

2020



MFF

CAPITAL INVESTMENTS LIMITED

INTERIM REPORT

FOR THE HALF YEAR ENDED – 31 DECEMBER 2019

MFF CAPITAL INVESTMENTS LIMITED: ABN 32 121 977 884

Contents

Directors' Report	3
Auditor's Independence Declaration.....	6
Portfolio Manager's Report	7
Statement Of Profit Or Loss And Comprehensive Income	9
Statement Of Financial Position	10
Statement Of Changes In Equity.....	11
Statement Of Cash Flows	12
Notes To The Financial Statements.....	13
Overview	13
1. Basis Of Preparation	13
2. Dividends.....	14
3. Cash And Cash Equivalents, And Net Interest Bearing Borrowings	15
4. Investments	16
5. Contributed Equity.....	18
6. Earnings Per Share	18
7. Net Tangible Assets Per Ordinary Share ("NTA").....	19
8. Research And Services Fees	19
9. Segment Reporting.....	19
10. Contingent Assets, Contingent Liabilities And Commitments	19
11. Subsequent Events	20
Directors' Declaration.....	21
Independent Auditors' Report.....	22
Corporate Information	23

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 2019 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 2019

The Directors of MFF Capital Investments Limited, ("MFF" or the "Company") submit their half year report in respect of the period ended 31 December 2019.

1. Directors

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

Name	Directorship	Appointed	Resigned
Annabelle Chaplain AM	Chairman & Independent Non-executive Director ^(A)	21 May 2019	-
John Ballard	Independent Non-executive Director	19 October 2006	-
Robert Fraser	Independent Non-executive Director	21 May 2019	-
Andy Hogendijk	Independent Non-executive Director	19 October 2006	-
Chris Mackay	Managing Director ^(B)	29 September 2006	-
Peter Montgomery AM	Independent Non-executive Director	21 May 2019	-
Richard Warburton AO	Chairman & Independent Non-executive Director	19 October 2006	1 August 2019

(A) Ms Chaplain was appointed Chairman effective 1 August 2019.

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

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 Securities Exchange ("ASX") (ASX code: MFF).

3. Principal Activity

The principal activity of the Company is the investment in a minimum of 20 exchange listed international or Australian companies.

4. Dividends

• Interim And Final Dividends

On 31 July 2019 the Directors declared a fully franked final dividend of 2 cents per ordinary share, in respect of the year ended 30 June 2019, which amounted to \$10,842,000 (June 2018: fully franked final dividend of 1.5 cent per ordinary share, amounting to \$8,115,000). The dividend was paid on 8 November 2019.

On 29 January 2020 the Directors declared a fully franked interim dividend of 2.5 cents per ordinary share, in respect of the period ended 31 December 2019, which amounts to approximately \$13,568,000 based on the number of ordinary shares on issue at 31 December 2019 (December 2018: fully franked interim dividend of 1.5 cent per ordinary share, amounting to \$8,124,000). This dividend is not recognised as a liability as at 31 December 2019 and will be paid on 15 May 2020.

The Dividend Reinvestment Plan ("DRP") will operate in conjunction with the interim dividend and no discount will be applied to the DRP.

The Company's dividend policy was revised in 2017 when a goal was set to lift the regular six monthly dividend over time to 2.5 cents per ordinary share. This was achieved during the period. The Company's policy is now to maintain the six monthly dividend at 2.5 cents per ordinary share, subject to corporate, legal, regulatory and market considerations, with continued operation of the DRP (at zero discount).

• Special Dividend

On 29 January 2020 the Directors also declared a fully franked special dividend of 20 cents per ordinary share, which amounts to approximately \$108,544,000 based on the number of shares on issue at 31 December 2019. This dividend is not recognised as a liability as at 31 December 2019 and will be paid on 19 February 2020.

The DRP will operate in conjunction with the special dividend (at zero discount) and the DRP ordinary shares will be issued on 19 February 2020. Hence holders of ordinary shares issued pursuant to the DRP with respect to the special dividend (on the record date for the 2.5 cents per ordinary share interim dividend) will be entitled to the interim dividend in respect of those shares.

