



**MFF**

CAPITAL INVESTMENTS LIMITED

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ABN: 32 121 977 884

30 January 2019

Company Announcements Office  
Australian Securities Exchange Limited  
Level 4, Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

## **2019 HALF YEAR RESULTS**

MFF Capital Investments Limited (**MFF**) hereby lodges:

1. Appendix 4D Statement for the half year ended 31 December 2018;
2. Interim Report and Financial Statements for the half year ended 31 December 2018, incorporating the Portfolio Manager's Report.

Yours sincerely,

**Geoffrey Stirton**  
**Company Secretary**

## Appendix 4D

### MFF Capital Investments Limited Interim Report Half Year Ended 31 December 2018

#### Details of Reporting Periods:

Current: 1 July 2018 to 31 December 2018  
Corresponding: 1 July 2017 to 31 December 2017

Results for Announcement to the Market:	Change from the previous Corresponding Period \$'000		31 Dec 2018 \$'000
Total net investment income <i>("revenue from ordinary activities")</i>	Down by (190,997) or	NM	to (14,164)
Net profit / (loss) after income tax expense <i>("Profit / (loss) from ordinary activities after tax attributable to members" and "Net profit / (loss) for the period attributable to members")</i>	Down by (133,596) or	NM	to (12,960)

#### Interim Dividends:

	Amount per share	Franked Amount per share at 30% tax
Interim dividend	1.5 cents	1.5 cents
Previous corresponding period	1.5 cents	1.5 cents

#### Interim Dividend Dates:

Ex-dividend date	Friday 26 April 2019
Record date	Monday 29 April 2019
DRP election date	Tuesday 30 April 2019
Final dividend payment date	Friday 17 May 2019

In accordance with the accounting standards, the interim dividend has not been provided for in the financial statements. The Dividend Reinvestment Plan (DRP) will operate in respect of the interim dividend and no discount will be applied.

The final dividend for the year ended 30 June 2018 of 1.5 cents per ordinary share fully franked was paid on 9 November 2018.

#### Net tangible assets per share:

	31 December 2018	31 December 2017
Pre-tax NTA	\$2.649	\$2.477
Net tax (liability) / asset	(\$0.399)	(\$0.394)
Post-tax NTA	\$2.250	\$2.083

#### Commentary on Results:

MFF recorded a net loss after income tax for the half year to 31 December 2018 of \$12,960,000 and a net loss before income tax of \$18,512,000.

The Company's half year result principally reflects mark to market reductions in the market value of the Company's portfolio compared with a gain in the corresponding period. The pre-tax net tangible assets ("NTA") of \$2.649 per ordinary share (before net tax liabilities of \$0.399) as at 31 December 2018 compared with \$2.762 per ordinary share (before net tax liabilities of \$0.473) as at 30 June 2018. Post-tax NTA of \$2.250 per ordinary share as at 31 December 2018 compared with \$2.289 per ordinary share as at 30 June 2018.

The Directors have declared a fully franked interim dividend of 1.5 cents per ordinary share, to be paid on Friday 17 May 2019.

**Subsequent Events:**

Refer to Note 11 in the Company's 31 December 2018 Interim Report.

**Financial Report:**

The Company's independent auditor Ernst & Young has completed a review of the Company's 31 December 2018 Interim Report on which this report is based and has provided an unqualified review report. A copy of the Company's Interim Financial Report, inclusive of the review report, is attached.

2019



**MFF**

**CAPITAL INVESTMENTS LIMITED**

# **INTERIM REPORT**

FOR THE HALF YEAR ENDED – 31 DECEMBER 2018

MFF CAPITAL INVESTMENTS LIMITED: ABN 32 121 977 884

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The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, the report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by MFF Capital Investments Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

# MFF CAPITAL INVESTMENTS LIMITED

## DIRECTORS' REPORT

for the half year ended 31 December 2018

The Directors of MFF Capital Investments Limited, ("MFF" or the "Company") submit their report in respect of the half year ended 31 December 2018.

### 1.1 Directors

The following persons were Directors of the Company during the half year and up to the date of this report:

<b>Name</b>	<b>Directorship</b>	<b>Appointed</b>
Richard Warburton AO	Chairman & Independent Non-executive Director	19 October 2006
John Ballard	Independent Non-executive Director	19 October 2006
Andy Hogendijk	Independent Non-executive Director	19 October 2006
Chris Mackay	Managing Director <sup>(A)</sup>	29 September 2006

(A) Mr Mackay is also the Company's Portfolio Manager.

### 1.2 Company Overview

The Company is a listed public company incorporated in Australia. Its principal place of business is Level 36, 19 Martin Place, Sydney, New South Wales, 2000.

The Company is listed on the Australian Stock Exchange ("ASX") (ASX code: MFF).

### 1.3 Principal Activity

The principal activity of the Company is the investment in a minimum of twenty exchange listed international or Australian companies.

### 1.4 Dividends

On 27 July 2018, the Directors declared a fully franked final dividend for the December 2018 half year, of 1.5 cents per ordinary share in respect of the year ended 30 June 2018, which amounted to \$8,115,000 (July 2017: fully franked final dividend of 1.0 cent per ordinary share, amounting to \$5,201,000). The dividend was paid on Friday 9 November 2018.

On 30 January 2019, the Directors declared a fully franked interim dividend for the December 2018 half year of 1.5 cents per ordinary share, which is expected to be paid on Friday 17 May 2019. The dividend for the December 2017 half year was 1.5 cents per ordinary share fully franked.

The amount of the proposed interim dividend is approximately \$8,123,000, based on the number of shares on issue at 31 December 2018 (December 2017: \$8,105,000). This dividend is not recognised as a liability as at 31 December 2018. The Dividend Reinvestment Plan ("DRP") will operate in conjunction with this dividend and no discount will be applied for the DRP.

At 30 January 2019, the Company's total available imputation credits (based on a tax rate of 30%) were \$41,513,000 (July 2018: \$12,351,000).

At the 2018 AGM the Board reconfirmed its goal to lift the regular six monthly dividend of 1.5 cents per share, over time to 2.5 cents per share, subject to corporate, legal and regulatory requirements. The Directors decided not to increase the dividend during the latest six months. Important factors were the significant fall in equity markets in the December 2018 quarter and MFF increasing its level of investment (as detailed in the Portfolio Manager's Report). During the six months to 31 December 2018, \$32,748,000 of tax instalments were paid, which further reduced assets available for investment.

# MFF CAPITAL INVESTMENTS LIMITED

## DIRECTORS' REPORT

for the half year ended 31 December 2018

### 1.5 Review Of Financial Results And Operations

#### • Financial Results For The Half Year

The Company recorded a net loss before income tax of \$18,512,000 (December 2017: net profit before income tax \$172,336,000) and a net loss after income tax for the half year of \$12,960,000 (December 2017: net profit after income tax \$120,636,000). The principal factor was mark to market reductions in the fair value of investments of \$26.4 million (compared with a gain of \$167.2 million for the corresponding period).

