2020

MFF CAPITAL INVESTMENTS LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED – 30 JUNE 2020

MFF CAPITAL INVESTMENTS LIMITED: ABN 32 121 977 884

Contents

MFF CAPITAL INVESTMENTS LIMITED
CHAIRMAN'S LETTER
for the year ended 30 June 2020

I am pleased to present to you another year of strong performance by MFF Capital Investments Limited ("MFF" or the "Company"). Please also take the time to read the financial statements and our Portfolio Manager's Report which follow.

Financial Results, Markets and Portfolio Overview
The Company's profit or loss starts each new financial year at zero, based off the market values at the end of the previous financial year. Therefore, significant fluctuations in reported year to year results are to be expected. This financial year there were extraordinary fluctuations in markets with significant rises and falls. MFF recorded a net profit after tax of $25.1 million for the year ended 30 June 2020. Pre-tax profit was $35.8 million.

The Company uses "mark to market" accounting for both investments and foreign exchange and our net profit principally reflects the positive movements in the market value of our investments in the year, offset by negative currency movements during the year (please refer to Statement Of Profit Or Loss And Other Comprehensive Income).

The Company's asset values benefitted from strong markets for the first eight months of the financial year. MFF was a net seller in this period and Directors declared and paid a special dividend and increased its ordinary dividends (see below). From March 2020 the Company acted to maintain and enhance its balance sheet strength whilst keeping a small number of large positions in businesses we regard as advantaged (please refer to the Portfolio Manager's Report).

The Company's balance sheet and financial flexibility remain very strong. At 30 June 2020 MFF's cash and cash equivalents were approximately $680.1 million, after paying the dividends of approximately $106.8 million (net of dividend reinvestment) as well as cash tax payments of approximately $129.4 million during the year (please refer to Statement Of Cash Flows). At year end MFF's $1,361.9 million of Total Equity comprised Retained Profits and Profits Reserve of $730.1 million and Contributed Equity of $631.8 million. Investments at market value were $864.9 million, with deferred tax liability of approximately $180.3 million (relating to unrealised portfolio gains) being by far the largest liability (please refer to Statement of Financial Position). The portfolio remains concentrated in companies with large volumes of daily trading in comparison with MFF's holdings (in other words almost all our portfolio holdings are very liquid, or capable of being converted rapidly to cash if necessary).

Overall, pre-tax operating expenses were well contained year on year after another increase in the regulator's levy, statutory accrual for long service leave, increased portfolio manager remuneration and an increase in aggregate Director's fees reflecting the increased board size in the financial year (please refer to Statement of Profit or Loss and Comprehensive Income). Tax payments are direct corporate outflows and reduce MFF's pre-tax assets. In addition to corporate income tax, other taxes and charges include foreign dividend withholding tax, GST, employment taxes, 'user pays' regulatory, stock market and other levies. These taxes and charges are the largest expenses for the Company.

Last year in this report we anticipated that MFF might incur higher corporate tax payments and noted that the Company is levied monthly. Monthly instalments mean that taxes have now been paid in respect of the preliminary estimates relating to the significant sales of portfolio investments in the latest fiscal year. The current tax liability as at financial year end was approximately $1.8 million (please refer to Statement of Financial Position), although 2020-21 monthly instalments (when levied) will be in addition to this amount.

Details about the portfolio and currency positions and discussions of markets are included in the Portfolio Manager's Report (refer to page 16). All investments held in the period are listed in Note 6 of the financial statements. In the current financial statements and other shareholder communications, we seek to provide shareholders with very high levels of transparency about MFF, our portfolio, decisions made, prospects and risks, in addition to detailed statutory information. The Company provided expanded, prompt, monthly and weekly updates to shareholders (also released to the ASX), including regular details on cash levels and portfolio changes, during the COVID-19 pandemic and associated market fluctuations.

If the Company's investment approach is successful, market fluctuations should continue to benefit MFF over the medium to longer term. However, market fluctuations are unpredictable and adverse movements may be sustained. Your Board and Portfolio Manager continue to note that some periods of negative movements are inevitable over this time frame. For example, currency movements were a negative for the year, as the Company held a majority of proceeds from the sale of portfolio holdings in USD and the USD depreciated against the AUD from mid-March 2020 to financial year end. Risks associated with the sustained low interest rates and high asset prices continued during the year. We therefore continue to caution against elevated investor expectations.

Dividends and Capital Structure
The Directors have declared a fully franked final dividend of 3.0 cents per ordinary share, compared with a fully franked final dividend of 2.0 cents per ordinary share last year. This year's final dividend will be paid in November 2020, with the Dividend Reinvestment Plan to operate (at zero discount). During the year the Company paid fully franked dividends of 2.0 cents per ordinary share (November 2019) and 2.5 cents per ordinary share (May 2020). MFF also paid a special fully franked dividend of 20 cents per ordinary share in February 2020.

MFF CAPITAL INVESTMENTS LIMITED
CHAIRMAN'S LETTER
for the year ended 30 June 2020

In addition to the increased ordinary dividend declared today, the Company's Directors have decided to revise MFF's ongoing dividend policy. Your Directors advise their intention to increase the rate of the six monthly dividend, within the next three year period, from the current rate of 3.0 cents per ordinary share to 5.0 cents per ordinary share, subject to corporate, legal and regulatory considerations, with continued operation of the Dividend Reinvestment Plan (at zero discount). The current rate of six monthly dividends at 3.0 cents per ordinary share represents approximately $33 million per annum.

As discussed in previous years, the revised dividend policy balances various considerations. We note, continue to respect, and have responded to, the desire of some shareholders for higher dividends. We also note that MFF's retained funds continue to be put to good use with strong medium term returns. The Company remains small from the perspective of both its cost base and investment universe, and shareholders who need or want higher levels of immediate income from their MFF holdings, in the context of their overall portfolios, have ready markets in MFF shares.

As at 30 June 2020 available tax franking credits were approximately $118 million (approximately 21.5 cents per ordinary share) following the significant increase in profitable sales from the portfolio this financial year. The Board is committed to prudent capital management and a conservative approach to protect shareholder value in all market conditions. To this end, the Directors transferred $243.7 million from MFF's Retained Profits to a Profits Reserve at year end. The amount represents the total of the Company's net profits after income tax in the 2019 and 2020 financial years. The transfer of Retained Profits to Profits Reserve is a prudent measure to preserve the Company's capacity to pay future dividends, consistent with the revised dividend policy.

In addition to the abovementioned decisions, the Directors today resolved to undertake a bonus issue of Options on a 1:5 basis to shareholders. The Options will be issued for no consideration. Each Option will allow the holder to subscribe for a new share in the Company until 31 October 2022 at an exercise price of $2.60 per ordinary share. The Options are expected to be tradeable on the ASX. Application will be made to ASX for the Options to be quoted. Details will be included in the Option Documents to be mailed to MFF shareholders later in 2020. Your Directors favour the possible benefits of greater scale and regard the Option issue to be in shareholders' overall interests. An important consideration for the Board continues to be to ensure that shareholders have equal opportunity to participate in entitlements or bonus option issues, including opportunity to realise market value for entitlements or options.

The Company has liquid investments and debt markets remain favourable. The potential additional capital from exercise of Options increases the Company's funding flexibility and may enable MFF to increase exposure to attractive investment opportunities over time. The Company retains flexibility to fund further investments from sale of existing investments (subject to paying taxes on gains) and retains access to borrowing and equity capacity.

As a listed investment company, the Company's capital structure has an advantage that in times of stress, MFF is not forced to sell investments to meet redemption requests. However, the Company has not had the very material benefits of steady inflows in the generally rising markets in recent years. Over the years MFF has generally had to sell existing investments to fund new investments. The Company's opportunity cost is high when selling high quality existing investments thereby incurring tax on accrued gains, in order to buy replacement investments. The portfolio remains focused upon holdings which we assess to have above average medium term growth prospects and it has not made sense to sell these holdings, pay tax on the gains and reinvest in similar or inferior investments. Although these principles remain true, we have often noted that markets are also cyclical, and higher prices mean more realisations for MFF than when prices are low (and this was a key factor in portfolio sales during the financial year).

The Company continues to consider sensible investments which might provide MFF with a meaningful flow of income where the Company would have control over the allocation, but market prices remain unfavourable compared with the benefits of MFF's existing portfolio, including its liquidity aspects (which were again important in the financial year). While attractive opportunities are expected to emerge out of the uncertainty linked with COVID-19, the investment portfolio is well-positioned and the approach remains consistent, disciplined and prudent.

Annual General Meeting
I would like to draw shareholders attention to a forthcoming change to the composition of the Company's Board. After very close to 14 years of service to MFF's Board, most significantly as chairman of the Audit and Risk Committee, Andy Hogendijk has advised that he will retire at the Annual General Meeting later in the year. It is hard to overstate Andy's contribution to the success of the Company. His wise counsel and technical judgements have helped guide the Company to the success it enjoys today. On behalf of my fellow Directors and shareholders, I thank Andy for his outstanding service to MFF.

MFF CAPITAL INVESTMENTS LIMITED
CHAIRMAN'S LETTER
for the year ended 30 June 2020

Finally, I thank you shareholders for your continuing support and commitment to MFF. Your Directors look forward to welcoming those of you who can join the Annual General Meeting on 2 October 2020. This year the AGM will be virtual. As always, we welcome your input and feedback on the Company. The Notice of Annual General Meeting will be dispatched to shareholders in the coming weeks.

Yours faithfully,

Annabelle Chaplain AM
Chairman

Sydney, 31 July 2020

MFF CAPITAL INVESTMENTS LIMITED
DIRECTORS' REPORT
for the year ended 30 June 2020

The Directors of MFF Capital Investments Limited ("MFF" or the "Company") submit their annual report in respect of the period ended 30 June 2020.

1. Operations And Activities

1.1 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 code: MFF).

1.2 Principal Activity
The principal activity of the Company is the investment in a minimum of 20 exchange listed international and Australian companies.

1.3 Dividends
- **Interim And Final Dividends**

During the period the Company paid the final dividend for the prior period ended 30 June 2019 of $10,842,000 (2.0 cents per ordinary share) and the interim dividend for the period ended 31 December 2019 of $13,716,000 (2.5 cents per ordinary share), both fully franked.

On 31 July 2020, the Directors declared a fully franked final dividend, for the period ended 30 June 2020, of 3.0 cent per ordinary share (June 2019: fully franked final dividend of 2.0 cent per ordinary share), which is expected to be paid on Friday 6 November 2020. The amount of the proposed dividend, based on the number of ordinary shares on issue at 30 June 2020, is $16,489,000. The Dividend Reinvestment Plan ("DRP") will operate in conjunction with this dividend and no discount will be applied for the DRP.

- **Special Dividend**

On 19 February 2020 the Company paid a fully franked special dividend of 20 cents per ordinary share, which amounted to approximately $108,544,000. The DRP operated in conjunction with the special dividend (at zero discount). Ordinary shares were issued under the DRP on 19 February 2020 and holders of these shares were entitled to the interim dividend in respect of those shares.

- **Imputation Credits**

At 30 June 2020, the Company's total available imputation credits (based on a tax rate of 30%) were $117,971,000 (June 2019: $45,594,000).

1.4 Review Of Financial Results And Operations
- **Financial Results For The Period**

The Company recorded a pre-tax profit of $35,842,000 (June 2019: pre-tax profit $312,238,000) and a net profit after income tax of $25,093,000 (June 2019: $218,575,000) for the period ended 30 June 2020.