MFF CAPITAL INVESTMENTS LIMITED

DIRECTORS' REPORT

for the half year ended 31 December 2019

4. Dividends (continued)

• Special Dividend (continued)

The Company's plans do not include additional special dividends in the future. The special dividend reflects the Director's review of recent circumstances including record equity markets, the level of realised gains in recent periods by the Company and the Directors' preference for the Company to maintain a strong Balance Sheet. The Directors will continue to consider such factors and corporate, legal and regulatory considerations in assessing capital requirements and dividends.

The relevant dates for the special dividend, which reflects the Directors' preference to complete promptly the special dividend, are as follows:

Special dividend announced	29 January 2020
Ex-dividend date	3 February 2020
Record date	4 February 2020
DRP election date	5 February 2020
Payment date and issue of DRP shares	19 February 2020

• Imputation Credits

At 31 December 2019, the Company's total imputation credits (based on a tax rate of 30%) were \$66,487,000 (June 2019: \$45,594,000).

5. Review Of Financial Results And Operations

• Financial Results For The Period

The Company recorded a net profit before income tax of \$247,760,000 (December 2018: net loss before income tax \$18,512,000) and a net profit after income tax for the period of \$173,445,000 (December 2018: net loss after income tax \$12,960,000).

The Company's net assets increased by \$164,648,000 in the period ended 31 December 2019 to \$1,608,242,000 (June 2019: \$1,443,594,000). This primarily 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 per ordinary share ("NTA") of \$3.610 (before net tax liabilities of \$0.647) as at 31 December 2019 compared with \$3.225 (before net tax liabilities of \$0.562) as at 30 June 2019.

Post-tax NTA of \$2.963 as at 31 December 2019 compared with \$2.663 as at 30 June 2019.

The Company's retained profits as at 31 December 2019 were \$1,000,733,000 after providing for the current tax liability of \$1,523,000 and deferred tax liability of \$349,595,000. During the period the Company paid \$25,539,000 in tax instalments. Payment of tax instalments reduce pre-tax NTA.

As markets will always be subject to fluctuations, the investment performance and results of the past period to 31 December 2019 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 period 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.

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. 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 2019 in the Portfolio Manager's Report (this information was also released to the ASX on 2 January 2020 as part of the December 2019 monthly NTA release).

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 period other than as disclosed in this report.

MFF CAPITAL INVESTMENTS LIMITED

DIRECTORS' REPORT

for the half year ended 31 December 2019

7. Subsequent Events

In the latest release to the ASX on 28 January 2020, the Company reported a NTA as at 24 January 2020, as follows:

	24 January 2020 (A) \$	31 December 2019 (B) \$
Pre-tax NTA	3.819	3.610
Net tax liabilities per ordinary share	0.710	0.647
Post-tax NTA	3.109	2.963

(A) ASX announcements are approximates and not audited by Ernst & Young.

(B) NTA audited by Ernst & Young (refer Note 7 of the financial statements).

Other than the above matters and the dividends detailed at section 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.

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.

9. Rounding Of Amounts

The Company is of a kind referred to in the *ASIC 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.



Annabelle Chaplain AM
Chairman



Chris Mackay
Managing Director and Portfolio Manager

Sydney, 29 January 2020



Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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

As lead auditor for the review of the half-year financial report of MFF Capital Investments Limited for the period ended 31 December 2019, 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

Clare Sporle
Partner
Sydney, 29 January 2020

MFF CAPITAL INVESTMENTS LIMITED

PORTFOLIO MANAGER'S REPORT

for the half year ended 31 December 2019

Dear Shareholder,

MFF's financial results reflect mark to market increases in the market prices of the securities portfolio during the latest six months. Higher market prices contrast with conditions a year ago when MFF undertook some buying as market prices fell and we felt longer term values had become more favourable.

Extremely favourable conditions are being enjoyed in markets for most assets, including equity markets. Near term conditions appear strong and/or improving for many economies and many businesses.