The Company's net assets decreased by \$19,545,000 in the half year ended 31 December 2018 to \$1,218,648,000 (June 2018: \$1,238,193,000). This reflected the market price movements for the Company's investment portfolio as well as the dividend payment in the period. The pre-tax net tangible assets ("NTA") of \$2.649 per ordinary share (before net tax liabilities of \$0.399) as at 31 December 2018 compared with \$2.762 per ordinary share (before net tax liabilities of \$0.473) as at 30 June 2018.

Post-tax NTA of \$2.250 per ordinary share as at 31 December 2018 compared with \$2.289 per ordinary share as at 30 June 2018.

The Company's retained profits as at 31 December 2018 were \$614,719,000 after providing for the current tax liability of \$9,953,000 and deferred tax liability of \$206,044,000.

As markets will always be subject to fluctuations, the investment performance and results of the past half year to 31 December 2018 should not be considered to be representative of results and returns in future financial periods.

#### • Operations – Portfolio And Activities

The Company's financial results, investment returns, portfolio composition and changes during the half year are summarised in the Portfolio Manager's Report (refer page 7) and detailed in the interim financial statements.

#### • Strategy And Future Outlook

The Company is invested in equities, with a focus upon equities of non-Australian domiciled companies and this is expected to continue. As markets continue to be subject to fluctuations, it is not meaningful or prudent to provide a detailed outlook statement or statement of expected results of operations.

It is also not meaningful or prudent to forecast the level of franking credits that may arise from income tax that might become payable from net realised gains from the Company's securities portfolio particularly given there are non-controllable variables involved such as future currency and equity movements, as well as foreign tax withholding for most overseas jurisdictions. As at 31 December 2018, MFF's tax provisions comprised a deferred tax liability of \$206,044,000 and current income tax liability of \$9,953,000.

The Company provides regular updates in the weekly and monthly NTA announcements, which can be found in the ASX announcements and in the investor centre section of the MFF website, [www.mffcapital.com.au](http://www.mffcapital.com.au). Releases to shareholders and the ASX have included discussions in relation to MFF's investment processes and some portfolio companies from time to time. The Company sets out its largest portfolio holdings at 31 December 2018 in the Portfolio Manager's Report (this information was also released to the ASX on 2 January 2019 as part of the December 2018 monthly NTA release).

### 1.6 Significant Changes In State Of Affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Company that occurred during the half year.

# MFF CAPITAL INVESTMENTS LIMITED

## DIRECTORS' REPORT

for the half year ended 31 December 2018

### 1.7 Events Subsequent To The End Of The Half Year

In the latest release to the ASX on 29 January 2019, the Company reported a NTA as at 25 January 2019, as follows:

	25 January 2019 (A) \$	31 December 2018 (B) \$
Pre-tax NTA	2.827	2.649
Net tax liabilities	0.444	0.399
Post-tax NTA	2.383	2.250

(A) ASX announcements are approximates and not reviewed by EY.

(B) NTA reviewed by EY (refer Note 11 of the financial statements).

Other than the above matters and the proposed dividend detailed at section 1.4, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report that has significantly or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial periods.

### 1.8 Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

### 1.9 Rounding Of Amounts

The Company is of a kind referred to in the Australian Securities & Investments Commission's *Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and consequently amounts in the Directors' Report have been rounded to the nearest thousand dollars in accordance with that Legislative Instrument, or in certain cases, the nearest dollar.

This report is made in accordance with a resolution of the Directors.



**Richard Warburton AO**  
Chairman

**Chris Mackay**  
Managing Director and Portfolio Manager

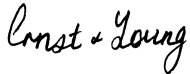
Sydney  
30 January 2019



## Auditor's Independence Declaration to the Directors of MFF Capital Investments Limited

As lead auditor for the review of MFF Capital Investments Limited for the half-year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.



Ernst &  
Young



Rita Da Silva  
Partner  
30 January  
2019

# **MFF CAPITAL INVESTMENTS LIMITED**

## **PORTFOLIO MANAGER'S REPORT**

**for the half year ended 31 December 2018**

Dear Shareholder,

MFF's financial results reflected mark to market falls in the market prices of the securities portfolio during the latest six months; specifically in the December quarter. In recent years of high returns reflecting very strong market appreciation, we cautioned against excessive focus on short term periods. We also sought to highlight the market price risks associated with the generally higher prices for the portfolio. Market falls are inevitable, from time to time.

In recent years, we have also discussed the wisdom or otherwise of 'buying the dips' which had benefitted MFF's portfolio values in the periods after the Financial Crisis. Opportunities for purchase and sale arise because market price fluctuations, or volatility, far exceed changes in underlying values of businesses.

The after-tax loss for the six months as a result of the mark to market declines is approximately 1.04% of starting net assets. Our assessment is that market prices became materially more favourable for buying in December than they have been for a number of years. Many equity market prices fell by around 20% in the December quarter and at the same time we felt that some key variables (including current and prospective interest rates), and competitive positions for our portfolio companies, moved somewhat favourably. Hence we felt that longer term values were more favourable and we bought. We will see the results over coming years. Details are below, as is our update released to the ASX on 2 January 2019.

The aftershocks of recent market negativity may present more significant buying opportunities. If so we expect to have to sell some securities to fund acquisitions, as we wish to maintain balance sheet strength consistent with MFF's limitations on borrowing levels (Directors have set borrowing limits, with any new borrowing not to move net borrowings above 20% of investment assets). Even with the significant buying, borrowings at 31 December 2018 were well below limits.

Longer term shareholders are aware that we do not seek to be market timers. We also take contrarian positions from time to time, particularly buying quality businesses that appear to be temporarily out of favour. In current market conditions we have maintained an emphasis on larger, profitable, more heavily traded securities, and we maintained this focus in the latest six months, including in our buying during the downturn.

We made a number of sales at satisfactory prices, particularly during the first half of the latest six months. Overall sales were approximately 8% of market value, and there were modest changes in the composition of the portfolio particularly amongst the largest holdings. We remain comfortable with their advantaged business positions and maintain our views that valuations and potential profitable growth remain satisfactory in prevailing circumstances. We also remain disinclined to position the portfolio away from its advantaged, liquid holdings to chase alternative investments. We continue to prepare for the future with portfolio construction discipline.

Despite the December quarter market price falls, we caution against expecting high future market returns from here. Prices are satisfactory rather than compelling, and price risks remain. If interest rates remain at low levels for longer periods, renewed speculation might again lift prices generally. However periodic negative movements in market prices must be expected. In previous periods when we have been concerned about risks arising from high market prices, we had felt that our currency position might provide some risk benefits. USD strength and AUD weakness in the latest six months currently removes currency as a likely risk mitigant. Currency positions are summarised below and detailed in Note 4 to the financial statements.

Our views on the portfolio and currencies as at period end were summarised in the NTA release to the ASX on 2 January 2019, (as follows). Since that release a number of our large portfolio companies have reported (generally) strong December quarter profits.