The Company reported pre-tax net tangible assets ("NTA") of $2.809 per ordinary share (before net tax liabilities of $0.331) as at 30 June 2020 compared with $3.225 per ordinary share (before net tax liabilities of $0.562) as at 30 June 2019. The Company also reported a post-tax NTA of $2.478 per ordinary share as at 30 June 2020 compared with $2.663 per ordinary share as at 30 June 2019.

The market impacts arising from the COVID-19 pandemic on the Company, including downward movements in market prices of the portfolio, are discussed in Note 1(l) of the Financial Statements and within the Portfolio Manager's report.

As markets will always be subject to fluctuations, the investment performance and results of the past period to 30 June 2020 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 16) and detailed in the financial statements.

- **Strategy And Future Outlook**

The Company is invested in equities, with a focus upon the 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.

1. Operations And Activities (continued)

1.4 Review Of Financial Results And Operations (continued)

- **Strategy And Future Outlook (continued)**

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 the Company's investment processes and some investee companies from time to time.

The Company sets out its largest portfolio holdings at 30 June 2020 in the Portfolio Manager's Report (this information was also released to the ASX on 1 July 2020 as part of the June 2020 monthly NTA release).

1.5 Likely Developments And Expected Results Of Operations

The Company will continue to pursue its principal investment objective which is to increase the per ordinary share net asset value of the Company, over time, in a manner consistent with prudent risk management. Additional comments on expected results of the Company are included in this report. Financial Results For The Period. Refer also to the Chairman's Letter and the Portfolio Manager's Report for further information.

The methods of operating the Company are not expected to change in the foreseeable future.

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 period other than as disclosed in this report.

1.7 Subsequent Events

On 31 July 2020 the Directors announced their intention to increase the six monthly dividend to 5.0 cents per ordinary share within the next three year period, subject to corporate, legal and regulatory considerations.

On 31 July 2020 the Directors also announced a bonus issue of Options to shareholders, on a 1:5 basis, at an exercise price of $2.60 per Option, that are exercisable at any time on or prior to 31 October 2022, at which time they will lapse. The Options will be issued for no consideration and further details will be mailed to MFF shareholders later in 2020.

In the latest release to the ASX on 27 July 2020, the Company reported NTA per ordinary share as at 24 July 2020 as follows:

	24 July 2020 (A) **$**	**30 June 2020** (B) **$**
Pre-tax NTA per ordinary share	2.779	2.809
Net tax liabilities per ordinary share	0.322	0.331
Post-tax NTA per ordinary share	2.457	2.478

(A) ASX announcements are approximate and not audited by Ernst & Young.
(B) NTA audited by Ernst & Young (refer Note 17 of the financial statements).

Other than the above matters and the proposed dividend detailed at Section 1.3, 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.

2. Directors And Secretaries

2.1 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.

2.2 Secretary
Marcia Venegas was Company Secretary during the period and up to the date of this report

There are no other officers of the Company.

2.3 Information On Directors And Secretary
The following information is current as at the date of this report.

Annabelle Chaplain AM
Chairman of the Board and Independent Non-executive Director.

Annabelle Chaplain was appointed as a Non-Executive Director with effect from 21 May 2019 and Chairman with effect from 1 August 2019. Annabelle brings extensive experience in the financial services, mining, engineering and infrastructure sectors. She has more than twenty years' experience as a director of public listed, government, private company and not for profit companies.

Annabelle is currently a Director of Seven Group Holdings Limited and Super Retail Group Ltd. She is also the Chairman of Canstar Pty Ltd, a leading digital intermediary in finance in Australia and New Zealand and a Non-Executive Director of the Australian Ballet. Annabelle was previously a Director of Downer EDI Ltd (July 2008 - November 2019) and Credible Labs Inc (December 2017 – October 2019).

In 2015, Annabelle was awarded Griffith University Business School's Outstanding Alumnus of the year and in 2016, Griffith University conferred on her an honorary doctorate in recognition of her distinguished service to banking, finance and the community. Annabelle is a Fellow of the Australian Institute of Company Directors and holds an MBA from the University of Melbourne.

John Ballard
Independent Non-executive Director and member of the Audit and Risk Committee.

John Ballard has extensive senior executive experience across a wide range of industries. He was previously Chairman of Elders Limited, Managing Director and Chief Executive Officer of Southcorp Limited, Managing Director Asia Pacific at United Biscuits Limited and Managing Director Snack Foods for Coca-Cola Amatil Limited, a Director of Woolworths Limited and Email Limited, Chairman of Wattyl Limited, a Director of CSR Limited and subsequently Rinker Limited, a former Director of Fonterra Co-operative Group Limited, International Ferro Metals Limited and a Trustee of the Sydney Opera House Trust.

John is currently Chairman of the Advisory Boards at Pacific Equity Partners and a Director of The Brain Cancer Group. He is a Fellow of the Australian Institute of Company Directors and holds an MBA degree from Columbia University, New York.

2. Directors And Secretaries (continued)

2.3 Information On Directors And Secretary (continued)

Robert Fraser
Independent Non-executive Director and member of the Audit and Risk Committee.

Robert Fraser was appointed as a Non-Executive Director with effect from 21 May 2019. Robert is a company director and corporate adviser with over 30 years of investment banking experience, specialising in mergers and takeovers, capital management and equity capital markets.

Robert is currently the Managing Director of TC Corporate Pty Limited, the corporate advisory division of Taylor Collison Limited stockbrokers of which he is a Director and Principal. He is a Non-Executive Director of Magellan Financial Group Limited, where he is Chairman of Magellan Asset Management Limited (Responsible Entity and main operating subsidiary of Magellan), Chairman of the Audit and Risk Committee and a member of the Remuneration and Nominations Committee. He is also a Non-Executive Director of ARB Corporation Limited, where he is Chairman of the Audit Committee and the Remuneration and Nomination Committee, and F.F.I. Holdings Limited.

Robert has a Bachelor of Economics and Bachelor of Laws (Hons) degrees from the University of Sydney and is also qualified as a licensed business broker and licensed real estate agent.

Andy Hogendijk
Independent Non-executive Director and Chairman of the Audit and Risk Committee.

Andy Hogendijk has extensive senior management and finance experience having previously been Chief Financial Officer of Suncorp Metway Limited (1997 – 2000), Commonwealth Bank of Australia Limited (1991 – 1997) and John Fairfax Group (1989 – 1991). Andy has also held several senior positions with Shell Company Australia and Australian Paper Manufacturers.

Andy is formerly a Director of; AWE Limited, Aditya Birla Minerals Limited, Hills Motorway Management Limited, Magnesium International Limited and former Chairman of Gloucester Coal Limited. Andy is a Fellow of both the Australian Society of Certified Practicing Accountants and the Australian Institute of Company Directors.

Chris Mackay
Managing Director and Portfolio Manager.

Chris Mackay was appointed Managing Director and Portfolio Manager of the Company with effect from 1 October 2013. He is a Director of Seven Group Holdings Limited (appointed June 2010) and was a Director of Consolidated Media Holdings (formerly Publishing and Broadcasting) from 2006 until its takeover by News Corporation in November 2012.

Chris has considerable experience in business management, business assessment, capital allocation, risk management and investment. He became an investment banker in 1988, after being a corporate and banking lawyer, and has broad experience in the financial and corporate sectors.

Chris co-founded Magellan after retiring as Chairman of the investment bank UBS Australasia in 2006, having previously been its Chief Executive Officer. He was a member of the Federal Treasurer's Financial Sector Advisory Council and the Business Council of Australia, and a director of the International Banks & Securities Association.

Peter Montgomery AM
Independent Non-executive Director.

Peter Montgomery was appointed as a Non-executive Director with effect from 21 May 2019. Peter is a graduate in law from Sydney University and is a Sydney solicitor. Peter has had a wide ranging multi decade business career which includes extensive public company experience both as a director and a substantial shareholder in public and private companies whose activities have included radiology, aged care, retirement villages, contract oil and gas drilling, funds management, land development and operating tourism businesses.

Peter has had an extensive career in sport both as an athlete, and Australian and global roles as an honorary official, including being the Foundation President of the World Olympians Association. Peter received an Order of Australia Medal in 1986 and was awarded an AM in 2006.

2. Directors And Secretaries (continued)

2.3 Information On Directors And Secretary (continued)
Richard Warburton AO
Independent Non-executive Director, Chairman of the Board and member of the Audit and Risk Committee, resigned 1 August 2019.

Richard Warburton is one of Australia's most prominent company directors. Prior to becoming a professional director, he was the Chairman and Chief Executive Officer of DuPont Australia and New Zealand where he was responsible for DuPont's petro-chemical business operations in Australia and New Zealand.

Richard is currently a Director of Sydney Adventist Hospital Foundation for which he has been Chairman since November 2017.

Richard was previously Director and Chairman of Westfield Retail Trust and Tandou Limited, Chairman of David Jones Limited, Aurion Gold Limited, Caltex Australia Limited, Citigroup Pty Limited and The Board of Taxation, and a Director of Scentre Group Limited, Tabcorp Holdings Limited, Southcorp Limited, Nufarm Limited and the Reserve Bank of Australia.

He is a Fellow (and former National President) of the Australian Institute of Company Directors.

Marcia Venegas
Company Secretary.

Marcia Venegas has been the Chief Risk Officer and Head of Risk/Compliance and Legal of MFG since November 2015. Prior to MFG, Marcia was Chief Compliance Officer at Platinum Asset Management Limited in Sydney and held senior roles including Chief Compliance Officer at Dodge & Cox in the US. Marcia brings more than 20 years' experience in the financial services industry in Australia and the US, during which time she has been responsible for national and international regulatory requirements, the development and maintenance of governance, risk and compliance frameworks, licensing, proxy voting, training and liaising with regulators, auditors and clients. Marcia holds a Bachelor of Arts from the University of Wollongong.

2.4 Directors' Meetings
The number of Board meetings, including meetings of Board Committees, held during the period ended 30 June 2020 and the number of those meetings attended by each Director is set out below:

	Board		Audit & Risk Committee	
	While A Director		While A Member	
Name	**Held**	**Attended**	**Held**	**Attended**
Annabelle Chaplain AM	6	6	-	-
John Ballard	6	6	5	4
Robert Fraser	6	6	3	3
Andy Hogendijk	6	6	5	5
Chris Mackay	6	6	-	-
Peter Montgomery AM	6	6	-	-
Richard Warburton AO[(A)]	1	1	2	2

(A) Mr Warburton resigned on 1 August 2019.

2.5 Directors' Interests
The interests of Directors in the shares of the Company are detailed in Section 3.6.

3. 2020 Remuneration Report (Audited)

This Remuneration Report outlines the remuneration arrangements of the Company for the period ended 30 June 2020. It details the remuneration arrangements for key management personnel ("KMP") who are defined as those persons and corporate entities having authority and responsibility for planning, directing and controlling activities of the Company, directly or indirectly.

KMP, including the Independent Non-executive Directors and the Managing Director, who is the Company's sole employee and Portfolio Manager, are listed in the table that follows:

Name	Position	Term As KMP
Directors		
Annabelle Chaplain AM	Chairman	Full Year
John Ballard	Director	Full Year
Robert Fraser	Director	Full Year
Andy Hogendijk	Director	Full Year
Peter Montgomery AM	Director	Full Year
Richard Warburton AO	Chairman	1 July 2019 - 1 August 2019
Executive Director		
Chris Mackay	Managing Director/Portfolio Manager	Full Year

The Board does not grant options or rights to KMP under its remuneration policy. The Remuneration Report has been prepared and audited against the disclosure requirements of the *Corporations Act 2001*.

