CAPITAL INVESTMENTS LIMITED

MLC Centre
Level 36, 19 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 April 2021.

<u>*Authorised by*</u>
Marcia Venegas | Company Secretary

3 May 2021

MFF Capital Investments Limited ('MFF')
Net Tangible Assets ('NTA') per share for April 2021

MFF advises that its approximate monthly NTA per share as at 30 April 2021 was $3.167 pre-tax ($2.809 as at 30 June 2020), and $2.714 after providing for tax[1]. MFF shares traded ex dividend during April and the dividend is to be paid mid-May (3.0 cent per share fully franked). Portfolio prices rose during the month and currencies were a moderate headwind, as were Option exercises in relation to per share figures. MFF paid tax of $0.6m tax in the month and this reduced pre tax figures, but added to imputation credits for ongoing fully franked dividends (see MFF's Half Yearly Report for details on imputation credit balances and dividend policy).

MFF remains characterised by portfolio and process continuity. Purchases and sales in the month were immaterial for MFF. The portfolio is concentrated in companies which are advantaged, extremely profitable cashflow generators, with very solid post pandemic prospects and current resilience, even if pandemic impacts extend for far longer than currently expected by many. The portfolio is materially stronger than it was at end May 2020 when we started to reinvest the significant pandemic related cash balances. Prices and portfolio quality continue to matter.

Q1 2021 results and updates from portfolio companies (and from large companies more generally) were very positive, most in an absolute sense; others at least in comparison with pandemic impacted figures from a year ago. Massive fiscal and monetary stimulus, vaccine rollouts, reduced infections, activity reopening in many parts of the world and strong markets themselves, materially benefited corporate revenues and outlooks. Leading economic indicators strengthened further, including equity markets and renewed investment levels. As is customary, the Quarterly updates were 'the most important ever', at least until the next updates. MFF's overall results in the longer term most depend upon longer term business performances of MFF's portfolio companies.

Additional caution in reviewing positive quarterly results might also be warranted because of the overall record levels of equity markets and because the transition from this pandemic recession is compressed and thus unusual. Professional market participants who are concerned about the quality and sustainability of results focussed on the extent to which year on year figures benefited from unrealistic base effects, the sustainability of pull forward demand for products of pandemic 'winners', as well as pull forward via cash payments/stimulus (mostly with low economic multipliers) , and via pent up demand associated with re-openings. Although lockdowns and virus transmission and mutations continued in many parts of the world, professional investors and overall markets continued looking past COVID.

Company results and outlooks made clear that inflation is increasingly widespread and moving from inputs to consumer markets, and into labour markets. Professional debate focussed on whether inflation is temporary or will be sustained, as well as levels and ranges which might impact ongoing Central Bank interest rate suppression. Clearing rate movements for the most liquid interest rate markets remained subdued, with US 10 year Treasuries yielding about 1.62%pa at month end, and lower Government 10 year rates in Europe and Japan. Short term Government borrowing rates remained at about zero, and there was little evidence of even moderate bond market participant concern outside of lenders to China SOE borrowers. Obviously, consensus views on inflation/deflation can change abruptly, in either direction. MFF's portfolio retains partial/modest mitigants, as well as benefiting if the unrealistic 'goldilocks' persists for a while (sustained low/zero interest rates but profit growth sustained well above GDP growth rates).

Price momentum continued for many asset classes and extrapolations moved to super cycles in commodities, crypto and green technologies, for example. Zero cost money in the hands of promoters is zero yielding for savers and money is being dragged (or forced) off the sidelines into risk taking. As more money chases appreciating assets and concepts, promoters (of SPACs for example) take advantage of the Bezzle (JK Galbraith's concept that temporary 'value' is created before discovery and unravelling) and the more recent concept of FeBezzle (as 'value' multiplies even in non fraudulent situations as bull market promoters and participants spread euphoria and bubbles).

Outlines of possible second order and multiplied implications for the eventual unwinding might become clearer as the durations and extents of the up phases continue to broaden. High market prices for bonds, equities and other assets might result in severe losses upon correction but the medium and longer-term economic implications of bubbles and their unwindings are less clear. The 1987 equity market crash was not systemic in the US (but Australia and elsewhere subsequently had deeper recessions). Whilst the 2000-1 unwind of the tech/internet bubbles multiplied downwards into a broader recession, the internet and telecom spending in this period were material for subsequent business innovation and advances. Government and central bank actions from 2008 failed to prevent severe recessions in the US, Europe and elsewhere, but so far this time the larger Pandemic stimulus has underpinned economic recoveries. In the past economists worried about 'free money' spending of Other People's Money by Governments and promoters, but previous checks and balances appear weaker.

Political and geo-political concerns have not diminished. Increasingly big businesses are political, populist, regulatory and judicial targets with few supporters outside of direct and indirect employment beneficiaries (local communities welcome their investments). Notwithstanding the US administration's access to, and willingness to spend, 'unlimited' zero/low cost money, the rhetoric is shifting quickly well beyond fairness and paying 'fair shares' to 'even up the playing field' via material increases in taxes, legislation and targeted regulations/judicial activism. Our pessimism on these risks for MFF's portfolio companies remains elevated, despite the companies' awareness, engagement and very positive social community and political commitments.

More broadly, capricious political and regulatory interventions continued to occur in April and should be expected to increase, along with higher taxes, regulations, bureaucracies and charges impacting SME employers and other businesses. Rent seekers have quickly captured populist agendas and narratives to support massively increased government funding, regulatory interventions and bureaucracies including 'transitions' to new energy and infrastructure. Increased inflation and stagflation risks inevitably follow such government 'help', at least partially offsetting ongoing, extraordinarily positive new business enablement, entrepreneurism, competition increases and consumer fulfilment arising from technology advances and management excellence.

Net debt shown as a percentage of investment assets, was approximately 2.9% as at 30 April 2021. AUD net cash was 0.8% (taxes, other expenses and dividends are paid in AUD whilst proceeds of MFF Options (ASX ticker: MFFOA) exercises are received in AUD), USD net debt 2.0%, Yen net debt 1.3% and other currency borrowing/cash exposures were below 1% of investment assets as at 30 April 2021 (all approximate). Key currency rates for AUD as at 30 April 2021 were 0.772 (USD), 0.642 (EUR) and 0.558 (GBP) compared with rates for the previous month which were 0.762 (USD), 0.648 (EUR) and 0.552 (GBP).

Yours faithfully

Chris Mackay

Chris Mackay
Portfolio Manager

3 May 2021

[1]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).