# **MFF CAPITAL INVESTMENTS LIMITED**

## **PORTFOLIO MANAGER'S REPORT**

**for the half year ended 31 December 2018**

"MFF advises that its approximate monthly NTA per share as at 31 December 2018 was \$2.649 pre-tax, (\$2.762 pre-tax as at 30 June 2018) and \$2.179 after providing for tax<sup>1</sup>. A tax instalment of approximately 4.05 cents per share was paid in December and the performance accrual of 0.2 cents per share was triggered at month end (each reduce pre-tax NTA). The franking credit balance was approximately 7.4 cents per share at 31 December 2018.

In December major equity market price indices mostly declined by around high single digit percentages. Most index declines so far are about 20% from peaks around the end of Q3. MFF's portfolio declined in market value for the month of, and quarter ended, December, and the first 6 months of our financial year.

In December, MFF reacted to the lower prices by utilising some of our balance sheet strength, and deployed more capital in a month than we have for a number of years (purchases were about 8.5% of year end gross portfolio value, sales about 0.06%). Lower market prices reduce some price risks. Additionally, some key interest rate risks have diminished in the near term. We decided to start acting rather than wait, partly because we considered that the benefits of lower market prices were not offset by the likely reflexive/trickle down medium term impacts of the lower equity/debt/other asset values, and associated sentiment and behavioral factors. We have retained capacity for further action in our balance sheet strength and across the portfolio composition (markets have moved on from our early 2018 decisions to park some cash in consumer companies as short term alternatives to cash). Our purchases were entirely in existing holdings, except for one repurchase of a small holding (details included in the table below) that we had sold in the September quarter. In considering market prices, risks and alternatives, we continue to have modest expectations for future investment returns in comparison with high returns achieved in past decades.

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 (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.

Market sentiment turned very unfavourable in December and our contrary action was not supported by consensus; prices obviously might continue lower. We continue to expect market price fluctuations, or volatility. Our focus is upon quality business positioning and comparing market prices and values. Well over US\$10billion of after tax earnings is expected from our portfolio companies for December and over US\$50billion for the quarter. Overall, these extremely strong cash earnings are being deployed very well by our portfolio companies (this extends well beyond share buybacks which became less expensive with price declines).

MFF's asset values had outsize benefits in recent years because market prices rose more strongly than very strong business performances and increases in underlying values. This trend reversed as extremely strong earnings for the September quarter and high levels of share buybacks, were insufficient to prevent market declines. Obviously, prices may continue to decline, and earnings may follow (as more are now predicting). Over longer periods there is convergence as earnings, future earnings potential and capital deployment are reflected in market prices. In December, MFF's opportunity costs used to assess alternatives included a range of current possibilities that were more attractive than our early 2018 comparisons between cash, term deposits and cash alternatives.

More likely than not, volatility in various markets should present decent opportunities over the next few years but at the cost of periods of downward price movements (volatility) which could be extended and severe. We also must continue to expect and allow for increased policy impacts, regulation and competition for successful businesses, including MFF portfolio companies. Policy and political pressures have continued to build in recent years, as have aggregate debt levels. To date, US monetary tightening has been commenced successfully in benign conditions, but policy risks and challenges are perennial and do not appear to be lessening. Structural changes in major economies include persistent overcapacity, changed distribution channels and competition from scale players with extremely low marginal costs of capital.

# **MFF CAPITAL INVESTMENTS LIMITED**

## **PORTFOLIO MANAGER'S REPORT**

**for the half year ended 31 December 2018**

Pressures are reflected in, and influenced by, conflicting and unsettled trade practices/policies, pressure on incomes (outside of large asset owners) and conflict regarding views on fiscal stimulus, tax, redistribution/safety nets/health and retirements policies, and roles of governments amidst broad populist movements/political uncertainty.

Although short term indicators are mostly noise, and less important than company positioning and medium term prospects, leading forward economic indicators have not yet shown the same weakness as equity markets.

Corporate activity, particularly M+A, continued at high levels and with high sale prices and leverage ratios through 2018 and the latest quarter. Perhaps this reflection of corporate (and private equity) optimism will dissipate in 2019. Consumer confidence remained positive in most geographies and most sectors (outside of autos and property in an increasing number of geographies). The MasterCard figures for US holiday retail sales indicated increases above 5% year on year (combined online and in store) reflecting strong consumer activity. Major lenders continued to report strong lending appetite and capacity, and extremely low bad debt levels. Corporate, lender and consumer confidence contrasted with falling portfolio prices (equity share markets) particularly in December and the latest quarter.

Theories rolled out by commentators for equity weakness, alongside the impacts of trade and geopolitical tensions and the US Federal Reserve's programmes of quantitative tightening and short term interest rate increases, include combinations of some or all of forced computer selling including some based off formulae triggered by changes in volatilities and momentum reversals, sales by hedge funds experiencing losses and expecting ongoing redemptions, ongoing investor caution scarred by the tech wreck and GFC, caution on the part of older, wealthy investors, and investors burned by the collapse in Bitcoin prices and 40%+ drop in oil prices. Knock on effects of the Fed's increases in short term rates and from the asset price falls are still to be felt, as is the reversal of 'overearning'.

Uncertainty and risks are synonyms (in some but not all usages). Each appears to be increasing in incidence and severity (digitization of information and rise of mass media, including social media are some factors influencing perceptions). Lower prices for investment opportunities are associated with increased (or increased perceptions of) both risks and uncertainties. Uncertainties usually decay and may not always become risks. Probabilities of incidence and severity of risks change over time as do prices of asset/investment opportunities which are based upon supply and demand at the time. Over longer periods there is usually strong correlation between movements in asset prices and actual and prospective returns from the assets but in the short run 'social media' type popularity contests materially influence asset prices. Loss aversion is strong, consistent with prospect theory.

Some uncertainties dissipate and new uncertainties and risks emerge in every period. Risks of material interest rate rises were prominent in explanations of the sharp sell offs in markets from end January 2018. Risks associated with Italy, and uncertainty associated with negotiations with the EU on fiscal policy, were also prominent, particularly from mid-year. At year end 2018 US Government benchmark 10 year bonds were yielding about 2.7% p.a., well below where many commentators were extrapolating in 2018 and for the past 5 years or so, and materially below yields earlier in the year. Italian 10 year bond yields traded at comparable yields to the US at year end. Primary markets evidenced satisfactory demand for new Government bond issuance. Debt market concerns will remain elevated given structural changes to bond markets in response to regulatory changes continue to unsettle, the trillions of increased aggregate debt post GFC and ongoing refinancings by moderate credits and sovereigns.