3.1 Remuneration Of Independent Non-executive Directors

The Independent Non-executive Directors are remunerated by the Company. It is the policy of the Board to remunerate at market rates commensurate with the responsibilities borne by the Independent Non-executive Directors. The remuneration of the Independent Non-executive Directors is not linked to the performance or earnings of the Company.

The Independent Non-executive Directors' base remuneration is reviewed annually and remained unchanged during the period ended 30 June 2020. The following table outlines the Independent Non-executive Directors' fees for the Board and Committee for the period ended 30 June 2020:

	Position	Fees ($)
Board	Chairman	110,000
	Independent Non-executive Director	70,000
Audit And Risk Committee	Chairman	25,000
	Member	12,500

The amount of base remuneration is not dependant on the satisfaction of a performance condition, or on the performance of the Company, the Company's share price, or dividends paid by the Company. The Chairman is not entitled to other committee fees.

Retirement Benefits
The Company does not provide retirement benefits (other than superannuation) to the Independent Non-executive Directors.

Other Benefits
The Company does not provide other benefits and incentives to the Independent Non-executive Directors.

3.2 Remuneration Of Managing Director

The Managing Director is remunerated by the Company. It is the policy of the Board to remunerate at market rates commensurate with the responsibilities borne. The remuneration is not linked to the performance or earnings of the Company. Refer Section 3.5 for further details on the employment agreement of Mr Mackay.

3. 2020 Remuneration Report (Audited) (continued)

3.3 Details Of Remuneration

The total amount paid or payable to the Directors by the Company during the period is detailed below:

		Short Term Benefits	Post-Employment Benefits	Other Benefits (B)	Total Benefits
		Salary	Superannuation	Long Service Leave	
		$	$	$	$
Independent Non-Executive Directors					
Annabelle Chaplain AM	2020	97,413	9,254	-	106,667
	2019	7,540	716	-	8,256
John Ballard	2020	75,342	7,158	-	82,500
	2019	75,342	7,158	-	82,500
Robert Fraser	2020	77,970	3,488	-	81,458
	2019	7,540	716	-	8,256
Andy Hogendijk	2020	86,758	8,242	-	95,000
	2019	86,758	8,242	-	95,000
Peter Montgomery AM	2020	63,927	6,073	-	70,000
	2019	7,540	716	-	8,256
Richard Warburton AO(A)	2020	8,371	795	-	9,166
	2019	100,457	9,543	-	110,000
Managing Director					
Chris Mackay	2020	1,478,997	21,003	72,583	1,572,583
	2019	979,469	20,531	93,854	1,093,854
Total KMP remunerated by the Company	2020	1,888,778	56,013	72,583	2,017,374
	2019	1,264,646	47,622	93,854	1,406,122

(A) Mr Warburton resigned on 1 August 2019 and remuneration is shown for the period 1 July 2019 to 1 August 2019.
(B) Other benefits are comprised of long service leave statutory expense. The amount disclosed in this column is the movement in the provision for long service leave during each year.

3.4 Service Agreements

Remuneration and other terms of employment for the Independent Non-executive Directors are formalised in service agreements with the Company.

Annabelle Chaplain AM, Chairman of the Board and Independent Non-executive Director.
- Commenced on 21 May 2019 and appointed Chairman 1 August 2019
- No term of agreement is set. Subject to the Director being re-elected by shareholders of the Company
- Base salary, inclusive of superannuation, for the period ended 30 June 2020 of $106,667.

John Ballard, Independent Non-executive Director and member of the Audit and Risk Committee
- Commenced on 19 October 2006
- No term of agreement is set. Subject to the Director being re-elected by shareholders of the Company
- Base salary, inclusive of superannuation, for the period ended 30 June 2020 of $82,500.

Robert Fraser, Independent Non-executive Director and member of the Audit and Risk Committee
- Commenced on 21 May 2019
- No term of agreement is set. Subject to the Director being re-elected by shareholders of the Company
- Base salary, inclusive of superannuation, for the period ended 30 June 2020 of $81,458.

Andy Hogendijk, Independent Non-executive Director and Chairman of the Audit and Risk Committee
- Commenced on 19 October 2006
- No term of agreement is set. Subject to the Director being re-elected by shareholders of the Company
- Base salary, inclusive of superannuation, for the period ended 30 June 2020 of $95,000.

3. 2020 Remuneration Report (Audited) (continued)

3.4 Service Agreements (continued)
Peter Montgomery AM, Independent Non-executive Director
- Commenced on 21 May 2019
- No term of agreement is set. Subject to the Director being re-elected by shareholders of the Company
- Base salary, inclusive of superannuation, for the period ended 30 June 2020 of $70,000.

Richard Warburton AO, Chairman, Independent Non-executive Director and member of the Audit and Risk Committee
- Commenced on 19 October 2006 and resigned 1 August 2019
- No term of agreement is set. Subject to the Director being re-elected by shareholders of the Company
- Base salary, inclusive of superannuation, for the period ended 30 June 2020 of $9,166.

3.5 Employment Agreements
Remuneration and other terms of employment for the Managing Director are formalised in an employment agreement with the Company.

Chris Mackay, Managing Director and Portfolio Manager
On 1 October 2013, Mr Mackay was appointed Managing Director and Portfolio Manager of the Company. Mr Mackay entered into an employment contract. Under the terms of the contract, which would continue indefinitely until terminated, Mr Mackay:

- receives fixed compensation structured as a total employment cost package of $1,500,000 per annum (inclusive of superannuation), which may be received as a combination of cash, non-cash benefits and superannuation contributions and is subject to annual review;
- is not entitled to receive short term incentive payments; and
- is restrained from soliciting clients, employees or agents of the Company or related parties for a period of 6 months after termination of employment.

The contract may be terminated by the Company at any time without notice for cause. Mr Mackay may terminate the contract at any time by providing the Company with not less than 6 months written notice. The Company may terminate the contract at any time by providing 6 months written notice or providing payment in lieu of that notice.

3.6 Shareholdings
The number of ordinary shares held in the Company at 30 June by the KMP is as follows:

Ordinary Shares	Balance 30 June 2018	Additions/ (Disposals)	Balance 30 June 2019	Additions/ (Disposals)	Balance 30 June 2020
Annabelle Chaplain AM[(A)]	30,000	-	30,000	102,356	132,356
John Ballard	1,774,820	-	1,774,820	-	1,774,820
Robert Fraser[(A)]	498,676		498,676	-	498,676
Andy Hogendijk	606,729	6,473	613,202	43,612	656,814
Peter Montgomery AM	-	-	-	53,424	53,424
Richard Warburton AO[(B)]	1,046,507	-	1,046,507	-	-
Chris Mackay	61,886,807	1,836,394	63,723,201	5,429,431	69,152,632

(A) The opening balance at 30 June 2018 represents Ms Chaplain's and Mr Fraser's shareholdings when appointed as Directors on 21 May 2019. Their shareholdings were acquired prior to being appointed as Directors.

(B) Mr Warburton resigned on 1 August 2019 and his shareholding at that date remains unchanged from 30 June 2019.

4. Other

4.1 Indemnification And Insurance Of Directors And Officers

The Company insures the Directors and Officers of the Company in office to the extent permitted by law for losses, liabilities, costs and charges in defending any legal proceedings arising out of their conduct while acting in the capacity of Directors and Officers of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

During the period, the Company paid insurance premiums to insure the Directors and Officers of the Company. The terms of the contract prohibit the disclosure of the premiums paid.

4.2 Auditor

Ernst & Young continues in office in accordance with section 327 of the *Corporation Act 2001*.

4.3 Non-Audit Services

During the period, Ernst & Young, the Company's auditor, has performed other services in addition to its statutory duties. Details of the amounts paid or payable to the auditor are set out in Note 10 to the financial statements.

The Directors, in accordance with advice received from the Audit and Risk Committee, are satisfied that the provision of those non-audit services during the period by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied, considering the nature and quantum of the non-audit services that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Committee to ensure that they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

4.4 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 the following page.

4.5 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.

Annabelle Chaplain AM	**Chris Mackay**
Chairman	Managing Director and Portfolio Manager

Sydney, 31 July 2020

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

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Fax: +61 2 9248 5959
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Auditor's Independence Declaration to the Directors of MFF Capital Investments Limited

As lead auditor for the audit of MFF Capital Investments Limited for the financial year ended 30 June 2020, 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 audit; and

(b) No contraventions of any applicable code of professional conduct in relation to the audit.

Ernst & Young

Ernst & Young

Clare Sporle
Partner
Sydney, 31 July 2020

A member firm of Ernst & Young Global Limited
Liability limited by a Scheme approved under Professional Standards Legislation

MFF CAPITAL INVESTMENTS LIMITED
PORTFOLIO MANAGER'S REPORT
for the year ended 30 June 2020

Dear Shareholder,

Overall
Please read the financial statements and the information in relation to MFF's most recent results in this Annual Report. Summaries are not always useful, but a plausible summary of this year may be framed around the aphorism that one year cannot make financial success but a year in financial markets can ruin previous financial success. This year we avoided ruin and held on to the very strong foundations that had been built in previous years. Challenges and opportunities continue.

For many months this year we were involved in calm decisions about whether to realise higher priced quality companies, and enjoying cyclical, market and structural benefits. Recognition of likely 'late cycle' characteristics and an increasing tax burden were the main negative accompaniments. In the closing months of this financial year we focussed on capital protection whilst maintaining core pieces of our quality portfolio. At year end our portfolio remains well positioned for the longer term and we have resources if markets present compelling opportunities.

Overall our processes were followed this year and served us well; for example, we usually ease into and out of positions and can adjust in response to markets. We recognised promptly that our portfolio included a heavy weighting to cyclical and market sensitive businesses and that these were more vulnerable to both worst cases and to deteriorating business conditions. Our high quality, highly liquid portfolio and strong balance sheet give us the benefit of time, and we achieved better pricing as we were building resources than if we had sold all at once in response to the worsening pandemic and lockdowns.

An obvious cost has been very significant cash tax payments. Another has been that we have sold some holdings in companies that are already benefitting from the massive stimulus and coping with the pandemic better than was feared. Other sales might have been achieved at better prices; elsewhere we failed to buy at what in hindsight looked to be bargains during the height of the fear.

Looking forward, we expect opportunities. Investors are again conflating uncertainty, fear, volatility/fluctuations and risk, and price/risk/reward signals have been distorted by seemingly limitless free money. Many professionals must focus on macro and health unknowables rather than business fundamentals, and extrapolate current success for favourites rather than seeking inexpensive purchase prices for sustainable but out of favour quality businesses. Margins of safety are available in businesses that will survive and prosper over decades (which periods inevitably will include future unprecedented disasters), and satisfactory purchase prices below reasonable assessments of fair value. Whilst our cash reserves are temporary and only value enhancing if well deployed, we are not under any pressure to deploy our significant cash reserves within any index or popularity constraints or within any time frames. We expect opportunities.

Investment Portfolio Discussion
For the financial year MFF's sales of securities significantly outweighed purchases. In cash terms proceeds from sales were approximately $1,107.4 million and purchases approximately $93.6 million (please refer to Statement of Cash Flows). Sales occurred throughout the financial year. Earlier in the year we were concerned about high prices and in January 2020 at the time of declaring the special dividend we argued that the payment was better than chasing ever more marginal opportunities.