Our core activity remains to invest in strong businesses with advantaged prospects for profitable growth. We won't repeat previous descriptions of the characteristics we are seeking. Our more opportunistic, or tactical, parts of the portfolio are smaller. Both the core and the tactical components benefitted from the strong markets and economic/business conditions.

Most periods in recent years have recorded investment returns at multiples of overall economic growth, reflecting very strong market appreciation above increases in underlying asset/business values. This continued in the latest six months and we continue to caution against expecting high future market returns.

Repeated caution about risks and against extrapolation does not help investment returns in bull markets, but we remain wary. Prices and quality matter most for us; cyclical and sentiment factors change unpredictably. Sustained low/zero interest rates lead to distortions of unknown magnitude, duration and consequences.

Risks are not diminished, and most are higher with speculative excesses building and higher prices reinforcing seeking behaviours; adverse fluctuations and cycles will return. Broad market and economic risks have risen again, and geopolitical risks are not diminished. Multiplier effects obviously operate, although participants recognise their cyclical effects more clearly when they reverse. Most strong up-cycles are characterised by colourful rhetoric, promotion and storytelling, some effects of which (including increased academic analysis), were noted at our Annual General Meeting ("AGM") in October 2019.

Some long-term holdings have above average business (and market) cyclicality. A number have been over-earning in recent years (extremely low bad debt experiences for credit-based financials and technology investment multipliers are examples) and these factors are unlikely to have fallen in Q4 2019. Public markets have afforded strong premia for perceived safety and perceived profitable growth, which has increased market prices for the portfolio.

Although we have consciously held considerable market related risk and cyclical risks, and adjust these periodically, we are not active in market timing or similar actions. In recent years we have remained largely invested in large high quality very liquid businesses/securities, whilst maintaining balance sheet strength and available resources if markets weakened. Pricings of long-term opportunities remain far less attractive than a decade ago, and less attractive than 12 months ago.

Currently, sentiment is one of many factors to keep rising markets moving upwards. Published surveys indicate that positive investor sentiment broadened and rose materially in Q4 2019; this reflects, and is reflected in, rising equity markets and strong calendar 2019 returns for major asset classes. Numerous commentators have shifted to copy the US Federal Reserve rhetoric as it moves on from a mid-cycle slowdown, with yield and other 'opportunities' to be chased and not missed. Around calendar year end a number of the 'leading' private equity and 'alternative' asset promoters regaled conference audiences with their skills in developing new credit products, new leveraged buys, new industries, new geographies, new partners, new illiquid unlisted markets with risks being passed on to 'limited partners' such as pension funds forced to chase returns.

During the six months our overall market activity was limited. As detailed in the financial statements, selling was below 8% of the value of the portfolio and buying even less. The financial statements also show that company tax paid during the period was \$25.5 million (tax is an obvious consequence of profitable sales and reduces pre-tax NTA figures).

Whilst we are willing from time to time to take contrarian positions, particularly in buying quality businesses when they might be temporarily out of favour, we continued to limit the focus of our activity to larger, profitable, more heavily traded securities. We have discussed previously the rationale, including the cyclical aspects, in recent reports and at AGMs. Overall there were modest changes in the composition of the portfolio particularly amongst the largest holdings. We remain comfortable with their advantaged business positions and 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.

MFF CAPITAL INVESTMENTS LIMITED

PORTFOLIO MANAGER'S REPORT

for the half year ended 31 December 2019

Mean reversion has been expected for some years but further central bank stimulus, low/zero interest rates and US/Chinese/elsewhere fiscal deficits and Government programmes have also favoured economic and market momentum and growth. Promoters have ample material with which to extrapolate so called lessons from the sustained bull markets and accelerate wealth transfer.

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 mitigation benefits. USD strength and AUD weakness in recent years removes currency as a likely risk mitigant, as noted in the more extensive discussion at our latest AGM.

Holdings as at 31 December 2019 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 and net cash).

