent modest roll backs of globalisation have not translated into material benefit shifts towards employees, and Japan and China are amongst major economies advancing robotic technology, with associated efficiencies and production cost savings. Some major employers have increased wage, bonus and other benefit payments to frontline workers; for example Home Depot and other major retailers in the context of COVID and record profit announcements this month, but these moves are voluntary (rather than negotiated and permanent) and appear not to be widespread, and energy industry and others under pressure are reducing payments to labour as well as capital expenditures.

Our focus is business by business seeking to compare price with value (based upon assessments of prospects). There are always market and broader issues for investors and advisers to assess and to worry about. Political government issues include massive retrenchments and curtailed spending in cities, municipalities and states/provinces with balanced budget (or similar) requirements, in contrast with currently unconstrained borrowing and spending elsewhere. Brexit remains a problem for UK and Europe. In China debt defaults by state owned enterprises have spiked and there was the 11th hour intervention to prevent the largest IPO globally.

Hot markets have seen further increases in mergers and acquisitions and in willingness (desire/desperation) for Boards and managements to chase them, plus red-hot IPO and SPAC (special purpose acquisition companies) markets. Weak rules involving/requiring a lack of judgement around these matters and around index investors and global and regional index inclusions are of course also being exploited by some, for money and status as PR/self-described 'blue chips'. There is also a reacceleration in the transfer of money from the many and the non-critical, fuelled by recent gains by self and other investors, the expectation of sustained low interest rates and prospects for the growth recovery. Duration and extent of bullish conditions are unknown.

Political activity is associated with costs and losers in addition to any winners and is a key variable for businesses and the portfolio (currently for example antitrust actions and global digital taxes, and US executive order price controls in health). Notwithstanding, 2021 still might see much stronger economic activity with vaccines and stimulus combining with accrued demand and release of aggregate household savings.

Important broader geopolitical issues ebb and flow month to month and play out over longer periods. Over recent decades aggregate progress and outcomes, and resilience, may have been strongest when robust democracies were combined with features including freedoms of choice and opportunities, capitalist values, strong safety nets and international cooperation in pursuit of freedoms to progress. Robust democracies appear to provide better opportunities to react to severe disruptions, for course corrections and checks and balances; in other words, adaptation and adjustment with movement back towards guiding principles. Movements by the US, Europe and elsewhere toward and away from these principles fluctuate over time, often unpredictably and even robust democracies often do not produce outstanding leaders, with even greater variability where leaders are selected by popular plebiscites rather than by peers. Current challenges to principles, leaders and democracies are many, including impacts of globalisation and technology, outdated infrastructure and the rising power, and these obviously continue after recent elections and await honest effective Governments around the world (whether or not they apply Lee Kuan Yew, Peter Drucker or other guides to effective management and leadership).

MFF's recent monthly releases and the AGM material reiterated our preferences for sensible purchase prices, included some broad market commentary and comments about interest rates and relating to MFF's portfolio dividend receipts. These are not repeated and continue to be applicable.

Holdings as at 30 November 2020 are shown in the table that follows (shown as a percentage of investment assets and net cash).

<b>Holding</b>	<b>%</b>	<b>Holding</b>	<b>%</b>
Visa	18.1	JP Morgan Chase	1.3
MasterCard	16.4	Mitsui & Co	1.3
Amazon	9.3	Sumitomo Corp	1.2
Home Depot	9.1	Lloyds Banking Group	1.1
Facebook	5.2	US Bancorp	0.8
CVS Health	3.6	Lowe's	0.7
Berkshire Hathaway Class B	2.5	Schroders	0.5
Bank of America	2.4	Marubeni	0.4
Prosus	2.3	DBS Group	0.3
Microsoft	2.2	HCA Healthcare	0.3
CK Hutchison	2.0	Ritchie Bros Auctioneers	0.2
Intercontinental Exchange	2.0	Oversea - Chinese Banking	0.2
L'Oreal	1.9	United Overseas Bank	0.2
Itochu	1.9	Wells Fargo	0.1
Asahi Group	1.9	Magellan High Conviction Trust	0.1
Mitsubishi	1.8	Alphabet	0.1
Flutter Entertainment	1.7	PM Capital Global Opportunities Fund	*
Berkshire Hathaway Class A	1.4	United Health Group	*
Morgan Stanley	1.4	* <i>less than 0.1%</i>	

Net cash shown as a percentage of investment assets and net cash, was approximately 4.6% as at 30 November 2020. AUD net cash was 3.6% (taxes, other expenses and dividends are paid in AUD whilst proceeds of MFFOA Option exercises are received in AUD) and USD net cash 0.7%. Yen borrowings/cash and other currency borrowing/cash exposures were below 1% of investment assets and net cash as at 30 November 2020 (all approximate). Key currency rates for AUD as at 30 November 2020 were 0.737 (USD), 0.616 (EUR) and 0.552 (GBP) compared with rates for the previous month which were 0.702 (USD), 0.603 (EUR) and 0.543 (GBP).

Yours faithfully,



Chris Mackay  
Portfolio Manager

1 December 2020

<sup>1</sup> Net tax liabilities are current tax liabilities and deferred tax liabilities, less tax assets.

All figures are unaudited and approximate.

Figures are not adjusted for unexercised MFF Options (MFFOA).

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