Later in the financial year our near-term objectives changed. As noted in our release to the ASX, on 1 July 2020: "We continued with our recent portfolio strategies and actions. Overall, we have aimed to protect meaningful amounts of capital from more substantial erosion, whilst keeping balance sheet strength and liquidity to maintain most of our holdings in small numbers of advantaged businesses and provide flexibility for future investments".

As at financial year end MFF has a portfolio of holdings in businesses with competitive advantages that we regard as sustainable even in the conditions of the ongoing pandemic and associated shutdowns. We also have approximately 44% of assets in cash. Past crises have given us opportunities to buy excellent companies at satisfactory prices or better.

The substantial cash also provides some benefit should markets worsen again, and particularly if economic and business conditions worsen. Overall we believe that prices for our portfolio components are satisfactory at financial year end, although of course market prices for equities often rise or fall well beyond objectively sensible price ranges. For example, falls are very possible if the market in aggregate turns its primary focus away from unprecedented monetary and fiscal stimulus to lower near term earnings and weaker outlooks. In those circumstances our existing mark to market investments will fall, but future purchases may be on more attractive terms.

We continue to have modest expectations for future returns. 10 year Government bonds yield approximately 0.6% per annum. Expected returns for risk assets are most often priced with reference to such low benchmarks.

Our risk appetite is relatively low, although we continue to seek the benefits over time of investments in equities (i.e. businesses). The nature of our risk appetite changed during the year. Our preference for cash reflected our ongoing unwillingness to pay up for perceived growth or defensive businesses and our starting position with cyclical and risk assets.

MFF CAPITAL INVESTMENTS LIMITED
PORTFOLIO MANAGER'S REPORT
for the year ended 30 June 2020

For some years we largely allowed our equity portfolio to 'run' with overall rising markets which favoured many of our investments. At 2019 calendar year end we maintained significant cyclical and market related exposures, although with increased actual and planned sales (and tax payments) in response to huge stimulus and multiplier benefits. We felt that prices warranted the cyclical risks and were relatively attractive compared with defensives or secular growers.

The spread of the pandemic and associated shutdowns more materially impacted the prices of cyclical and market related businesses and in most cases their near term earnings expectations. The management reports for these companies accompanying their Q1 2020 earnings releases often included references to record revenues and earnings up until mid March and then dramatic falls. Today, some of the near term concerns that we and the market had about the cyclicals remain, and their market prices are now far lower than in January and February. To illustrate for MFF, our weighting in bank financials was over 30% in some recent periods, and as at financial year end was about 3.1% of investment assets (including cash). The bank financials have not benefitted commensurately with the unprecedented monetary stimulus mentioned in the next paragraph because it supresses their net interest margins and allows many marginal borrowers to access debt markets without the covenants, reviews and pricing of bank lending.

In recent months unprecedented monetary stimulus (in particular) has driven the divergence between equity and risk debt market rallies and lower expectations for traditional corporate earnings (and aggregate demand deficiencies) prior to any post pandemic 'normalisation'. The rally benefitted us in the short term with better prices for some realisations in the June 2020 quarter, although we chose not to swing hard for technology 'winners' and avoided the speculative mania referenced below.

MFF combines holdings in advantaged businesses, significant cash and balance sheet capacity, with clear focus on increasing, over time, exposures to investments with higher than average positive probabilities. Prior markets have given us opportunities for returns in excess of the fluctuations in the business performances of the high quality businesses we target. Future markets will provide future opportunities for sustained compounding which in the long run favours resilient growth investments, and for some value based opportunities, as ultimately value is superior to overpaying, certainly in aggregate. Prevailing pessimism usually lowers purchase prices.

Our processes for assessing investment and divestment decisions remain relatively constant irrespective of near term market conditions or movements. Although the pandemic period is unique/unprecedented, some characteristics mirror previous periods. In simple terms, we weigh up factors including individual market prices, values (including assessments for potential profitable growth and discount rates over time), other opportunities/opportunity costs, risks and probabilities (where market influences such as momentum may impact).

Realistic consideration of cycles is also important for each factor. In January when we declared the special dividend, we noted high market prices and limited opportunities, as well as the portfolio's weightings in cyclical and market related companies benefitting from the then booming economies and markets. We have materially reduced our most cyclical exposures given sustained materially changed circumstances of lockdowns, global pandemic, oil price collapse and century high unemployment and government transfer payment (consumption) spending.

Pandemic And Response – General Views

As the pandemic and responses evolve, so too do our base case views, as well as the more important reviews of individual industries and companies. Some outline base case views are:

1. Overall it appears that supply chain concerns peaked early in the pandemic. Major companies have worked around with back up suppliers, reinforced IT and systems, increased inventory where needed, reduced where not selling through, and continued shortening supply chains. Overall so far this has resulted in limited price increases outside of lumber and some specific timing issues, possibly because of ongoing subdued aggregated demand.
2. Fiscal and monetary stimuli are materially supporting aggregate demand and bridging time to broad economic reopening particularly in wealthier, more developed economies and China.
3. Employment is returning with reopenings, albeit at somewhat lower levels with material levels of permanent reductions.
4. Moves to online, digital and cloud, and away from cash have accelerated materially.
5. Aggregate corporate capital expenditures have reduced, as have discretionary operating expenses.
6. Repositioning away from oil and gas, physical retail and possibly CBD offices towards warehouses and possibly non multi family residential.
7. International travel and particularly business travel are later openers.
8. Nothing has emerged to take away from confidence in eventual recovery/normalisation via combinations of vaccines, therapeutics, lockdowns, social distancing, testing/tracing/isolating hot spots, hygiene, improved hospitalisations/treatments and masks/other coverings.
9. Political and geopolitical tensions have risen, including exacerbated equality issues.
10. Aggregate debt stresses have risen somewhat, with Governments significantly upsized but wealthy savers reduced. Expected ongoing constraints for states and municipalities, Europe and other areas (corporates) with borrowing/budget limits compared with Chinese capacity to borrow/direct SOEs and US Federal Reserve stimulus.
11. Market prices continue to be distorted and risks to markets include 'policy error' or policy shifts.

12. Larger companies have been relatively favoured in the pandemic including increased technology spending masking usual cyclicality. Many major companies, particularly US influenced, are resilient and adjust to pandemic, and changed regulations.
13. Despite moves away from globalisation, interconnectedness remains high with emerging markets particularly subject to shifts by the large developed markets, for example benefitting from the stimulus.
14. There are as many excellent companies during a major market selloff as at a market peak, but prices are lower.
15. Markets may provide opportunities in the gaps between temporary factors during the pandemic and response and business conditions over decades.
16. Few market participants are factoring in the probabilities of another major crisis (hurricanes, earthquakes or another pandemic as animal to human transmissions continue).

Cash Position
Cash is MFF's largest holding. We prefer not to hold significant amounts of cash for long periods. Cash is a wasting, non earning asset (as discussed in releases and at our AGMs in recent years). We far prefer significant holdings in sustainably advantaged businesses on sensible terms. Cash and savers fare badly under inflation and financial repression.

However, cash is usually valuable in crises for making advantaged purchases when asset prices fall significantly in relative and absolute terms. Our investment approach has benefitted from past market cycles, when purchases were possible at low prices (often well below underlying values) and near term economic and business outlooks were terrible. Assessment of successful longer term investments looks beyond short term marks to market and comparisons with indices and other investors.

So far this time we have retained cash rather than risk permanently destroying capital with overpriced purchases or seeking to trade for prices in the market recovery in recent months. In previous years we have 'bought the dips' and occasionally purchased for shorter term value/relative value opportunities (see past releases and AGM discussions for details and rationale). This time we consider that longer term opportunities might be more valuable (risk adjusted) than possible short term trading opportunities. Currently we are inquisitive and patient, positive about future opportunities; albeit with lower return expectations than for most of the past decade and we remain price sensitive. MFF does not wholly own businesses throwing off large amounts of cash for our deployment, and thus must sell from time to time in order to raise cash for future opportunities.

We have maintained large amounts of USD cash, and the portfolio remains currency unhedged. At the moment these appear to be the least bad positions. In relation to this currency mix, we currently do not have strong views given various often conflicting factors, in contrast to views we have held at different prices and in different circumstances in the past. Currently we expect most future purchases of long term investments to be from USD.

Market Comment
Current markets are buoyed by factors including massive central bank stimulus (which removes effective price signalling and market disciplines from major asset classes) and associated short term aggregate market perceptions. Equity market prices likely also still reflect the multiplied positives of the heavily stimulated pre pandemic period. Technology based growth companies have continued to be market favourites as the pandemic has evolved. Larger companies have had better pandemics than smaller companies as they have resources to absorb extra costs, add revenue lines and deal with more pressured competitors. These factors have been reflected in equity markets, as multiples of earnings have expanded further, and prices have risen although earnings expectations have contracted.

Growth has also been rerated upwards as interest rates are expected to be low for a long time (and hence discount rates for future growing earnings detract less from present value calculations). Over the past decade profitable growth companies have materially outperformed as growth and multiple expansion caused compounding, and now many are in algorithmic portfolios and hundreds of individual ETFs and index funds where marginal buyers are not price sensitive. Equity indices are dominated by these winners.

Every month there are data and anecdotes regarding the pandemic, shutdowns, reopenings, political, global issues, fiscal and monetary stimulus to meet some of the more optimistic or more pessimistic views, albeit without apparent game changers to remove broadening pressures/allow rapid return to 'normal'. State and municipal budget pressures continue to worsen, along with the impacts of more populist responses to the pandemic in less developed and other jurisdictions. Wider societal pressures increased in June 2020 in part reflecting that fiscal policies have not adapted (or even been extended in most cases). It is becoming more obvious that benefits accruing to wealthier asset owners individually exceed, and have far more duration, than ancillary support for less wealthy and unemployed, although sustained economic multipliers would prioritise the reverse. Blunt monetary stimulus was initially important but has limited broad durable positive impacts whilst artificially supporting markets.

Recently analysts considered that there were examples of manias and mini bubbles (panicked buying of technology winners, speculative buying/day trading of low dollar priced and even bankrupted stocks and assets perceived to 'backed by the Fed/central bank', strong new account opening as gambling accounts transferred to markets, including upticks in margin borrowing and more particularly option and other derivative utilisation). Increased bankruptcies, some related to uncovering of frauds, and reductions in optimistic near-term earnings and recovery expectations were largely ignored by market buyers, as were widening social/political disruptions. Issuance in central bank liquidity driven debt and equity markets might have crested recently with record risk issuance in the US by SPACs (special purpose acquisition corporations) and in Hong Kong by Chinese/Caribbean VIEs (variable interest entities) as well as record levels of more conventional issuance to support loss making and overlevered businesses. Whilst issuance is often a late indicator (reflecting a desire to issue, or better knowledge of issuer than purchaser), manias and bubbles can extend for much longer than logic might dictate. Historically none have continued forever and, when supply and demand adjust, most unwindings are more difficult for more participants than the rises were pleasant for smaller numbers of participants.

Assessment of impacts on markets of extended financial repression and suppression of market price discovery functions remain important. Fiscal and particularly monetary policy are regarded by many as ample backstops for equity markets. Historically there have been eventual limits, for example to massive bond issuance, although unprecedented issuance and central bank buying may go on for extended periods. Rising savings around the world materially assists bond issuance but reduces earnings needed for servicing and ultimately refinancing. The implications for US markets are unknown if for example 10-year bond rates move to say 2% from 0.6% per annum. The last 30 years in Japan do not support a favourable thesis for sustained economic and market growth, although the economic and market differences between leading US companies and Japan are meaningful.