 Holding 	 % 	 Holding 	 %
Visa	16.1	Lloyds Banking Group	2.9
Mastercard	16.0	BlackRock	2.2
Home Depot	9.9	DBS Group	2.0
Bank of America	8.8	US Bancorp	1.8
JP Morgan Chase	6.5	United Overseas Bank	1.8
Alphabet	5.9	Oversea - Chinese Banking	1.4
Lowe's	4.2	Microsoft	1.3
HCA Healthcare	4.0	CapitalLand	0.8
Wells Fargo	3.4	Kraft Heinz	0.8
S&P Global	3.3	Facebook	0.7
CVS Health	3.1		

In recent years, we have discussed the wisdom or otherwise of 'buying the dips' which has 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. We continue to assess on a case by case basis; the most recent rapid rebound in market strength after very significant geo-political issues raises our caution.

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 2020 NTA is scheduled to be released to the ASX on 3 February 2020.

Yours faithfully,



Chris Mackay
Portfolio Manager

Sydney, 29 January 2020

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 2019

	Note	31 December 2019 \$'000	31 December 2018 \$'000
Investment Income			
Dividend income		17,064	12,626
Interest income		249	483
Net change in fair value of investments ^(A)		237,569	(26,370)
Net gains/(losses) on foreign currency cash and borrowings		(1,735)	(518)
Net gains/(losses) on foreign exchange settlements & contracts		98	(385)
Total Net Investment Income		<u>253,245</u>	<u>(14,164)</u>
Expenses			
Research and services fees	8	3,000	3,000
Finance costs – interest expense		1,050	379
Managing Director's salary		750	500
Non-Executive Directors' fees		226	138
Long service leave statutory expense		60	-
Transaction costs		14	22
Registry fees		112	77
ASX listing, clearing and settlement fees		83	70
Fund administration and operational costs		44	42
Auditor's remuneration		44	51
Employment related taxes		52	34
Other expenses		50	35
Total Operating Expenses		<u>5,485</u>	<u>4,348</u>
Profit/(Loss) Before Income Tax Expense		<u>247,760</u>	<u>(18,512)</u>
Income tax (expense)/benefit		(74,315)	5,552
Net Profit/(Loss) After Income Tax Expense		<u>173,445</u>	<u>(12,960)</u>
Other comprehensive income		-	-
Total Comprehensive Income/(Loss)		<u>173,445</u>	<u>(12,960)</u>
Basic Earnings/(Loss) Per Share (cents)	6	31.99	(2.39)
Diluted Earnings/(Loss) Per Share (cents)	6	31.99	(2.39)

^(A) Includes realised and unrealised gains/(losses) on investments.

The above Statement of Profit or Loss and 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 2019

	Note	31 December 2019 \$'000	30 June 2019 \$'000
Current Assets			
Cash and cash equivalents	3	42,424	244
Investments	4	1,919,027	1,788,870
Receivables		1,321	730
Prepayments		95	9
Total Current Assets		<u>1,962,867</u>	<u>1,789,853</u>
Total Assets		<u>1,962,867</u>	<u>1,789,853</u>
Current Liabilities			
Payables		3,353	1,141
Current tax liability		1,523	13,024
Borrowings	3	-	40,614
Total Current Liabilities		<u>4,876</u>	<u>54,779</u>
Non-Current Liabilities			
Deferred tax liability		349,595	291,386
Provision for long service leave		154	94
Total Non-Current Liabilities		<u>349,749</u>	<u>291,480</u>
Total Liabilities		<u>354,625</u>	<u>346,259</u>
Net Assets		<u>1,608,242</u>	<u>1,443,594</u>
Equity			
Contributed equity	5	607,509	605,464
Retained profits		1,000,733	838,130
Total Equity		<u>1,608,242</u>	<u>1,443,594</u>