MFF remained invested in recent years because we assessed that market prices did not reflect prospective returns from our portfolio of businesses. We remained positive about medium term outlooks during pullbacks when uncertainties and perceptions of risks contributed to equity investors periodically selling positions, rather than face another 'tech wreck' or 2008/9 market meltdown. There are arguments either way about whether uncertainty and risks are greater than in past years and decades, including (on the optimistic side) much data about rising global living standards, reduced poverty, less warfare, longer lifespans, lower inflation and fewer failed states. Probabilities are better with sensible selections for longer periods of time. Random variations including sentiment changes are more impactful if targeted/measured over short run periods.

# MFF CAPITAL INVESTMENTS LIMITED

## PORTFOLIO MANAGER'S REPORT

for the half year ended 31 December 2018

Specific uncertainties outside of the ubiquitous trade tensions, interest rate/quantitative tightening risks and geopolitical issues such as Brexit are relevant to individual companies and markets, and include the Chinese Government's evolving relationship with private capital from China and abroad, their stimulus actions and domestic US infrastructure renewal prospects. Recent focus on interest rate risks may dissipate for a period which theoretically benefits long duration growth assets and in practice might also encourage repetition of yield substitute chasing (some Government yields outside of the US remain at or close to zero).

Holdings as at 31 December 2018 with market values of 0.5% or more of the portfolio are shown in the table below (shown as a percentage of total investment assets).

Holding	%	Holding	%
Visa	13.9	CVS Health	2.9
Mastercard	12.5	Lloyds Banking Group	2.5
Home Depot	9.6	Blackrock	2.0
Bank of America	7.8	Apple	1.9
Alphabet	7.0	DBS Group	1.7
JP Morgan Chase	6.1	United Overseas Bank	1.6
Facebook	4.7	Oversea - Chinese Banking	1.3
Lowe's	4.7	Coca Cola	1.2
HCA Healthcare	4.1	Kraft Heinz	0.9
Wells Fargo	3.6	CapitaLand	0.8
S&P Global	3.6	AECOM	0.7
US Bancorp	3.3	Microsoft	0.5
		Colgate-Palmolive	0.5

Currency actions were modest and overall positioning remained unchanged. USD denominated equity purchases have been funded from USD borrowings. Currency market trends remained relatively stable during the volatility in other markets, although currency markets are typically transmission mechanisms, and rarely stable for extended periods. Net debt as a percentage of investment assets was approximately 9.7% as at 31 December 2018. AUD net cash was 1.4%, GBP net debt 0.4%, USD net debt 10.6% and other currency borrowing/cash exposures were below 1% of investment assets as at 31 December 2018 (all approximate). Key currency rates for AUD as at 31 December 2018 were 0.7040 (USD), 0.6158 (EUR) and 0.5528 (GBP), compared with rates for the previous month which were 0.7303 (USD), 0.6450 (EUR) and 0.5723 (GBP)."

MFF releases regular portfolio and investment information to the ASX including the weekly NTA details, as well as monthly NTA updates and commentary. The January 2019 NTA is scheduled to be released to the ASX on 1 February 2019.

Yours faithfully,



**Chris Mackay**  
Portfolio Manager

30 January 2019

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

#### Important note

MFF Capital Investments Limited ABN 32 121 977 884 (**MFF**) has prepared the information in this Portfolio Manager's Report (Report). This Report has been prepared for the purpose of providing general information only, without taking account of any particular investor's objectives, financial situation or needs. It 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. To the extent any general financial product advice is provided in this Report, it is provided by MFF as a corporate authorised representative of Magellan Asset Management Limited ABN 31 120 593 946 AFSL 304 301. An investor, before acting on anything that he or she construes as advice, should consider the appropriateness of such construction and advice having regard to their objectives, financial situation or needs.

# MFF CAPITAL INVESTMENTS LIMITED

## STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

for the half year ended 31 December 2018

	Note	31 December 2018 \$'000	31 December 2017 \$'000
<b>Investment Income</b>			
Dividend income		12,626	9,857
Interest income		483	28
Net change in fair value of investments		(26,370)	167,200
Net gains/(losses) on foreign currency cash and borrowings		(519)	716
Net gains/(losses) on foreign exchange settlements & contracts		(384)	(968)
<b>Total Net Investment Income</b>		<b>(14,164)</b>	<b>176,833</b>
<b>Expenses</b>			
Research and services fees		3,000	2,957
Finance costs – interest expense		379	569
Managing Director's salary		500	500
Non-Executive Directors' fees		138	143
Transaction costs		22	28
Registry fees		77	72
ASX listing, clearing and settlement fees		70	73
Fund administration and operational costs		42	42
Auditor's remuneration		51	41
Employment related taxes		34	35
Other expenses		35	37
<b>Total Operating Expenses</b>		<b>4,348</b>	<b>4,497</b>
<b>Profit/(Loss) Before Income Tax Expense</b>		<b>(18,512)</b>	<b>172,336</b>
Income tax (expense)/benefit		5,552	(51,700)
<b>Net Profit/(Loss) After Income Tax Expense</b>		<b>(12,960)</b>	<b>120,636</b>
Other comprehensive income		-	-
<b>Total Comprehensive Income/(Loss) For The Half Year</b>		<b>(12,960)</b>	<b>120,636</b>
<b>Basic Earnings/(Loss) Per Share (cents)</b>	7	<b>(2.39)</b>	<b>23.61</b>
<b>Diluted Earnings/(Loss) Per Share (cents)</b>	7	<b>(2.39)</b>	<b>22.81</b>

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes to the financial statements.

**MFF CAPITAL INVESTMENTS LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
as at 31 December 2018

	Note	31 December 2018 \$'000	30 June 2018 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	4(a)	77	108
Investments	5	1,590,113	1,496,481
Receivables		695	935
Prepayments		81	8
<b>Total Current Assets</b>		<b>1,590,966</b>	<b>1,497,532</b>
<b>Total Assets</b>		<b>1,590,966</b>	<b>1,497,532</b>
<b>Current Liabilities</b>			
Payables		2,332	1,031
Current tax liability		9,953	23,310
Borrowings	4(b)	153,989	2,454
<b>Total Current Liabilities</b>		<b>166,274</b>	<b>26,795</b>
<b>Non-Current Liabilities</b>			
Deferred tax liability		206,044	232,544
<b>Total Non-Current Liabilities</b>		<b>206,044</b>	<b>232,544</b>
<b>Total Liabilities</b>		<b>372,318</b>	<b>259,339</b>
<b>Net Assets</b>		<b>1,218,648</b>	<b>1,238,193</b>
<b>Equity</b>			
Contributed equity	6	603,929	602,399
Retained profits		614,719	635,794
<b>Total Equity</b>		<b>1,218,648</b>	<b>1,238,193</b>

The above Statement of Financial Position should be read in conjunction with the accompanying notes to the financial statements.