Individual markets evolve differently to whole economies. Aggregate demand deficiencies, even with (temporary]) fiscal support, include sizable demand shifts. For example, there is emerging evidence that upcycles in residential real estate may have commenced in various jurisdictions. If sustained, this may have wider economic and business benefits given multiplier, financial sector stability and household net worth benefits. Factors include sustained low interest rates, widely available loan capital for housing, pent up demand from favourable demographics and deferred family formations and demand from potential relocations to suburban and regional areas (which also improves availability and affordability in inner city). Unemployment and bankruptcies are obvious major counter forces.

Pockets of less expensive somewhat out of favour businesses exist even whilst indices are at very high levels and there are more opportunities as markets fall.

Portfolio Summary
Holdings at 30 June 2020 with market values of 0.4% or more of the portfolio (shown as percentages of total investment assets and cash) are shown in the table below:

Holding	%	Holding	%
Cash	44.0	JP Morgan Chase	1.1
Visa	18.5	Berkshire - Class A	1.1
MasterCard	16.0	Lloyds Banking Group	1.0
Home Depot	9.2	US Bancorp	0.8
CVS Health	2.5	Lowe's	0.7
Microsoft	2.1	Schroders	0.4
Berkshire - Class B	2.0		

We look forward to seeing you at the Annual General Meeting in October.

Yours faithfully,

Chris Mackay

Chris Mackay
Portfolio Manager

Sydney, 31 July 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 year ended 30 June 2020

	Note	30 June 2020 $'000	30 June 2019 $'000
Investment Income			
Dividend income		28,336	30,839
Interest income		455	809
Net change in fair value of investments[(A)]		89,194	287,191
Net gains/(losses) on foreign currency cash and borrowings		(70,159)	864
Net gains/(losses) on foreign exchange settlements & contracts		(2,738)	1,701
Total Net Investment Income		45,088	321,404
Expenses			
Research and services fees	13	5,000	5,000
Finance costs – interest expense		1,229	2,117
Managing Director's salary		1,500	1,000
Non-Executive Directors' fees		445	312
Long service leave statutory expense		72	94
Registry fees		219	143
ASX listing, clearing and settlement fees		195	140
Transaction costs		109	40
Employment related taxes		104	70
Fund administration and operational costs		88	84
Auditor's remuneration	10	71	73
Regulatory levy		64	47
Legal and professional fees		7	-
Other expenses		143	46
Total Operating Expenses		9,246	9,166
Profit/(Loss) Before Income Tax Expense		35,842	312,238
Income tax (expense)/benefit	3(a)	(10,749)	(93,663)
Net Profit/(Loss) After Income Tax Expense		25,093	218,575
Other comprehensive income		-	-
Total Comprehensive Income/(Loss)		25,093	218,575
Basic Earnings/(Loss) Per Share (cents)	9	4.61	40.37
Diluted Earnings/(Loss) Per Share (cents)	9	4.61	40.37

(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 30 June 2020

	Note	30 June 2020 $'000	30 June 2019 $'000
Current Assets			
Cash and cash equivalents	4(a)	680,130	244
Investments	6	864,866	1,788,870
Receivables	5	327	730
Prepayments		16	9
Total Current Assets		1,545,339	1,789,853
Total Assets		1,545,339	1,789,853
Current Liabilities			
Payables	7	1,216	1,141
Current tax liability		1,798	13,024
Borrowings	4(b)	-	40,614
Total Current Liabilities		3,014	54,779
Non-Current Liabilities			
Deferred tax liability	3(c)	180,286	291,386
Provision for long service leave		166	94
Total Non-Current Liabilities		180,452	291,480
Total Liabilities		183,466	346,259
Net Assets		1,361,873	1,443,594
Equity			
Contributed equity	8	631,752	605,464
Retained profits		486,453	838,130
Profits reserve		243,668	-
Total Equity		1,361,873	1,443,594

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 year ended 30 June 2020

	Note	30 June 2020 $'000	30 June 2019 $'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 ("DRP")	8	26,288	3,065
Balance At End Of Period		631,752	605,464
Retained Profits			
Balance At Beginning Of Period		838,130	635,794
Total comprehensive income/(loss)		25,093	218,575
Transfer to profits reserve	1(j)	(243,668)	-
Dividends paid	2	(133,102)	(16,239)
Balance At End Of Period		486,453	838,130
Profits Reserve			
Balance At Beginning Of Period		-	-
Transfer from retained earnings	1(j)	243,668	-
Balance At End Of Period		243,668	-
Total Equity		1,361,873	1,443,594

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 year ended 30 June 2020

	Note	30 June 2020 $'000	30 June 2019 $'000
Cash Flows From Operating Activities			
Dividends received (net of withholding tax)		24,482	27,299
Interest received		455	809
Payments for purchase of investments		(93,598)	(315,690)
Proceeds from sale of investments		1,107,399	310,860
Net realised gain/(loss) on foreign exchange settlements and contracts		(2,738)	1,701
Research and services fees paid		(5,000)	(5,000)
Tax paid		(129,420)	(41,602)
Other expenses paid		(2,878)	(1,974)
Net Cash Inflow/(Outflow) From Operating Activities	4(f)	898,702	(23,597)
Cash Flows From Financing Activities			
Net proceeds/(repayment) of borrowings	4(e)	(110,773)	39,024
Interest paid		(1,229)	(2,117)
Dividends paid (net of DRP)		(106,814)	(13,174)
Net Cash Inflow/(Outflow) From Financing Activities		(218,816)	23,733
Net increase/(decrease) in cash and cash equivalents		679,886	136
Cash and cash equivalents at beginning of period		244	108
Cash And Cash Equivalents At End Of Period	4(a)	680,130	244

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

Overview

This annual financial report is for MFF Capital Investments Limited ("MFF" or the "Company") for the period ended 30 June 2020. The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to the 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

This financial report for the period ended 30 June 2020 is a general purpose financial report and has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and other mandatory professional reporting requirements. It is presented in Australian Dollars ("$") and was approved by the Board of Directors on 31 July 2020. The Directors have the power to amend and reissue the financial report.

(a) Compliance With International Financial Reporting Standards ("IFRS")
This financial report complies with Australian Accounting Standards and IFRS as issued by the International Accounting Standards Board.

(b) Historical Cost Convention
This financial report has been prepared on a going concern basis and under the historical cost convention except for assets which are measured at fair value.

(c) Accounting Policies
The accounting policies adopted are consistent with those of the previous financial period and corresponding reporting period except for the profits reserve described in Note 1(j) and the adoption of the new standards and amendments which became mandatory for the first time this reporting period commencing 1 July 2019 that are described in Note 1(d). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(d) 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.

(e) Segment Reporting
An operating segment is a group of assets and operations engaged in providing products and services that are subject to risks and returns that are different to those of other segments.

The Managing Director and Portfolio Manager makes the investment decisions for the Company and the Company's operating segments are determined based on information reviewed by the Portfolio Manager to make investment decisions. The Portfolio Manager manages the Company's investments on a portfolio basis and considers the Company operates in a single operating segment.

(f) Foreign Currency Translation
The functional and presentation currency of the Company as determined in accordance with AASB 121: *The Effects of Changes in Foreign Exchange Rates* is the Australian Dollar. Transactions denominated in foreign currencies are translated into Australian Dollars at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Australian Dollars at the foreign currency closing exchange rate ruling at the balance date.

Foreign currency exchange differences arising on translation, and realised gains and losses on disposals or settlements of monetary assets and liabilities, are recognised in the Statement of Profit or Loss and Comprehensive Income. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Australian Dollars at the foreign currency closing exchange rates ruling at the dates that the values were determined. Foreign currency exchange differences relating to monetary items, including cash and cash equivalents, are presented separately in the Statement of Profit or Loss and Comprehensive Income.

(g) Investment Income
Dividend Income
Dividend income is recognised on the applicable ex-dividend date gross of withholding tax. Foreign dividends received are recognised net of withholding tax in the Statement of Cash Flows.

1. Basis Of Preparation (continued)

(g) Investment Income (continued)
Net Change In Fair Value Of Investments
Realised and unrealised gains and losses on investments measured at fair value through profit or loss are recognised in the Statement of Profit or Loss and Comprehensive Income. The net changes in fair value does not include dividend income.

Interest Income
Interest income is recognised on an accruals basis using the effective interest rate method. If revenue is not received at balance date, it is included in the Statement Of Financial Position as a receivable and carried at amortised cost.

(h) Expenses
All expenses are recognised in the Statement of Profit or Loss and Comprehensive Income on an accruals basis.

Directors' Fees
Directors' fees (including superannuation) and related employment taxes are included as an expense in the Statement of Profit or Loss and Comprehensive Income as incurred. Information regarding the Directors' remuneration is provided in the Remuneration Report on pages 11 to 13 of the Directors' Report.

Finance Costs
The basis on which finance costs incurred on borrowings are recognised is included in Note 4.

(i) Goods And Services Tax ("GST")
Revenue, expenses and assets (with the exception of receivables) are recognised net of the amount of GST, except when GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of that purchase or as an expense.

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included in the Statement Of Financial Position as receivable or payable.

Cash flows are included in the Statement Of Cash Flows on a gross basis. The GST component of cash flows arising from financing activities which are recoverable from, or payable to the taxation authority, is presented as operating cash flow.

(j) Profits Reserve
The profits reserve consists of current and prior period profits transferred from retained earnings that are preserved for future dividend payments. The profits reserve will reduce when dividends are paid from this reserve.

(k) 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 *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*.

(l) Critical Accounting Estimates And Judgements Including The Impact Of COVID-19
Whilst the deterioration of market conditions since March 2020 due to the COVID-19 pandemic resulted in a decline in the Company's investments and investment portfolio changes (as discussed in the Portfolio Manager's Report), the Company has experienced very few financial reporting impacts arising from COVID-19. No asset impairments have been recorded as the Company's investments are classified as level 1 in the fair value hierarchy (as defined in Note 11(d)) and marked-to-market with reference to quoted prices on stock exchanges. In addition, expected credit losses have remained unchanged on the Company's receivables, which comprise interest on cash balances and dividends, as they have since been collected or the counterparties have been assessed to have strong credit ratings. Furthermore, no other material assets or liabilities of the Company involved forward-looking information or variables impacted by COVID-19. Given the uncertain outlook of macroeconomic conditions, additional disclosure of financial risks as they relate to the Company have been included in Note 11.

In preparing these financial statements, the Directors have taken into account the impacts of COVID-19 to make judgements, estimates and assumptions that affect the amounts reported in the financial statements. The estimates and judgements are continually evaluated and are based on historical experience and various other factors, including reasonable expectations of future events. As such, actual results could differ from those estimates.

As all investments are valued with reference to listed quoted prices and the Company's cash and borrowing facility continue to be provided by strongly rated financial institutions (refer Note 4 and 11(c)), the Company's financial assets are not subject to significant judgement or complexity nor are the Company's liabilities.

2. Dividends

Dividends paid by the Company during the period are:

	30 June 2020 $'000	30 June 2019 $'000
For The Period Ended 30 June 2020:		
Fully franked final dividend for 2019 (2.0 cent per ordinary share) paid 8 November 2019	10,842	-
Fully franked special dividend (20.0 cent per ordinary share) paid 19 February 2020	108,544	-
Fully franked interim dividend for 2020 (2.5 cent per ordinary share) paid 15 May 2020	13,716	-
For The Period Ended 30 June 2019:		
Fully franked final dividend for 2018 (1.5 cent per ordinary share) paid 9 November 2018	-	8,115
Fully franked interim dividend for 2019 (1.5 cent per ordinary share) paid 17 May 2019	-	8,124
Total Dividends Paid During The Period	133,102	16,239

(a) Final Dividend Declared

In addition to the above dividends paid during the period, on 31 July 2020 the Directors declared a fully franked final dividend of 3.0 cents per ordinary share in respect of the period ended 30 June 2020. The amount of the proposed dividend, based on the number of ordinary shares on issue at 30 June 2020 is approximately $16,489,000 and will be paid on 6 November 2020.