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 2019

	Note	31 December 2019 \$'000	31 December 2018 \$'000
Contributed Equity			
Balance At Beginning Of Period		605,464	602,399
Transactions with owners in their capacity as owners:			
Securities issued under Dividend Reinvestment Plan		2,045	1,530
Balance At End Of Period	5	<u>607,509</u>	<u>603,929</u>
Retained Profits			
Balance At Beginning Of Period		838,130	635,794
Total comprehensive income/(loss)		173,445	(12,960)
Dividends paid	2	<u>(10,842)</u>	<u>(8,115)</u>
Balance At End Of Period		<u>1,000,733</u>	<u>614,719</u>
Total Equity		<u>1,608,242</u>	<u>1,218,648</u>

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 2019

	Note	31 December 2019 \$'000	31 December 2018 \$'000
Cash Flows From Operating Activities			
Dividends received (net of withholding tax)		14,696	11,156
Interest received		249	483
Payments for purchase of investments		(33,542)	(240,767)
Proceeds from sale of investments		141,843	121,205
Net realised gain/(loss) on foreign exchange settlements and contracts		97	(384)
Research and services fees paid		(2,000)	(2,000)
Tax paid		(25,539)	(32,748)
Other expenses paid		(1,428)	(1,029)
Net Cash Inflow/(Outflow) From Operating Activities		94,376	(144,084)
Cash Flows From Financing Activities			
Net proceeds/(repayment) of borrowings	3(c)	(42,349)	151,017
Interest paid		(1,050)	(379)
Dividends paid (net of DRP)		(8,797)	(6,585)
Net Cash Inflow/(Outflow) From Financing Activities		(52,196)	144,053
Net increase/(decrease) in cash and cash equivalents		42,180	(31)
Cash and cash equivalents at the beginning of period		244	108
Cash And Cash Equivalents At The End Of Period	3	42,424	77

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 2019

Overview

This half year financial report is for MFF Capital Investments Limited ("MFF" or the "Company") for the period ended 31 December 2019. 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 period 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 ("ASX").

1. Basis Of Preparation

The condensed interim financial report for the period ended 31 December 2019 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 ("A\$") and was approved by the Board of Directors on 29 January 2020. 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 2019 Annual Report and any public announcements made in respect of the Company during the period ended 31 December 2019 in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

All amounts in the financial statements are rounded to the nearest thousand dollars (\$'000) or in certain cases, the nearest dollar, unless otherwise stated in accordance with the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*.

(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 2019 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) New And Amended Accounting Standards

There are no accounting standards, amendments to existing standards or interpretations that are effective as of 1 July 2019 that have a material impact on the amounts recognised by the Company in the prior periods or will affect the current or future periods.

(c) 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 4 (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 judgement or complexity, nor are the Company's liabilities.

MFF CAPITAL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2019

2. Dividends

Dividends paid and payable by the Company during the period are:

	31 December 2019 \$'000	31 December 2018 \$'000
For The Period Ended 31 December 2019:		
Fully franked final dividend for June 2019 (2.0 cent per ordinary share) – paid 8 November 2019	10,842	-
For The Period Ended 31 December 2018:		
Fully franked final dividend for June 2018 (1.5 cent per ordinary share) – paid 9 November 2018	-	8,115
Total Dividends Declared And Paid During The Period	<u>10,842</u>	<u>8,115</u>

(a) Interim Dividend Declared

In addition to the above dividends declared and paid during the period, on 29 January 2020, the Directors declared a fully franked interim dividend of 2.5 cents per ordinary share in respect of the period ended 31 December 2019. The amount of the proposed dividend is approximately \$13,568,000 (excluding the impact of special dividend (refer Note 2(c))). This dividend is not recognised as a liability at 31 December 2019 and will be paid on 15 May 2020.

The Dividend Reinvestment Plan ("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 period ended 31 December 2019. 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 period ended 31 December 2019. 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 ASX during the five trading day period commencing from the day the Company's shares go ex-dividend or other dates as determined by the Board (refer Note 5).

(c) Special Dividend Declared

On 29 January 2020 the Directors also declared a fully franked special dividend of 20 cents per ordinary share, which amounts to approximately \$108,544,000 based on the number of shares on issue at 31 December 2019. This dividend is not recognised as a liability as at 31 December 2019 and will be paid on 19 February 2020.

