



CAPITAL INVESTMENTS LIMITED

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***MFF Capital Investments Limited ('MFF')
Net Tangible Assets ('NTA') per share for April 2018***

Please find enclosed MFF's monthly NTA per share for April 2018.

***Geoffrey Stirton
Company Secretary***

1 May 2018

**MFF Capital Investments Limited ('MFF')
Net Tangible Assets ('NTA') per share for April 2018**

MFF advises that its approximate monthly NTA per share as at 30 April 2018 was \$2.609 pre-tax, (\$2.324 pre-tax as at 30 June 2017) and \$2.174 after providing for tax¹ (mostly deferred). MFF traded ex dividend at the end of April, and the April figures are ex dividend. MFF is a company subject to tax at the corporate level. Tax instalment payments in the month of approximately 0.9 cents per share reduced pre-tax NTA figures and increased the approximate franking credit balance to 2.7 cents per share (to be reduced by approximately 0.64 cents per share for franking attached to the 1.5 cents per share dividend payable in May).

The MFF portfolio remains concentrated in long term holdings in outstanding businesses, many of which appear to have above average prospects for profitable growth and satisfactory market valuations. The portfolio was largely unchanged in the month (aggregate purchases and sales were under 1% of portfolio value) as market prices and business developments appeared not to present much that was actionable in comparison with the existing portfolio composition. Increased divergence in equity price movements between and across sectors may reflect equity markets becoming more 'normal' than during the low levels of volatility and divergence in recent years, and challenges and opportunities should be expected.

March quarter corporate results and outlook statements released in the month were strong (overall) for MFF portfolio companies, as were aggregated US market figures. Figures are inflated by significant cyclical benefits across many sectors, and the record headline numbers reflected Q1 US Dollar weakness and the first quarter of corporate tax cuts. Results were again stronger overall for larger MFF holdings, in part because smaller recent portfolio purchases are in more challenged businesses such as consumer staples (discussed in MFF's NTA release last month). Broad geographical strength was reflected in most results, although official data and corporate comments are indicating modest slowdowns (or slowdowns in the rates of growth) in Europe (including because of the stronger Euro and cycling recent catch up growth from weak years post-recession), the UK, China property and leverage and in some emerging markets (increased currency/debt pressures in Latin America, Africa and Middle East, and sanction impacts). Aggregate near term activity levels and outlooks remain high, with wide spread strength in US sectors and from Chinese consumers (including travel). Technology growth rates accelerated, reflecting secular and cyclical trends including fiscal incentives and major increases in spending upon cloud, security, data, mobility, payments and customer interfaces. Corporate confidence, capital markets and M+A activities remained strong into the end of April as reflected in about a dozen major takeovers or mergers announced on the final Monday of April.

The benchmark US ten year bond yield rose from about 2.75% to about 2.95% in the month as issuance/buy/sell flows in debt markets remained liquid although interest rates and inflation concerns were in the headlines. Current earnings yields for leading companies with decent earnings growth prospects remain at about double the benchmark ten year bond yields (i.e. after tax Price/Earnings equivalent of over 42x for bond coupons, even after allowing for recent bond yield increases and applying the reduced US corporate tax rate). Note that this relationship is illustrative and not determinative/causal even over long periods, as bond and equity trading patterns have multiple inputs, including that benchmark US government bonds have government security of principal and most have fixed coupons (if held to maturity).

As always there are significant variables at company, sector and economy levels. Geo political, energy and trade issues are important and fluid. Other factors with large multiplier implications include the response of Chinese governments to property slowdowns and debt levels, as well as progress with One Belt One Road projects and whether the US implements major infrastructure initiatives. MFF has retained its balance sheet strength with moderate commitments (other than contingent deferred tax liabilities reflecting unrealised portfolio appreciation), and the portfolio is concentrated in leading companies, with above average competitive positions, margins and share trading liquidity.

Net cash as a percentage of investment assets including net cash was approximately 0.9% as at 30 April 2018. AUD net cash was 1.1%, GBP net debt 2.7%, USD net cash 2.5% and other currency borrowing/cash exposures were below 1% of investment assets as at 30 April 2018 (all approximate). Key currency rates for AUD as at 30 April 2018 were 0.7549 (USD), 0.6248 (EUR) and 0.5480 (GBP), compared with rates for the previous month which were 0.7671 (USD), 0.6237 (EUR) and 0.5468 (GBP).

Yours faithfully,

A handwritten signature in black ink that reads 'Chris Mackay'.

Chris Mackay
Portfolio Manager

1 May 2018

¹ Net tax liabilities are tax liabilities less tax assets, and are partially in respect of realised gains.

All figures are unaudited and approximate.

Important note

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