A dividend payable to shareholders is only recognised if the dividend is declared, by the Directors, on or before the end of the period, but not paid at balance date. Accordingly, the final dividend is not recognised as a liability at balance date.

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 period ended 30 June 2020. 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 the DRP issue price, less any discount that the directors may elect to apply from time to time. 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 five trading day period commencing from the day the Company's shares go ex-dividend or other dates as determined by the Board. No discount has been applied to shares issued under the DRP during the period ended 30 June 2020.

During the period ended 30 June 2020, the following ordinary shares were issued under the terms of the DRP (refer Note 8):

- on 8 November 2019: 636,516 ordinary shares were issued at a reinvestment price of $3.213;
- on 19 February 2020: 5,929,588 ordinary shares were issued at a reinvestment price of $3.617; and
- on 15 May 2020: 975,077 ordinary shares were issued at a reinvestment price of $2.869.

(c) Imputation Credits

	30 June 2020 $'000	30 June 2019 $'000
Imputation credits at balance date	117,971	45,594
Imputation credits that arise from the payment of income tax payable	1,798	13,024
Total imputation credits available for subsequent reporting periods based on a tax rate of 30% (June 2019: 30%)	119,769	58,618

3. Income Tax

The income tax expense/benefit for the period is the tax payable/receivable on the current period's taxable income based on the current income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for all deductible temporary differences and unused tax losses carried forward to the extent that it is probable that future taxable amounts will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of any deferred income tax assets is reviewed at each balance date and recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Unrecognised deferred income tax assets are reassessed at each balance date and are recognised only to the extent that it is probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity. Deferred tax assets and deferred tax liabilities are offset as there is a legally enforceable right to set-off current tax assets and liabilities.

	30 June 2020 $'000	30 June 2019 $'000
(a) Income Tax (Expense) Attributable To The Period, Payable On Operating Profit, Is As Follows:		
Profit/(loss) before income tax expense	35,842	312,238
Prima facie income tax (expense)/benefit on net profit at 30%	(10,753)	(93,671)
Exchange movement on foreign tax offsets	(8)	-
Prior year (under)/over provision	12	8
Income Tax Expense Reported In The Statement Of Profit Or Loss And Comprehensive Income	(10,749)	(93,663)
(b) Major Components Of Income Tax (Expense) Are:		
Current income tax expense	(121,920)	(34,821)
Deferred income tax (expense)/benefit:		
Origination and reversal of temporary differences	111,171	(58,842)
Income Tax Expense Reported In The Statement Of Profit Or Loss And Comprehensive Income	(10,749)	(93,663)
(c) Deferred Tax Asset/(Liability)		
Deferred tax liability balances comprise temporary differences attributable to:		
Amounts recognised in the Statement of Financial Position:		
Deferred tax liability from changes in fair value of investments	(180,306)	(291,295)
Deferred tax liability from future foreign income tax offsets	(20)	(91)
Deferred tax liability from unrealised foreign currency gains	(44)	(44)
Deferred tax asset from accrued expenses and transaction costs	84	44
Total Net Deferred Tax Asset/(Liability)	(180,286)	(291,386)

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

Cash And Cash Equivalents
Cash includes cash at bank and demand deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Borrowings
Borrowings are initially recognised at fair value. Any transaction costs directly related to the borrowings are recognised in the Statement of Profit or Loss and Comprehensive Income. Borrowings are classified as current liabilities where the liability has been drawn under a financing facility which expires within one year. Finance costs include interest expense related to the borrowings which are expensed in the Statement of Profit or Loss and Comprehensive Income using the effective interest method.

	30 June 2020 $'000	30 June 2019 $'000
a) Cash And Cash Equivalents		
Cash at bank - denominated in Australian Dollars	260	244
Set-Off Cash And Borrowings With MLI		
Cash - denominated in Australian Dollars	71,317	-
Cash - denominated in US Dollars	609,913	-
Borrowings - denominated in British Pounds	(1,199)	-
Borrowings - denominated in Singapore Dollars	(134)	-
Borrowings - denominated in Hong Kong Dollars	(17)	-
Borrowings - denominated in Canadian Dollars	(10)	-
Net Cash with MLI	679,870	-
Total Cash	680,130	244
b) Borrowings		
Set-Off Cash And Borrowings With MLI		
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.

(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 30 June 2020, the Company's borrowings with MLI of $1,360,000 (June 2019: $102,721,000) have been presented net of the total cash deposits held with MLI of $681,230,000 (June 2019: $62,107,000). As a result, a net cash position of $680,130,000 (June 2019: net borrowings $40,614,000) is included as cash in the Statement of Financial Position.

(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 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 6 and 11 (c)), as security for the performance of its obligations under the IPBA.

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

(e) Reconciliation Of Borrowings Arising From Financing Activities

	30 June 2020 $'000	30 June 2019 $'000
Financing facility borrowings at the beginning of the period	(40,614)	(2,454)
Net (proceeds)/repayment of borrowings	110,773	(39,024)
Foreign exchange movement	(70,159)	864
Financing Facility Borrowings At The End Of The Period	-	(40,614)

(f) Reconciliation Of Net Cash From Operating Activities

	30 June 2020 $'000	30 June 2019 $'000
Net profit/ (loss) after income tax expense	25,093	218,575
Net gains/(loss) on foreign currency cash and borrowings	70,159	(864)
Net (gain)/loss on foreign exchange settlements & contracts	-	1
Finance costs - interest expense	1,229	2,117
Net (increase)/decrease in fair value of investments	924,004	(292,389)
(Increase)/decrease in receivables and prepayments	396	204
Increase/(decrease) in payables and provisions	147	203
Increase/(decrease) in current and deferred taxes	(122,326)	48,556
Net Cash Inflow/(Outflow) From Operating Activities	898,702	(23,597)

5. Receivables

Receivables are initially measured at fair value and include dividends, distributions and amounts due on investments sold but not settled at balance date. Receivables relating to the sale of investments are usually settled between two and five days after trade date. A provision for uncollectible amounts is based on expected credit losses. Expected credit losses are calculated as the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The Company applies the simplified approach for receivables whereby the loss allowance is based on lifetime expected credit losses at each balance date.

	30 June 2020 $'000	30 June 2019 $'000
Dividends receivable	113	517
GST receivable	213	212
Foreign tax recoverable	1	1
Total Receivables	327	730
Denomination of current receivables by currency:		
US Dollars	113	517
Australian Dollars	213	212
Canadian Dollars	1	1
	327	730

Ageing Analysis Of Receivables
At balance date, the Company's receivables, excluding recoverable GST and foreign withholding tax, were due within 0 to 30 days (June 2019: 0 to 30 days). Recoverable GST is due within 30 to 90 days (June 2019: 30 to 90 days). Foreign withholding tax is due within 2 to 5 years dependent on the jurisdiction (June 2019: 2 to 5 years). No amounts are impaired or past due at 30 June 2020 or 30 June 2019.

6. Investments

Details of the Company's investments are set out below:

Company Name	Domicile	30 June 2020 Holding	31 December 2019 Holding	30 June 2019 Holding	30 June 2020 Value $'000	30 June 2019 Value $'000
Visa	i	1,018,479	1,180,653	1,180,653	285,750	291,988
MasterCard	i	577,061	739,727	739,727	247,838	278,846
Home Depot	i	389,098	622,738	622,738	141,573	184,554
CVS Health	i	403,310	571,585	549,990	38,058	42,706
Microsoft	i	111,820	111,820	81,420	33,052	15,543
Berkshire - Class B	i	120,967	-	-	31,364	-
JP Morgan Chase	i	128,592	641,250	768,846	17,568	122,489
Berkshire - Class A	i	42	-	-	16,306	-
Lloyds Banking Group	ii	26,807,328	48,091,511	44,127,423	14,998	45,289
US Bancorp	i	218,542	420,742	885,305	11,687	66,106
Lowe's	i	52,219	486,496	486,496	10,248	69,957
Schroders	ii	157,221	157,221	157,221	5,841	7,000
Wells Fargo	i	60,523	869,349	946,742	2,250	63,840
HCA Healthcare	i	15,555	375,105	365,105	2,193	70,326
Ritchie Bros Auctioneers	i	30,000	-	-	1,780	-
Morgan Stanley	i	24,783	47,683	-	1,739	-
Magellan High Conviction Trust	iv	703,762	-	-	985	-
Alphabet	i	424	60,415	69,257	871	106,677
Facebook	i	760	43,890	33,068	251	9,095
Magellan Global Trust	iv	118,933	-	-	208	-
PM Capital Global Opportunities Fund	iv	200,000	-	-	180	-
Bank of America	i	2,018	3,438,854	3,677,450	70	151,972
Platinum Capital	iv	45,000	-	-	56	-
S&P Global	i	-	164,138	199,438	-	64,738
Blackrock	i	-	59,698	59,497	-	39,789
DBS Group	iii	-	1,439,100	1,300,600	-	35,562
United Overseas Bank	iii	-	1,254,200	1,244,200	-	34,242
Oversea - Chinese Banking	iii	-	2,326,373	2,247,656	-	26,988
Coca Cola	i	-	74,425	248,133	-	18,005
CapitaLand	iii	-	3,815,300	3,815,300	-	14,185
Kraft Heinz	i	-	322,461	290,773	-	12,862
AECOM	i	-	-	150,215	-	8,102
Singapore Technologies Engineering	iii	-	849,250	1,044,600	-	4,555
Ferguson	ii	-	17,363	12,000	-	1,219
PetroChina	v	-	1,794,000	-	-	-
SIA Engineering	iii	-	-	453,300	-	1,198
SATS	iii	-	188,700	188,700	-	1,037
Total Investments					864,866	1,788,870

Stock Exchange Domicile

i United States
ii United Kingdom
iii Singapore
iv Australia
v Hong Kong

6. Investments (continued)

Foreign Exchange Rates
The Australian Dollar exchange rates against the following currencies (London 4.00pm rates) are:

	30 June 2020	30 June 2019
US Dollar	0.68850	0.70175
British Pound	0.55722	0.55139
Singapore Dollar	0.96049	0.94943

The Company's investments comprise shares in listed entities and are recognised at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments are expensed in the Statement of Profit or Loss and Comprehensive Income as incurred. Changes in the fair value of investments are recognised in the Statement of Profit or Loss and Comprehensive Income. When investments are disposed, the net gain or loss on sale is recognised in the Statement of Profit or Loss and Comprehensive Income on the date of sale.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities as movements in the fair value of these securities represent the Company's main income generating activity.

7. Payables

Payables are initially measured at fair value. Payables comprise trade creditors and accrued expenses owing by the Company at balance date which are unpaid. Payables relating to the purchase of investments are usually settled between two and five days after trade date. Trade creditors are unsecured and usually paid within 30 days of recognition.