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

(d) Imputation Credits

	31 December 2019 \$'000	30 June 2019 \$'000
Imputation credits at balance date	66,487	45,594
Imputation credits that arise from the payment of income tax payable	1,523	13,024
Total Imputation Credits Available For Subsequent Reporting Periods Based On A Tax Rate Of 30% (June 2019: 30%)	68,010	58,618
Imputation credit impact of dividends declared but unpaid at period end:		
Final dividend paid 8 November 2019	-	(4,646)
Special dividend payable 19 February 2020 ^(A)	(46,519)	-
Interim dividend payable 15 May 2020 ^(A)	(5,815)	-
Total Imputation Credits Adjusted For Dividends Declared	<u>15,676</u>	<u>53,972</u>

^(A) Based on the number of ordinary shares on issue at 31 December 2019.

MFF CAPITAL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2019

3. Cash And Cash Equivalents, And Net Interest Bearing Borrowings

	31 December 2019 \$'000	30 June 2019 \$'000
Cash And Cash Equivalents		
Cash at bank - denominated in Australian Dollars	193	244
Set-Off Cash And Borrowings With MLI - Net Cash		
Cash - denominated in Australian Dollars	57,588	-
Borrowings - denominated in US Dollars	(10,125)	-
Borrowings - denominated in Singapore Dollars	(3,784)	-
Borrowings - denominated in Hong Kong Dollars	(1,169)	-
Borrowings - denominated in British Pounds	(269)	-
Borrowings - denominated in Canadian Dollars	(10)	-
Net Cash with MLI	42,231	-
Total Cash	42,424	244

Borrowings

Set-Off Cash And Borrowings With MLI - Net Borrowings

Cash - denominated in Australian Dollars	-	62,107
Borrowings - denominated in US Dollars	-	(87,514)
Borrowings - denominated in British Pounds	-	(9,935)
Borrowings - denominated in Singapore Dollars	-	(5,262)
Borrowings - denominated in Canadian Dollars	-	(10)
Net Borrowings with MLI	-	(40,614)

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.

(a) 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 3(b). 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 2019, the Company's cash with MLI of \$57,588,000 (June 2019: \$62,107,000) have been presented net of total borrowings held with MLI of \$15,357,000 (June 2019: \$102,721,000). As a result, a net cash position of \$42,424,000 is presented as cash in the Statement of Financial Position (June 2019: net borrowings of \$40,614,000 presented as borrowings).

(b) 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 an addendum to the International Prime Brokerage Agreements ("IPBA") between the Company and MLI. Pursuant to the IPBA, MLI acts as a custodian for almost all of the Company's assets, including investment assets and has a fixed charge over the Company's right, title and interest in the assets held in custody with MLI (refer Note 4), as security for the performance of its obligations under the IPBA.

(c) Reconciliation Of Borrowings Arising From Financing Activities

	31 December 2019 \$'000	31 December 2018 \$'000
Financing facility borrowings at the beginning of the period	(40,614)	(2,454)
Net (proceeds)/repayment of borrowings	42,349	(151,017)
Foreign exchange movement	(1,735)	(518)
Financing Facility Borrowings At The End Of The Period	-	(153,989)

