



CAPITAL INVESTMENTS LIMITED

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

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

***Geoffrey Stirton
Company Secretary***

Monday, 2 July 2018

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

MFF advises that its approximate monthly NTA per share as at 29 June 2018 was \$2.761 pre-tax, (\$2.324 pre-tax as at 30 June 2017) and \$2.298 after providing for tax¹ (mostly deferred).

In the latest month and fiscal year MFF maintained its primary focus upon long term holdings in outstanding businesses, many of which appear to have above average prospects for profitable growth. Recent NTA figures benefitted from some stronger market prices as well as USD strength (2.4% increase against the AUD in June).

Portfolio composition was again largely unchanged in the month (aggregate purchases and sales were under 1% of portfolio value for each of the 3 months in the quarter). Our portfolio companies again delivered excellent business performances in the year, particularly our larger holdings. Our portfolio companies also benefitted from the US corporate tax cuts enacted at the end of calendar 2017. Business prospects and competitive positions have strengthened, and benefits are being realised from some exceptional management decisions made in previous years. Overall business outcomes and positioning continue to exceed high expectations.

On the other hand, a second year of above 20% after tax price appreciation exceeded these strong increases in underlying values. Market participants are paying higher prices for future potential. Higher market prices equate to lower future returns, higher capital risks and lower margins of safety. Higher market prices in 2017/18 resulted in increased sales from MFF's portfolio and higher current tax liabilities. Higher market prices also decrease the likely potential benefits from deferred tax liabilities, as future sales are more likely than when market prices were lower.

Business optimism remains at historically high levels notwithstanding widespread political and trade concerns. Expert managements are applying skills and technology to address global markets and to reduce costs, improve customer experiences and increase accuracy, and thousands of companies around the world have coherent business plans for growth. Relatively low interest rates (the benchmark US ten year bond yield was flat month to month), high current earnings and optimism reflect, and are reflected in, higher market prices for assets. We have felt that it has been sensible to maintain most investments whilst maintaining significant balance sheet capacity, including the scope to sell holdings to fund opportunities if they appear to offer better risk adjusted return potential (in addition to sales based on price/value/risk assessments, opportunity cost and other assessments).

MFF is an equity investor and takes business equity risk. Risks have not lessened, and our risk assessments and processes extend well beyond market risks, disruption, competition and pricing pressures, discussed in recent years. It is now much easier than ever to establish businesses in services based economies, with enabling technologies and funding. Hence new and stronger competition is expected. Care must also be taken to strip out very significant cyclical tailwinds and one-off structural benefits which contribute to 'over earning' by businesses, and which benefit the portfolio's market prices directly and indirectly. Examples include the secular and cyclical tailwinds in many tech sectors, and the unsustainable absence of material bad debt exposures in consumer lending. Equity ranks after other securities in the capital structure and only makes a return after costs and liabilities are met, and equity outcomes fluctuate significantly. We continue to expect increased market price fluctuations.

Holdings as at 29 June 2018 with a market value of 0.5% or more of the portfolio are shown in the table below (shown as a percentage of investment assets).

Holding	%
Visa	14.2
MasterCard	13.2
Home Depot	10.8
Lowe's	8.6
Bank of America	8.2
JP Morgan Chase	5.4
Alphabet	5.3
HCA Healthcare	4.5
Wells Fargo	4.2
Facebook	4.0
US Bancorp	3.5
Lloyds Banking Group	2.9

Holding	%
CVS Health	2.6
DBS Group	1.4
S&P Global	1.4
United Overseas Bank	1.3
Coca Cola	1.3
Oversea - Chinese Banking	1.1
Kraft Heinz	1.0
AECOM	0.9
Capitaland	0.7
Colgate-Palmolive	0.7
Mondelez International	0.7
Apple	0.5

Net debt as a percentage of investment assets was approximately 0.2% as at 29 June 2018. AUD net cash was 1.3%, GBP net debt 1.6%, USD net cash 0.4% and other currency borrowing/cash exposures were below 1% of investment assets as at 29 June 2018 (all approximate). Although the overall currency positioning remains unchanged, we have moved amounts to AUD in recent months in anticipation of tax and other AUD payments. Key currency rates for AUD as at 29 June 2018 were 0.7389 (USD), 0.6328 (EUR) and 0.5596 (GBP), compared with rates for the previous month which were 0.7567 (USD), 0.6482 (EUR) and 0.5686 (GBP).

Yours faithfully,



Chris Mackay
Portfolio Manager

Monday, 2 July 2018

¹ Net tax liabilities are tax liabilities less tax assets, and are partially in respect of realised gains. Tax is paid at the corporate level by MFF and MFF's statutory accounts record net assets after providing for non-current/deferred tax liabilities as well as current tax liabilities (i.e. net tax is based on net unrealised gains as well as net realised gains). Tax is reflected in the pre-tax figures when it is paid via annual returns and regular instalments. The sale of an investment at market value of \$100, that has doubled from cost, achieves \$85 after tax based on the 30% statutory rate.

All figures are unaudited and approximate.

Important note

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