	30 June 2020 $'000	30 June 2019 $'000
Research and services fees payable	1,100	1,100
Accrued expenses	116	41
Total Payables	1,216	1,141
Denomination of current payables by currency:		
Australian Dollars	1,216	1,141
	1,216	1,141

Wages, Salaries And Annual Leave
Liabilities for wages, salaries and annual leave (including non-monetary benefits) are recognised in payables within accrued employee entitlements and are measured at the amounts to be expected to be paid when the liabilities are settled. The employee entitlement liability expected to be settled within 12 months from balance date is recognised in current liabilities. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. Employee benefit on-costs are included in accrued employee entitlements in the Statement of Financial Position and employee costs in the Statement of Profit or Loss and Comprehensive Income when the employee entitlements to which they relate are recognised in liabilities.

Long Service Leave
Liabilities for long service leave are recognised when employees reach a qualifying period of continuous service. Non-current liabilities are measured as the present value of expected future payments and expected to be paid after 12 months of balance date.

8. Contributed Equity

The Company's ordinary shares are classified as equity and recognised at the value of consideration received by the Company. Incremental costs directly attributable to the issue of new shares and options are recognised in equity as a deduction, net of tax. Where the Company purchases its own issued shares under a buy-back, the consideration paid, including any directly attributable transaction costs, is deducted from contributed equity.

	30 June 2020 Number of Securities	30 June 2019 Number of Securities	30 June 2020 $'000	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	-
19 February 2020	5,929,588	-	21,446	-
15 May 2020	975,077	-	2,797	-
Shares issued under DRP	7,541,181	1,086,826	26,288	3,065
Total Contributed Equity	549,625,047	542,083,866	631,752	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.

9. Earnings Per Share ("EPS")

Basic earnings per share is calculated as net profit / (loss) after income tax expense for the period divided by the weighted number of ordinary shares on issue. Diluted earnings per share is calculated by adjusting the basic earnings per share to take into account the effect of any costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary units that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	30 June 2020	30 June 2019
Basic Earnings Per Share (cents)	**4.61**	**40.37**
Diluted Earnings Per Share (cents)	**4.61**	**40.37**
Weighted Average Number Of Ordinary Shares		
Weighted average number of ordinary shares on issue used in calculating basic and diluted EPS	544,753,649	541,422,723
Earnings Reconciliation		
Net profit after income tax expense used in the calculation of basic and diluted EPS ($'000)	25,093	218,575

As the Company has no potential dilutive ordinary shares, basic and diluted EPS are equal.

10. Auditor's Remuneration

Amounts received or due and receivable by the auditor of the Company, Ernst & Young:

	30 June 2020 $	30 June 2019 $
Audit Services		
Statutory audit and review of the financial reports	60,700	59,500
Non-Audit Services		
Taxation services	8,600	13,136
Other assurance services	1,500	-
Total Auditor's Remuneration	70,800	72,636

11. Capital And Financial Risk Management

(a) Financial Risk Management
The Company's investing activities expose it to various types of risk including: credit risk, liquidity and refinancing risk, price risk, currency risk and interest rate risk.

The Company has investment restrictions designed to reduce some risks. These restrictions are determined from time to time by the Board and currently include requirements that:

- individual investments comprising the investment portfolio will not exceed 10% at cost (or higher amount authorised by the board, with a 12% limit in respect of two holdings currently) of the investment portfolio value of the Company at the time of the investment; and
- at time of borrowing, total borrowings must not exceed 20% of the Company's investments at market value.

The Company did not use derivatives or undertake short selling during the period ended 30 June 2020. The use of derivatives and short selling has never been used by the Company since inception. The circumstances of their use are subject to Board approval and currently derivatives are permitted only where the Portfolio Manager considers that a derivative is preferable to purchasing ordinary share capital, in accordance with the investment objectives and philosophy and short selling is permitted only in relation to implementing hedges of underlying investments or merger arbitrage relating to a portfolio investment. The Portfolio Manager and Board periodically consider whether derivatives might potentially offer some hedging protection for the portfolio. To date, the Company's potential partial offsets to some portfolio risks have included the Company's currency positions to the extent that they have been inversely correlated.

(b) Capital Management
The Board of Directors are committed to prudent capital management and a conservative approach to protect shareholder value in all market conditions. The Company's capital consists of shareholder equity and in 2020, the Board approved the formation of the profits reserve to preserve the Company's capacity to pay future dividends, consistent with the revised dividend policy. The Company is not subject to any externally imposed capital requirements.

The Company recognises that its capital position and market prices will fluctuate in accordance with market conditions and, in order to adjust the Company's capital structure, it may vary the amount of dividends paid, issue new shares or options from time to time, or buy-back its own shares.

On 31 July 2020, the Directors announced a bonus issue of Options to shareholders (refer Note 16).

(c) Credit Risk
Credit risk represents the financial loss that would be recognised if counterparties failed to perform as contracted. Market prices generally incorporate credit assessments into valuations and the risk of loss is implicitly provided for in the carrying value of financial assets and liabilities when valued at fair value. The maximum exposure to credit risk at balance date is therefore the carrying amount of financial assets recognised in the Statement of Financial Position.

The Company's key credit risk exposure is to MLI and MLMA. The services provided by MLI under an IPBA include clearing and settlement of transactions, securities lending and acting as custodian for most of the Company's assets. Under an addendum to the IPBA, MLMA may also provide financing services to the Company. The Company has granted MLI a fixed charge over the Company's right, title and interest in the assets held in custody with MLI, as security for the performance of its obligations under the IPBA.

11. Capital And Financial Risk Management (continued)

(c) Credit Risk (continued)
In the event of MLI becoming insolvent, the Company would rank as an unsecured creditor and, to the extent MLI has exercised a right of use over the Company's securities, the Company may not be able to recover such equivalent securities in full. Cash which MLI holds or receives on behalf of the Company (refer Note 4) is not segregated from MLI's own cash and therefore may be used by MLI in the course of its business.

At balance date, the credit quality of Bank of America / Merrill Lynch's senior debt is rated by Standard & Poor's as being A- and by Moody's as being A2 (30 June 2019: A- and A2 respectively). MLI and MLMA are wholly owned subsidiaries of Bank of America which disclosed net assets attributable to common stockholders as at 30 June 2020 of approximately US $242.2 billion. Bank of America does not guarantee the obligations in respect of either MLI or of MFF.

The Company also minimises credit risk by investing and transacting with counterparties that are reputable and have acceptable credit ratings determined by a recognised rating agency, and regularly monitoring receivables on an ongoing basis.

(d) 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 as follows:

- 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 creditworthiness of the investee company; and

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

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

	Note	30 June 2020 $'000	30 June 2019 $'000
Assets			
Level 1: Investments - valued using quoted price	6	864,866	1,788,870
Level 2: Receivables[(A)]	5	327	730
Total Financial Assets		865,193	1,789,600
Liabilities			
Level 2: Payables[(A)]	7	1,216	1,141
Level 2: Borrowings[(B)]	4(b), 4(c)	-	40,614
Total Financial Liabilities		1,216	41,755

(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 other 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 the period.

(e) Liquidity And Refinancing Risk
Liquidity risk refers to the risk that the Company will not have sufficient funds to settle liabilities or obligations on the due date or will be forced to sell financial assets at a value which is less than they are worth.

11. Capital And Financial Risk Management (continued)

(e) Liquidity And Refinancing Risk (continued)

A key component of liquidity risk is refinancing risk, which may arise in the unlikely event that MLMA demanded repayment of the borrowings at short notice under the terms of the multi-currency facility (refer Note 4).The Directors are confident that the net borrowings could be repaid via settlement proceeds from the sale of part of the Company's highly liquid investment portfolio, even in the unlikely event that the Company was unable to achieve satisfactory terms for refinancing elsewhere. At balance date, net borrowings repayable on demand were nil (June 2019: $40,614,000).

Maturities Of Financial Liabilities

At balance date, the Company's financial liabilities comprise payables and borrowings which mature in 0 to 30 days (June 2019: 0 to 30 days).

(f) Price Risk

Price risk is the risk that the value of the Company's investment portfolio will fluctuate as a result of changes in market prices of individual investments and / or the market as a whole. The Company's investments are carried at market value with changes recognised in the Statement of Profit or Loss and Comprehensive Income. Price risk is managed by ensuring that all activities are transacted in accordance with the Company's investment policy and within approved limits (refer Note 11(a)).

Over the past 10 years, the annual movement in the major global share indices (S&P 500 and MSCI) has varied between +35.05% and -0.76% (in AUD) and +30.69% and -4.98% (in USD). This range of yearly performances of markets may not be a reliable guide to future performances, and the Company's investment portfolio does not attempt to mirror the global indices, but this very wide range of historic movements in the indices provides an indication of the magnitude of equity price movements that could occur within the portfolio over the next 12 months.

The impact of equity price movements, expressed in percentage terms, on the net profit reported by the Company, is essentially linear. For illustrative purposes, each 5% incremental increase in the market prices of the Company's investment portfolio, compared with that at balance date, would increase the total equity and net profit after tax by approximately $30,270,000 (June 2019: $62,610,000) and each 5% incremental decrease would have an equal and opposite impact.

(g) Currency Risk

The Company has exposure to foreign currency denominated cash and borrowings (refer Note 4) and also other assets and liabilities denominated in foreign currencies as it invests in listed international companies. Therefore the Company is exposed to movements in the exchange rate of the Australian Dollar relative to foreign currencies.

For illustrative purposes, at balance date, had the Australian Dollar strengthened by 10% against the foreign currencies in which the Company holds foreign currency denominated monetary assets and liabilities (cash and borrowings), with all other variables held constant, the impact of monetary assets and liabilities on the Company's total equity and net profit after tax would have been:

Australian Dollar strengthens against:	by:	**30 June 2020 Net increase/ (decrease) in net profit A$'000**	Australian Dollar strengthens against:	by:	**30 June 2019 Net increase/ (decrease) in net profit A$'000**
US Dollars	10%	(42,694)	US Dollars	10%	6,126
British Pounds	10%	84	British Pounds	10%	695
Singapore Dollars	10%	9	Singapore Dollars	10%	368
Canadian Dollars	10%	1	Canadian Dollars	10%	1
Hong Kong Dollars	10%	1	Euros	10%	-
		(42,599)			7,190

A 10% decline in the Australian Dollar against these foreign currencies would have an equal and opposite impact on the Company's total equity and net profit after tax. Currency movements may not be correlated.

Had the Australian Dollar strengthened by 10% against the foreign currencies in which the Company holds total foreign currency denominated monetary and non-monetary assets and liabilities with all other variables held constant, total equity and net profit after tax would have decreased by $103,047,000 (2019: $118,067,000 decrease). A 10% decline in the Australian Dollar would have had an equal and opposite impact.

11. Capital And Financial Risk Management (continued)

(g) Currency Risk (continued)
The Company's total net exposure to fluctuations in foreign currency exchange rates at balance date is:

All amounts stated in AUD equivalents (A)	30 June 2020 $'000	30 June 2019 $'000
US Dollars	1,452,624	1,530,596
Singapore Dollars	(134)	112,506
British Pounds	19,640	43,573
Canadian Dollars	(9)	(9)
Hong Kong Dollars	(17)	-
	1,472,104	1,686,666

(A) Foreign currency cash balances held with MLI are set-off against foreign currency borrowings provided by MLMA (refer Note 4(c)).

Financial assets and financial liabilities in the Statement of Financial Position exposed to foreign currencies:

All amounts stated in AUD equivalents	30 June 2020 $'000	30 June 2019 $'000
Assets - exposed to foreign currencies(A)	1,472,104	1,789,388
Assets - not exposed to foreign currencies	73,219	456
Assets - As Per Statement Of Financial Position	1,545,323	1,789,844
Liabilities - exposed to foreign currencies(A)	-	(102,722)
Liabilities - not exposed to foreign currencies	(1,216)	60,967
Liabilities - As Per Statement Of Financial Position	(1,216)	(41,755)
Net assets - exposed to foreign currencies	1,472,104	1,686,666
Net assets - not exposed to foreign currencies	72,003	61,423
Net Assets - As Per Statement Of Financial Position	1,544,107	1,748,089

(A) Foreign currency cash and borrowings, where applicable, are subject to set-off (refer Note 4(c)).