MFF CAPITAL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2019

4. Investments

(a) Details Of Investments

Company Name		31 December 2019	30 June 2019	31 December 2018	31 December 2019	30 June 2019
	Domicile	Holding	Holding	Holding	Value \$'000	Value \$'000
Visa	i	1,180,653	1,180,653	1,180,653	315,591	291,988
Mastercard	i	739,727	739,727	739,727	314,212	278,846
Home Depot	i	622,738	622,738	622,738	193,461	184,554
Bank of America	i	3,438,854	3,677,450	3,560,891	172,297	151,972
JP Morgan Chase	i	641,250	768,846	703,987	127,164	122,489
Alphabet	i	60,415	69,257	75,955	114,910	106,677
Lowe's	i	486,496	486,496	566,249	82,883	69,957
HCA Healthcare	i	375,105	365,105	365,105	78,874	70,326
Wells Fargo	i	869,349	946,742	875,342	66,535	63,840
S&P Global	i	164,138	199,438	235,346	63,757	64,738
CVS Health	i	571,585	549,990	492,640	60,407	42,706
Lloyds Banking Group	ii	48,091,511	44,127,423	42,277,461	56,645	45,289
BlackRock	i	59,698	59,497	56,497	42,692	39,789
DBS Group	iii	1,439,100	1,300,600	1,073,700	39,402	35,562
US Bancorp	i	420,742	885,305	817,405	35,487	66,106
United Overseas Bank	iii	1,254,200	1,244,200	972,300	35,043	34,242
Oversea - Chinese Banking	iii	2,326,373	2,247,656	1,742,800	27,024	26,988
Microsoft	i	111,820	81,420	57,920	25,086	15,543
CapitalLand	iii	3,815,300	3,815,300	3,771,800	15,137	14,185
Kraft Heinz	i	322,461	290,773	227,817	14,739	12,862
Facebook	i	43,890	33,068	400,930	12,815	9,095
Schroders	ii	157,221	157,221	150,578	7,467	7,000
Coca Cola	i	74,425	248,133	285,629	5,860	18,005
Singapore Technologies Engineering	iii	849,250	1,044,600	1,081,600	3,540	4,555
Morgan Stanley	i	47,683	-	-	3,468	-
Ferguson	ii	17,363	12,000	-	2,240	1,219
PetroChina	iv	1,794,000	-	-	1,281	-
SATS	iii	188,700	188,700	216,100	1,010	1,037
AECOM	i	-	150,215	292,765	-	8,102
SIA Engineering	iii	-	453,300	620,400	-	1,198
Colgate-Palmolive	i	-	-	85,820	-	-
Mondelez	i	-	-	25,761	-	-
Apple	i	-	-	131,985	-	-
Total Investments					1,919,027	1,788,870

Domicile

- i United States
- ii United Kingdom
- iii Singapore
- iv Hong Kong

MFF CAPITAL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2019

4. Investments (continued)

(b) Foreign Exchange Rates

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

	31 December 2019	30 June 2019
US Dollar	0.70295	0.70175
British Pound	0.53063	0.55139
Singapore Dollar	0.94522	0.94943
Hong Kong Dollar	5.47725	5.48242
Euro	0.62624	0.61622

(c) Fair Value Measurement

The Company classifies the fair value measurements of financial assets and financial liabilities using a three level fair value hierarchy 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 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 assets 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 is based on parameters such as interest rates and individual credit worthiness of the investee company; and
- Level 3: valuation techniques using non-market observable data with the fair value for investments based on a Directors' valuation.

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

	Note	31 December 2019 \$'000	30 June 2019 \$'000
Assets			
Level 1: Investments - valued using quoted price	4(a)	1,919,027	1,788,870
Level 2: Receivables ^(A)		1,321	730
Total Financial Assets		<u>1,920,348</u>	<u>1,789,600</u>
Liabilities			
Level 2: Payables ^(A)		3,353	1,141
Level 2: Borrowings ^(B)	3	-	40,614
Total Financial Liabilities		<u>3,353</u>	<u>41,755</u>

^(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 period 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 2019

5. Contributed Equity

	6 Months To 31 December 2019 Number of Securities	12 Months To 30 June 2019 Number of Securities	6 Months To 31 December 2019 \$'000	12 Months To 30 June 2019 \$'000
Ordinary Shares				
Opening balance	542,083,866	540,997,040	605,464	602,399
Shares issued under DRP:				
- 9 November 2018	-	569,068	-	1,530
- 17 May 2019	-	517,758	-	1,535
- 8 November 2019	636,516	-	2,045	-
Shares issued under DRP	636,516	1,086,826	2,045	3,065
Total Ordinary Shares	542,720,382	542,083,866	607,509	605,464

(a) 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.