# MFF CAPITAL INVESTMENTS LIMITED

## STATEMENT OF CHANGES IN EQUITY

for the half year ended 31 December 2018

	Note	31 December 2018 \$'000	31 December 2017 \$'000
<b>Contributed Equity</b>			
<b>Balance At Beginning Of Half Year</b>		602,399	543,954
Transactions with owners in their capacity as owners:			
Issue of securities:			
- on Dividend Reinvestment Plan	6(a)	1,530	988
- on exercise of MFF 2017 Options	6(a)	-	55,937
<b>Balance At End Of Half Year</b>		<b>603,929</b>	<b>600,879</b>
<b>Retained Profits</b>			
<b>Balance At Beginning Of Half Year</b>		635,794	409,182
Total comprehensive income/(loss) for the half year		(12,960)	120,636
Dividends paid	2	(8,115)	(5,201)
<b>Balance At End Of Half Year</b>		<b>614,719</b>	<b>524,617</b>
<b>Total Equity</b>		<b>1,218,648</b>	<b>1,125,496</b>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes to the financial statements.



# MFF CAPITAL INVESTMENTS LIMITED

## STATEMENT OF CASH FLOWS

for the half year ended 31 December 2018

	Note	31 December 2018 \$'000	31 December 2017 \$'000
<b>Cash Flows From Operating Activities</b>			
Dividends received (net of withholding tax)		11,156	8,652
Interest received		483	28
Payments for purchase of investments		(240,767)	(76,736)
Proceeds from sale of investments		121,205	185,995
Net realised gains on foreign exchange settlements & contracts		(384)	(968)
Research and services fees paid		(2,000)	(2,025)
Tax paid		(32,748)	(8,309)
Other expenses paid		(1,029)	(998)
<b>Net Cash Inflow/(Outflow) From Operating Activities</b>		<b>(144,084)</b>	<b>105,639</b>
<b>Cash Flows From Financing Activities</b>			
Net proceeds/(repayment) of borrowings	4(e)	151,017	(70,394)
Interest paid		(379)	(569)
Proceeds from exercise of MFF 2017 options	6(a)	-	55,937
Dividends paid (net of DRP)	2	(6,585)	(4,213)
<b>Net Cash Inflow/(Outflow) From Financing Activities</b>		<b>144,053</b>	<b>(19,239)</b>
Net increase/(decrease) in cash and cash equivalents		(31)	86,400
Cash and cash equivalents at the beginning of half year		108	658
<b>Cash And Cash Equivalents At The End Of Half Year</b>	4(a)	<b>77</b>	<b>87,058</b>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes to the financial statements.

# MFF CAPITAL INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2018

### Overview

This financial report is for MFF Capital Investments Limited, (“MFF” or the “Company”) for the half year ended 31 December 2018. The principal accounting policies adopted in the preparation of the financial report are set out below. These policies, applied to the annual financial statements, have been consistently applied to the half year presented, unless otherwise stated.

The Company is a for-profit entity limited by shares, incorporated and domiciled in Australia, whose securities are publicly traded on the Australian Securities Exchange.

### 1. Basis Of Preparation

The condensed interim financial report for the half year ended 31 December 2018 is a general purpose financial report and has been prepared in accordance with AASB 134: *Interim Financial Reporting, the Corporations Act 2001* and other mandatory professional reporting requirements. It is presented in Australian dollars (“\$”) and was approved by the Board of Directors on 30 January 2019. The Directors have the power to amend and reissue the financial report.

This condensed interim financial report does not include all the information and disclosures normally included in the annual financial report. Accordingly, this report should be read in conjunction with the 30 June 2018 Annual Report and any public announcements made in respect of the Company during the half year ended 31 December 2018 in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

#### (a) Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period except for the adoption of new standards and amendments which became mandatory for the first time this reporting period commencing 1 July 2018 that are described in Note 1(b). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

#### (b) Changes In Accounting Policy, Accounting Standards And Interpretations

From 1 July 2018, the Company applied in full AASB 9: *Financial Instruments*, and applied, for the first time, AASB 15: *Revenue from Contracts with Customers*. The nature and effect of these changes are disclosed below.

- **AASB 9: *Financial Instruments* (“AASB 9”)**

AASB 9 contains new requirements for the classification, measurement and de-recognition of financial assets and liabilities, replacing the recognition and measurement requirements in AASB 139: *Financial Instruments: Recognition and Measurement*.

AASB 9 was issued in phases, with the phased approach reflecting a number of versions of the standard being issued. The Company early adopted the first version of AASB 9 (issued in 2010) on 1 July 2010, which provided guidance on the classification and measurement of financial assets and financial liabilities. On the adoption of AASB 9 (2010), the four current categories of financial assets and financial liabilities were replaced with two measurement categories: fair value and amortised cost.

The subsequent versions of AASB 9 incorporate AASB 9 (2010) which the Company had already adopted, add requirements for transition; guidance on general hedge accounting; and the new expected credit loss model for impairment. The final complete standard, AASB 9 (2014), was effective for the Company commencing 1 July 2018, and included new hedge accounting requirements and an expected-loss impairment model that requires credit losses to be recognised on a more timely basis.

There was no impact on the Company’s financial statements on the full adoption of AASB 9 as the Company does not apply hedge accounting, and the balance of financial assets scoped into AASB 9 (2014) impairment requirements are not material. As a result, the Company’s existing policy, under AASB 9, remains unchanged.

# **MF CAPITAL INVESTMENTS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**for the half year ended 31 December 2018**

### **1. Basis Of Preparation (continued)**

#### **(b) Changes In Accounting Policy, Accounting Standards And Interpretations (continued)**

- **AASB 15: Revenue From Contracts With Customers (“AASB 15”)**

AASB 15 supersedes the revenue recognition guidance in AASB 118 *Revenue* and related interpretations. Although AASB 15 is principles-based, it is a significant change from the current revenue requirements and will involve more judgements and estimates as revenue is recognised when control of a good or service transfers to a customer, or on satisfaction of performance obligations under contracts, which replaced the previous notion of risk and rewards.

There were no material changes to the timing or recognition of the Company’s key revenues as interest revenue, dividend income and investment gains are excluded from the scope of AASB 15.

Several other amendments and interpretations apply for the first time in the interim reporting period commencing 1 July 2018, but did not result in any adjustments to the amounts recognised in the financial statements or disclosures.

#### **(c) Rounding Of Amounts**

All amounts in the financial statements have been rounded to the nearest thousand dollars, or in certain cases, the nearest dollar, unless otherwise stated in accordance with the Australian Securities & Investments Commission’s *Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191*.

#### **(d) Critical Accounting Estimates And Judgements**

The preparation of the financial statements requires the Directors to make judgements, estimates and assumptions that affect the amounts reported in the financial statements. The Directors base their judgements and estimates on historical experience and various other factors they believe to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the result of which forms the basis of the carrying values of assets and liabilities. As such, actual results could differ from those estimates.

Where listed equities have no active market the Directors determine fair value with reference to external observable information and conditions existing at balance date. Fair values may however move materially with movements in market prices (refer Note 5 (c)).

As all investments are valued with reference to listed quoted prices and the Company’s cash and borrowing facility are provided by strongly rated financial institutions, the Company’s financial assets are not subject to significant judgment or complexity nor are the Company’s liabilities.