(h) Interest Rate Risk
Interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Company's exposure to interest rate risk relates primarily to cash balances and net interest bearing borrowings as follows:

	Interest Rate Cash & Cash Equivalents /(Borrowings) %	30 June 2020 $'000	Interest Rate Cash & Cash Equivalents /(Borrowings) %	30 June 2019 $'000
Australian Dollars	0.20	260	1.15	244
Total Cash		260		244
Australian Dollars	0.03	71,317	1.15	62,107
US Dollars	0.08	609,913	(3.15)	(87,514)
British Pounds	(0.84)	(1,199)	(1.47)	(9,935)
Singapore Dollars	(0.85)	(134)	(2.55)	(5,262)
Hong Kong Dollars	(1.19)	(17)	-	-
Canadian Dollars	(1.27)	(10)	(2.71)	(10)
Total Net Cash/(Borrowings) With MLI		679,870		(40,614)

11. Capital And Financial Risk Management (continued)

(h) Interest Rate Risk (continued)
Sensitivity Analysis
The sensitivity of the Company's net profit after tax and total equity to a reasonably possible upwards or downwards movement in interest rate risk, assuming all other variables remain constant is set out as follows:

Interest Rate Risk	Impact On Net Profit [Increase/(Decrease)]		Impact On Total Equity [Increase/(Decrease)]	
	+1%	-1%	+1%	-1%
30 June 2020	$'000	$'000	$'000	$'000
Cash and cash equivalents	4,761	(4,761)	4,761	(4,761)
Borrowings	-	-	-	-
	4,761	(4,761)	4,761	(4,761)
30 June 2019				
Cash and cash equivalents	2	(2)	2	(2)
Borrowings	(284)	284	(284)	284
	(282)	282	(282)	282

12. Related Parties

(a) Key Management Personnel ("KMP")
The KMP of the Company comprise the Independent Non-executive Directors and the Managing Director for the periods ended 30 June 2020 and 30 June 2019.

(b) Remuneration Of Key Management Personnel
The following remuneration was paid or payable by the Company to the KMP, during the period:

	30 June 2020 $	30 June 2019 $
Short term benefits	1,888,778	1,264,646
Post-employment benefits	56,013	47,622
Long-term benefits	-	-
Other benefits	72,583	93,854
Total	2,017,374	1,406,122

Further details of remuneration paid to the Directors is disclosed in the Remuneration Report in the Directors' Report.

13. Research And Services Fees

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

Research and services fees comprise a base payment of $1,000,0000 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 12 months ended 31 December 2018 and 2019. The Services Agreement was amended to remove MAM's entitlement to performance fees for periods after 31 December 2019.

For the period ended 30 June 2020, research and services fees paid/payable totalled $5,000,000 (June 2019: $5,000,000) which included a performance fee of $1,000,000 for the period 1 January 2017 to 31 December 2019 as the Company's total shareholder return exceeded 10% per annum, annually compounded.

14. Segment Information

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.

15. Contingent Assets, Liabilities And Commitments

At balance date, the Company has no material contingent assets, liabilities or commitments (June 2019: nil).

16. Subsequent Events

On 31 July 2020, the Directors declared a final fully franked dividend of 3.0 cents per ordinary share in respect of the period ended 30 June 2020 (refer Note 2(a)) and a bonus issue of Options to shareholders, on a 1:5 basis, at an exercise price of $2.60 per Option, that are exercisable at any time on or prior to 31 October 2022. The Options will be issued for no consideration and further details will be mailed to MFF shareholders later in 2020.

In the latest release to the ASX on 27 July 2020, the Company reported net tangible assets ("NTA") per ordinary share as at 24 July 2020 as follows:

	24 July 2020 (A) $	30 June 2020 (B) $
Pre-tax NTA per ordinary share	2.779	2.809
Net tax liabilities per ordinary share	0.322	0.331
Post-tax NTA per ordinary share	2.457	2.478

(A) ASX announcements are approximate and not audited by Ernst & Young.
(B) NTA audited by Ernst & Young (refer Note 17).

Other than the above matters, the Directors are not aware of any matter or circumstance not otherwise dealt with in this 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 periods.

17. Net Tangible Assets Per Ordinary Share

The following table shows the NTA per ordinary share presented in the Statement of Financial Position as at 30 June 2020 and the NTA per ordinary share reported to the ASX on 1 July 2020.

	30 June 2020 $	30 June 2020 $	30 June 2019 $	30 June 2019 $
	Pre-tax	**Post-tax**	**Pre-tax**	**Post-tax**
ASX Reported NTA Per Ordinary Share (A)	2.809	2.478	3.225	2.663
NTA Per Ordinary Share (B)	2.809	2.478	3.225	2.663

(A) The NTA per ordinary share reported to the ASX includes estimates for accrued expenses and tax liabilities.
(B) The NTA per ordinary share refers to the net assets of the Company presented in the Statement of Financial Position, including the net current and deferred tax liabilities/assets, divided by the number of ordinary shares on issue at that date.

MFF CAPITAL INVESTMENTS LIMITED
DIRECTORS' DECLARATION
for the year ended 30 June 2020

In the Directors' opinion:

(a) the financial statements and notes set out on pages 20 to 38 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 30 June 2020 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, International Financial Reporting Standards (IFRS) as disclosed in Note 1(a), 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 the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the period ended 30 June 2020.

Signed in accordance with a resolution of the Directors.

Annabelle Chaplain AM
Chairman

Chris Mackay
Managing Director and Portfolio Manager

Sydney, 31 July 2020

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Independent Auditor's Report to the members of MFF Capital Investments Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of MFF Capital Investments Limited (the Company), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Company's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

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1. Investment existence and valuation

Why significant	How our audit addressed the key audit matter
The Company has a significant investment portfolio consisting primarily of listed equities. As at 30 June 2020, the value of these listed equities was 56% of the total assets of the Company. As detailed in the Company's accounting policy, described in Note 1(g) of the financial report, these financial assets are recognised at fair value through profit or loss in accordance with Australian Accounting Standards. Pricing, exchange rates and other market drivers can have a significant impact on the value of these financial assets and the financial report. Accordingly, valuation of the investment portfolio was considered a key audit matter.	We assessed the effectiveness of the controls relating to the recognition and valuation of investments. We obtained and considered the assurance report on the controls of the Company's administrator in relation to Fund Administration Services for the year ended 30 June 2020 and considered the auditor's qualifications and objectivity and the results of their procedures. We agreed all investment holdings, including cash accounts, to third party confirmations as at 30 June 2020. We assessed the fair value of all investments in the portfolio held at 30 June 2020 to independently sourced market prices. We assessed the adequacy of the disclosures in Note 6 and 11 of the financial report in accordance with the requirements of Australian Accounting Standards.

2. Research and Services Fees including Performance Fees

Why significant	How our audit addressed the key audit matter
Research, services fees and performance fees, paid to the service provider, Magellan Asset Management Limited, are the most significant operating expense for the Company. The Company's accounting policy for research, services and performance fees is described in Note 13 to the financial report. Performance fees have been recognised in the financial report if the performance hurdles for the Company have been met at the end of the relevant measurement period, which is the date that the performance criteria were met and the liability crystallised. The assessment of performance fee arrangements can be complex. As at 30 June 2020, research, services and performance fees totalled 54% of total operating expenses. Of this amount, performance fees (excluding GST recovered) totalled 10.8% of total operating expenses. Due to the complexity of the arrangements and the quantum of the amounts involved, this was considered to be a key audit matter.	We assessed the effectiveness of the controls in relation to the calculation of research, services and performance fees at the service provider responsible for their calculation. We recalculated research, services and performance fees, in accordance with the relevant agreements. We assessed the performance fee calculation, including testing the inputs into the Total Shareholder Return calculation model and assessed whether the calculation was in line with the relevant agreement. We assessed the adequacy of the disclosures in Note 13 of the financial report.

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Information Other than the Financial Report and Auditor's Report

The directors are responsible for the other information. The other information comprises the information included in Company's 2020 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The Directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Directors either intent to liquidate the Company or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 13 of the Directors' Report for the period ended 30 June 2020.

In our opinion, the Remuneration Report of MFF Capital Investments Limited for the period ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Clare Sporle
Partner
Sydney 31 July 2020

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MFF CAPITAL INVESTMENTS LIMITED
SHAREHOLDER INFORMATION
for the year ended 30 June 2020

Distribution Of Shareholders
The distribution of shareholders of the Company as at 24 July 2020 is presented below:

Distribution Schedule Of Holdings	Holders	Number Of Ordinary Shares	Percentage Of Shares On Issue
1-1,000	2,497	1,176,193	0
1,001-5,000	3,904	11,065,751	2
5,001-10,000	3,192	24,057,606	4
10,001-100,000	7,668	224,238,705	41
100,001 and over	623	289,086,792	53
Total	17,884	549,625,047	100
Number of holders with less than a marketable parcel	471	45,449	-

Twenty Largest Shareholders
The names of the 20 largest shareholders of the Company as at 24 July 2020 are listed below:

Holder Name	Number Of Ordinary Shares	Percentage Of Shares On Issue
Magellan Equities Pty Limited	29,988,791	5.46
HSBC Custody Nominees (Australia) Limited	28,819,794	5.24
Christopher John Mackay	22,636,452	4.12
Naumov Pty Ltd	14,997,638	2.73
Netwealth Investments Limited <Wrap Services A/C>	9,241,139	1.68
J P Morgan Nominees Australia	5,657,069	1.03
Mutual Trust Pty Ltd	5,597,319	1.02
Citicorp Nominees Pty Limited	3,416,851	0.62
Jetan Pty Ltd	3,193,484	0.58
Nota Bene Investments Pty Ltd <Nota Bene Investment A/C>	3,124,623	0.57
Navigator Australia Ltd <Mlc Investment Sett A/C>	2,758,694	0.50
Netwealth Investments Limited <Super Services A/C>	2,699,907	0.49
Citicorp Nominees Pty Limited <Dpsl A/C>	2,326,892	0.42
Chriswall Holdings Pty Limited <No 4 A/C>	2,300,000	0.42
Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C>	2,237,925	0.41
Invia Custodian Pty Limited <Income Pool A/C>	1,972,000	0.36
National Nominees Limited	1,971,512	0.36
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <Drp A/C>	1,788,826	0.33
Glenn Bates Consulting Pty Ltd <Bates Ballard Super A/C>	1,774,820	0.32
Midas Touch Investments P/L	1,761,535	0.32
Total Shares Held By The Twenty Largest Shareholders	148,265,271	26.98
Total Shares On Issue	549,625,047	

Substantial Shareholders
The names of the substantial shareholders appearing on the Company's Register of Substantial Shareholders as at 24 July 2020 are listed below:

Shareholder	Number Of Ordinary Shares
Christopher Mackay and Associates	69,152,632

Ordinary Share Capital
All issued ordinary shares carry one vote per share and carry the rights to dividends.

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

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Share Registrar
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Telephone: +61 2 9290 9600
Fax: +61 2 9279 0664
Email: enquiries@boardroomlimited.com.au

Securities Exchange Listing
ASX code (ordinary shares): MFF

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