(b) Dividend Reinvestment Plan

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

6. Earnings Per Share

	31 December 2019	31 December 2018
Basic Earnings Per Share (cents)	31.99	(2.39)
Diluted Earnings Per Share (cents)	31.99	(2.39)

Weighted Average Number Of Ordinary Shares

Weighted average number of ordinary shares on issue used in calculating basic and diluted EPS

542,267,210	541,158,742
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Earnings Reconciliation

Net profit after income tax expense used in the calculation of basic and diluted EPS (\$'000)

173,445	(12,960)
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As the Company has no potential dilutive ordinary shares, basic and diluted EPS are equal.

MFF CAPITAL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2019

7. Net Tangible Assets Per Ordinary Share ("NTA")

The following table reconciles the NTA based on the Statement of Financial Position as at 31 December 2019 to the NTA reported to the ASX on 2 January 2020.

	31 December 2019 \$	31 December 2019 \$	30 June 2019 \$	30 June 2019 \$
	Pre-tax	Post-tax	Pre-tax	Post-tax
ASX Reported NTA ^(A)	3.610	2.988	3.225	2.663
NTA ^(B)	3.610	2.963	3.225	2.663

^(A) The NTA reported to the ASX includes estimates for accrued expenses and tax liabilities.

^(B) The NTA refers to the net assets of the Company presented in the Statement of Financial Position divided by the number of ordinary shares on issue at that date.

The movement between the ASX reported NTA and the NTA represents the updating of tax balances.

8. Research And Services Fees

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

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 return exceeds 10% per annum, annually compounded.

For the period ended 31 December 2019, research and services fees paid/payable of \$3,000,000 (December 2018: \$3,000,000) included a performance fee of \$1,000,000 as the Company's total shareholder return exceeded 10% per annum, annually compounded.

MAM is not entitled to performance fees for periods after 31 December 2019.

9. 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.

10. Contingent Assets, Contingent Liabilities and Commitments

The Company has no material commitments, contingent assets or contingent liabilities as at 31 December 2019 (June 2019: nil other than the performance fee for the period ended 31 December 2019 (refer Note 8)).

MFF CAPITAL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2019

11. Subsequent Events

On 29 January 2020, the Directors declared a fully franked interim dividend of 2.5 cents per ordinary share in respect of the period ended 31 December 2019 (refer Note 2(a) for further details).

On 29 January 2020 the Directors also declared a fully franked special dividend of 20 cents per ordinary share (refer Note 2(c) for further details).

In the latest release to the ASX on 28 January 2020, the Company reported NTA at 24 January 2020 as follows:

	24 January	31 December
	2020	2019
	(A)	(B)
	\$	\$
Pre-tax NTA	3.819	3.610
Net tax liabilities per ordinary share	0.710	0.647
Post-tax NTA	3.109	2.963

(A) ASX announcements are approximates and not audited by Ernst & Young.

(B) NTA audited by Ernst & Young (refer Note 7).

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 financial periods.

MFF CAPITAL INVESTMENTS LIMITED

DIRECTORS' DECLARATION

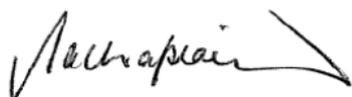
for the half year ended 31 December 2019

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 9 to 20 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 2019 and of its performance, as represented by the results of its operations and its cash flows, for the period 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.



Annabelle Chaplain AM
Chairman



Chris Mackay
Managing Director and Portfolio Manager

Sydney, 29 January 2020

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 2019, 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 2019 and of its financial performance for the 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 control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

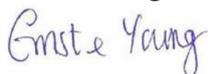
Auditor's Responsibility

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 2019 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*.



Ernst & Young



Clare Sporle

Partner

Sydney, 29 January 2020

MFF CAPITAL INVESTMENTS LIMITED

CORPORATE INFORMATION

Directors

Annabelle Chaplain AM
John Ballard
Robert Fraser
Andy Hogendijk
Chris Mackay
Peter Montgomery AM

Company Secretary

Marcia Venegas

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

Auditor

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

Securities Exchange Listing

ASX code (ordinary shares): MFF

Website

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