# MFF CAPITAL INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2018

### 2. Dividends

Dividends paid and payable by the Company during the half year are:

	<b>31 December</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>For The Half Year Ended 31 December 2018:</b>		
Fully franked final dividend for June 2018 (1.5 cent per ordinary share)		
– paid 9 November 2018	8,115	-
<b>For The Half Year Ended 31 December 2017:</b>		
Fully franked final dividend for June 2017 (1.0 cent per ordinary share)		
– paid 10 November 2017	-	5,201
<b>Total Dividends Declared And Paid During The Half Year</b>	<b>8,115</b>	<b>5,201</b>

Of the \$8,115,000 dividends paid during the half year ended 31 December 2018 (December 2017: \$5,201,000), \$6,585,000 was paid in cash to ordinary shareholders that did not elect to participate in the Company's Dividend Reinvestment Plan ("DRP") (December 2017: \$4,213,000), and \$1,530,000 of dividends were paid (December 2017: \$988,000) via the issue of 569,068 ordinary shares (December 2017: 497,883), under the terms of the DRP (refer to Note 2(b)).

#### (a) Dividend Declared

In addition to the above dividends declared and paid during the half year, on 30 January 2019 the Directors declared a fully franked interim dividend of 1.5 cents per ordinary share in respect of the half year ended 31 December 2018. The amount of the proposed dividend is approximately \$8,123,000.

The DRP will operate in conjunction with this dividend and no discount will be applied to the DRP.

#### (b) Dividend Reinvestment Plan

The Company's DRP was available to eligible shareholders during the half year ended 31 December 2018. Under the terms of the DRP, eligible shareholders are able to elect to reinvest their dividends in additional MFF shares, free of any brokerage or other transaction costs. Shares are issued and/or transferred to DRP participants at a predetermined price, less any discount that the directors may elect to apply from time to time. No discount has been applied to shares issued under the DRP during the half year ended 31 December 2018. The DRP issue price is equal to the average of the daily volume weighted average market price of all Company shares sold in the ordinary course of trading on the Australian Securities Exchange during the 5 trading day period commencing from the day the Company's shares go ex-dividend or other dates as determined by the Board.

#### (c) Imputation Credits

	<b>31 December</b>	<b>30 June</b>
	<b>2018</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Imputation credits at balance date	40,221	10,951
Imputation credits that arise from the payment of income tax payable	1,292	1,400
<b>Total imputation credits available for subsequent reporting periods based on a tax rate of 30% (June 2018: 30%)</b>	<b>41,513</b>	<b>12,351</b>

# MFF CAPITAL INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2018

### 3. Segment Reporting

The Company's investments are managed on a single portfolio basis, and in one business segment being equity investment, and in one geographic segment, Australia. The Company continues to have foreign exposures as it invests in companies which operate internationally.

### 4. Cash And Cash Equivalents, And Net Interest Bearing Borrowings

	31 December 2018 \$'000	30 June 2018 \$'000
<b>(a) Cash And Cash Equivalents</b>		
Cash at bank - denominated in Australian Dollars	77	108
<b>(b) Set-Off Cash And Borrowings - Net Borrowings with MLI:</b>		
Cash - denominated in Australian Dollars	22,065	19,095
Cash - denominated in US Dollars	-	6,695
<b>Total Cash</b>	<b>22,065</b>	<b>25,790</b>
Borrowings - denominated in US Dollars	(168,958)	-
Borrowings - denominated in British Pounds	(5,780)	(23,706)
Borrowings - denominated in Singapore Dollars	(1,298)	(4,521)
Borrowings - denominated in Canadian Dollars	(10)	(9)
Borrowings - denominated in Euros	(8)	(8)
<b>Total Borrowings</b>	<b>(176,054)</b>	<b>(28,244)</b>
<b>Net Cash/(Borrowings) with MLI</b>	<b>(153,989)</b>	<b>(2,454)</b>

The Company holds cash at bank, which is at call and subject to floating interest rates, with an Australian bank. The foreign currency cash balances, which are held with Merrill Lynch International ("MLI"), a wholly owned subsidiary of Bank of America, are demand deposits and also subject to floating interest rates.

#### (c) Set-Off Arrangement

The foreign currency cash balances held with MLI are set-off against the borrowings drawn under the multi-currency financing facility provided by Merrill Lynch Markets (Australia) Pty Limited ("MLMA"), which is discussed in detail at Note 4(d). The Company and MLI intend to net settle and are permitted to do so under the terms of the facility. As a result, at 31 December 2018, the Company's borrowings with MLI of \$176,054,000 (June 2018: \$28,244,000) have been presented net of the total cash deposits held with MLI of \$22,065,000 (June 2018: \$25,790,000). As a result, a net borrowing position of \$153,989,000 (June 2018: \$2,454,000) is presented as borrowings in the Statement of Financial Position.

# MFF CAPITAL INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2018

### 4. Cash And Cash Equivalents, And Net Interest Bearing Borrowings (continued)

#### (d) Multi-Currency Financing Facility

The Company has a multi-currency financing facility with MLMA. Amounts drawn as borrowings are repayable on written demand. The financing facility, is a service provided under the International Prime Brokerage Agreements (“IPBA”) between the Company and MLI. The IPBA provides MLI with a fixed charge over the Company’s right, title and interest in the assets held in custody with MLI (refer Note 5), as security for the performance of its obligations under the IPBA.

#### (e) Reconciliation Of Borrowings Arising From Financing Activities

	<b>31 December 2018 \$'000</b>	<b>31 December 2017 \$'000</b>
Financing facility borrowings at the beginning of the half year	(2,454)	71,092
Cash flows - net proceeds/(repayment) of borrowings	(151,017)	(70,394)
Foreign exchange movement	(518)	(698)
<b>Financing Facility Borrowings At The End Of The Half Year</b>	<b>(153,989)</b>	<b>-</b>

**MFF CAPITAL INVESTMENTS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the half year ended 31 December 2018

**5. Investments**

**(a) Details Of Investments**

Company Name		31 December 2018	30 June 2018	31 December 2017	31 December 2018	30 June 2018
	Domicile	Holding	Holding	Holding	Value \$'000	Value \$'000
Visa	i	1,180,653	1,180,653	1,180,653	221,272	212,002
Mastercard	i	739,727	739,727	739,727	198,224	196,784
Home Depot	i	622,738	611,738	606,938	151,987	161,568
Bank of America	i	3,560,891	3,199,040	3,574,485	124,631	122,099
Alphabet	i	75,955	52,255	37,813	111,733	78,898
JP Morgan Chase	i	703,987	574,011	467,235	97,618	81,046
Facebook	i	400,930	225,067	146,447	74,656	59,187
Lowe's	i	566,249	995,821	1,048,041	74,288	128,836
HCA Healthcare	i	365,105	481,326	505,326	64,542	66,826
Wells Fargo	i	875,342	836,342	1,056,115	57,295	62,789
S&P Global	i	235,346	76,750	86,450	56,811	21,181
US Bancorp	i	817,405	774,805	818,250	53,062	52,444
CVS Health	i	492,640	449,635	467,597	45,849	39,155
Lloyds Banking Group	ii	42,277,461	37,977,562	35,556,699	39,657	42,780
Blackrock	i	56,497	2,102	2,158	31,524	1,421
Apple	i	131,985	30,301	-	29,573	7,501
DBS Group	iii	1,073,700	817,500	759,400	26,508	21,593
United Overseas Bank	iii	972,300	749,700	680,700	24,896	19,914
Oversea - Chinese Banking	iii	1,742,800	1,451,500	1,345,800	20,451	16,771
Coca Cola	i	285,629	324,989	-	19,210	19,292
Kraft Heinz	i	227,817	181,208	-	13,928	15,405
CapitaLand	iii	3,771,800	3,530,800	3,437,300	12,225	11,075
AECOM	i	292,765	292,765	-	11,020	13,088
Microsoft	i	57,920	2,100	-	8,356	280
Colgate-Palmolive	i	85,820	121,120	-	7,256	10,624
Schroders	ii	150,578	148,397	148,397	5,625	6,576
Singapore Technologies						
Engineering	iii	1,081,600	1,152,800	1,110,600	3,934	3,765
SIA Engineering	iii	620,400	620,400	620,400	1,468	1,928
Mondelez	i	25,761	185,506	-	1,465	10,299
SATS	iii	216,100	216,100	716,000	1,049	1,070
Starbucks	i	-	74,123	-	-	4,901
General Mills	i	-	46,300	-	-	2,774
Pepsico	i	-	17,702	-	-	2,609
Bank of New York Mellon	i	-	-	26,961	-	-
<b>Total investments</b>					<b>1,590,113</b>	<b>1,496,481</b>

**Domicile**

- i United States
- ii United Kingdom
- iii Singapore

# MFF CAPITAL INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2018

### 5. Investments (continued)

#### (b) Foreign Exchange Rates

The Australian dollar exchange rates against the following currencies (London 4.00pm rates) are:

	31 December 2018	30 June 2018
US Dollar	0.70400	0.73885
British Pound	0.55276	0.55963
Singapore Dollar	0.95955	1.00742

#### (c) Fair Value Measurement

The Company classifies the fair value measurements of financial assets and financial liabilities using the three level fair value hierarchy set out below, to reflect the source of valuation inputs used when determining the fair value:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities. The Company invests in securities and rights in listed entities. The fair value of these investments is based on the closing price<sup>(A)</sup> for the security as quoted on the relevant exchange;

Level 2: valuation techniques using market observable inputs, either directly or indirectly. The fair value of asset and liabilities with short-term maturities are valued at the amount at which the asset or liability could be exchanged in a current transaction between willing parties. The fair value of variable-rate receivables/borrowings are based on parameters such as interest rates and individual creditworthiness of the investee company; and

Level 3: valuation techniques using non-market observable market data with the fair value for investments based on a Director's valuation.

(A) Prior to 1 July 2018, the fair value of these investments was based on closing bid prices. The impact of the change was not material.

The table below presents the fair value measurement hierarchy of the Company's financial assets and liabilities:

	31 December 2018 \$'000	30 June 2018 \$'000
<b>Assets</b>		
Level 1: Investments - valued using quoted price	1,590,113	1,496,481
Level 2: Receivables <sup>(A)</sup>	695	935
<b>Total Financial Assets</b>	<b>1,590,808</b>	<b>1,497,416</b>
<b>Liabilities</b>		
Level 2: Payables <sup>(A)</sup>	2,332	1,031
Level 2: Borrowings <sup>(B)</sup>	153,989	2,454
<b>Total Financial Liabilities</b>	<b>156,321</b>	<b>3,485</b>

(A) Given the short-term maturities, the fair value of the receivables is the amount of the expected dividend or outstanding settlement, and the fair value of payables is the face value of the invoice.

(B) Given the short-term maturities of borrowings, the fair value equates to principal plus accrued interest.

The Company does not hold any Level 3 Assets. There have been no transfers between any of the three levels in the hierarchy during the half year and the Company's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of each reporting period.



# MFF CAPITAL INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2018

### 6. Contributed Equity

	31 December 2018 Number of Securities	30 June 2018 Number of Securities	31 December 2018 \$'000	30 June 2018 \$'000
<b>(a) Ordinary Shares</b>				
Opening balance - 1 July	540,997,040	483,717,927	602,399	544,592
Shares issued under DRP - 10 Nov 2017	-	497,883	-	988
Shares issued under DRP - 18 May 2018	-	642,300	-	1,520
Shares issued under DRP - 9 Nov 2018	569,068	-	1,530	-
Shares issued under DRP	569,068	1,140,183	1,530	2,508
Total Shares issued from exercise of options	-	56,138,930	-	55,937
Transfer of options transaction costs	-	-	-	(109)
Transfer of rights transaction costs	-	-	-	(529)
<b>Total Ordinary Shares</b>	<b>541,566,108</b>	<b>540,997,040</b>	<b>603,929</b>	<b>602,399</b>
<b>(b) Options</b>				
Opening balance - 1 July	-	59,871,984	-	(109)
Shares issued from exercise of options	-	(56,138,930)	-	-
Options lapsed - 31 Oct 2017	-	(3,733,054)	-	-
Transfer to share capital	-	-	-	109
<b>Total Options</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>(c) Rights</b>				
Opening balance - 1 July	-	-	-	(529)
Transfer to share capital	-	-	-	529
<b>Total Rights Issued</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Contributed Equity</b>			<b>603,929</b>	<b>602,399</b>

#### (d) Terms and conditions

##### (i) Ordinary shares

Fully paid ordinary shares entitle the holder to receive dividends as declared and the proceeds on winding up the Company in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person, or by proxy, at a meeting of the Company.

##### (ii) Options

Each eligible shareholder of the Company received one MFF 2017 option for every 3 ordinary shares held at 10 October 2012 for nil consideration. A total of 114,516,157 options were issued by the Company on 17 October 2012. On 31 October 2017, the MFF 2017 Options expired and 3,733,054 unexercised options lapsed. Ordinary shares issued on exercise of the options ranked equally with all other ordinary shares from the date of issue.

##### (iii) Share Buy-Back

On 26 August 2009, the Company announced its intention to undertake a second on-market buyback of up to 20,000,000 shares after completion of the first buyback. Under this buyback, the Company has bought back and cancelled 13,155,651 shares at a total cost of approximately \$8,276,000. On 28 July 2017, the Company authorised a further extension to the on-market share buyback, which was discontinued on 27 July 2018, due to market circumstances. The Company did not acquire any shares pursuant to the on-market buy-back during the half year ended 31 December 2018 (December 2017: nil).

##### (iv) Dividend Reinvestment Plan (DRP)

Refer to Note 2(b) for details on the DRP.

# MFF CAPITAL INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2018

### 7. Earnings Per Share

	31 December 2018	31 December 2017
<b>Basic Earnings Per Share (cents)</b>	<b>(2.39)</b>	<b>23.61</b>
<b>Diluted Earnings Per Share (cents)</b>	<b>(2.39)</b>	<b>22.81</b>
<b>Weighted Average Number Of Ordinary Shares</b>		
Weighted average number of ordinary shares on issue used in calculating basic EPS	541,158,742	510,930,134
add: equivalent number of unexercised options for the purposes of calculating diluted EPS	-	17,985,027
Weighted average number of ordinary shares on issue used in calculating diluted EPS	<b>541,158,742</b>	<b>528,915,161</b>
<b>Earnings Reconciliation</b>		
Net profit after income tax expense used in the calculation of basic and diluted EPS (\$'000)	(12,960)	120,636

The options granted on 17 October 2012 were considered to be potential ordinary shares until they expired on 31 October 2017, and as a result, the options were included in the determination of diluted earnings per share to the extent they were dilutive up until that date.

### 8. Net Tangible Assets (“NTA”) Value Per Share

The following table reconciles the NTA values presented in the Statement of Financial Position as at 31 December 2018 to the NTA per share reported to the Australian Securities Exchange (“ASX”) on 2 January 2019.

	31 December 2018	31 December 2018	30 June 2018	30 June 2018
	\$	\$	\$	\$
	Pre-tax	Post-tax	Pre-tax	Post-tax
<b>ASX Reported NTA Value<sup>(A)</sup></b>	<b>2.649</b>	<b>2.179</b>	<b>2.761</b>	<b>2.298</b>
<b>NTA Value<sup>(B)</sup></b>	<b>2.649</b>	<b>2.250</b>	<b>2.762</b>	<b>2.289</b>

(A) The NTA values reported on the ASX on 2 January 2019 includes estimates for accrued expenses and tax liabilities.

(B) The NTA value refers to the net assets of the Company including the net current and deferred tax liabilities/assets presented in the Statement of Financial Position.

The movement between the ASX reported NTA value and the NTA value represents period end adjustments, rounding and updating of tax balances.

# MFF CAPITAL INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2018

### 9. Research And Services Fees

MAM provides investment research and administrative services to the Company in accordance with the current Services Agreement between the Company and Magellan Asset Management Limited ("MAM").

Under the Services Agreement effective 1 January 2017, Research and services fees comprise a base payment of \$1,000,000 per quarter payable in arrears and a performance fee of \$1,000,000 per annum if the Company's total shareholder's return exceeds 10% per annum, annually compounded.

For the half year ended 31 December 2018, research and services fees paid/payable of \$3,000,000 (December 2017: \$2,957,000) included a performance fee of \$1,000,000 for the period 1 January 2017 to 31 December 2018 as the Company's total shareholder return exceeded 10% per annum, annually compounded.

MAM is entitled to a performance fee with respect to the remaining measurement period, 1 January 2017 to 31 December 2019, should the criteria stated above be met. The performance fee that may be payable, in respect to that period, is \$1,000,000. This Performance fee is a contingent liability on the basis that markets are subject to fluctuations and therefore uncertainty exists as to whether the criteria of the performance fee will be achieved.

The Services agreement was amended during the half year to remove MAM's entitlement to performance fees for periods after 31 December 2019.

### 10. Contingent Assets, Contingent Liabilities and Commitments

Other than the Performance fee (refer Note 9) the Company has no other material commitments, contingent assets or contingent liabilities as at 31 December 2018 (June 2018: nil).

### 11. Events Subsequent To The End Of The Half Year

On 30 January 2019, the Directors declared a fully franked interim dividend of 1.5 cents per ordinary share in respect of the half year ended 31 December 2018 (refer to Note 2(a) for further details).

In the latest release to the ASX on 29 January 2019, the Company reported NTA values as at 25 January 2019 as follows:

	<b>25 January 2019</b>	<b>31 December 2018</b>
	(A) \$	(B) \$
Pre-tax NTA	2.827	2.649
Net tax liabilities	0.444	0.399
Post-tax NTA	2.383	2.250

(A) ASX announcements are approximates and not reviewed by EY.

(B) NTA reviewed by EY (refer Note 8 of the financial statements).

Other than the above matters, the Directors are not aware of any matter or circumstance not otherwise dealt with in this interim financial report that has significantly or may significantly affect the Company's operations, the results of those operations or the Company's state of affairs in future years.

# **MFF CAPITAL INVESTMENTS LIMITED**

## **DIRECTORS' DECLARATION**

**for the half year ended 31 December 2018**

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 11 to 24 are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position of MFF Capital Investments Limited as at 31 December 2018 and of its performance, as represented by the results of its operations and its cashflows, for the half year ended on that date; and
  - (ii) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that MFF Capital Investments Limited will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving declarations which mirror those required under section 295A of the *Corporations Act 2001* and are recommended by the ASX Corporate Governance Principles and Recommendations.

Signed in accordance with a resolution of the Directors.



**Richard Warburton AO**  
Chairman



**Chris Mackay**  
Managing Director and Portfolio Manager

Sydney  
30 January 2019

# Independent Auditor's Review Report to the Members of MFF Capital Investments Limited

## Report on the Half-Year Financial Report

### Conclusion

We have reviewed the accompanying half-year financial report of MFF Capital Investments Limited (the Company), which comprises the statement of financial position as at 31 December 2018, the statement of profit or loss and comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Company is not in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the Company's financial position as at 31 December 2018 and of its financial performance for half-year ended on that date; and
- b. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2017 and its financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



## Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

A handwritten signature in black ink that reads 'Ernst + Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Rita Da Silva'.

Rita Da Silva  
Partner  
Sydney  
30 January 2019

# **MFF CAPITAL INVESTMENTS LIMITED**

## **CORPORATE INFORMATION**

for the half year ended 31 December 2018

### **Directors**

Richard Warburton AO  
John Ballard  
Andy Hogendijk  
Chris Mackay

### **Company Secretary**

Geoffrey Stirton

### **Registered Office**

Level 36, 19 Martin Place  
Sydney NSW 2000  
Telephone: +61 2 9235 4888  
Fax: +61 2 9235 4800  
Email: [info@magellangroup.com.au](mailto:info@magellangroup.com.au)

### **Auditor And Tax**

Ernst & Young  
200 George Street  
Sydney NSW 2000

### **Share Registrar**

Boardroom Pty Limited  
Level 12, Grosvenor Place  
225 George Street  
Sydney NSW 2000  
Telephone: +61 2 9290 9600  
Fax: +61 2 9279 0664  
Email: [enquiries@boardroomlimited.com.au](mailto:enquiries@boardroomlimited.com.au)

### **Securities Exchange Listing**

Australian Securities Exchange code (ordinary shares): MFF

### **Website**

<http://www.mffcapital.com.au>