

Managing Director and Portfolio Manager Comments

2025 Annual General Meeting

Monday, 20 October 2025

Thank you, Annabelle. Welcome shareholders.

Introduction

We have just heard from Annabelle that MFF was again very profitable in fiscal 2025 and our portfolio is focused upon equity interests in outstanding businesses with favourable prospects.

In fact, MFF is in its strongest financial position – with cash, opportunities within our flexible investment universe, valuable portfolio liquidity together with scale – \$2.5 billion of precious capital after allowing for deferred taxes. Shareholders should expect no less, given favourable conditions over recent years.

We are well placed to focus on our tasks of seeking to compound capital, seeking to avoid permanent capital loss, and continuing prudently to increase our fully franked dividend payments. This year, MFF has also begun hiring some very talented professionals. Our teams, and tested methodologies, should give us advantages for the future.

All is not rosy in the world, and we must never get ahead of ourselves with elevated expectations, particularly as markets have been buoyant, with momentum and beyond in many asset classes over recent years. Importantly, MFF's financial and institutional resilience and preparation likely will again become valuable, given numerous growing risks within and outside markets, which go well beyond many elevated price risks. Patience and disciplines will continue to be tested. We must continue to focus upon understanding businesses, their cycles, risks and opportunities in comparison with market prices.

We target margins of safety and objectively attractive probabilities for success. Over the years we have acted upon opportunities from market cycles and from negative events. We also expect some in the future from passive investment distortions, algorithmic trading, AI ETF and smart device short cuts [now having flooded into private credit and systematic black box trading foisted upon unprotected investors] as well as economic cycles, discarded fiscal and monetary disciplines, and the recurrent envy, fear, greed and agency failures.

Business quality and risks extend over long periods, but investment professionals typically are required to guess at 12 months or less forecasts and worry about relative "performance", contributing to dreadful anti investor processes, and poor outcomes for many. In past cycles companies and investors destroyed decades of capital in a year or two, sometimes via complacency and ignorance of risks that were being taken. Globally, the latest generations are the most intelligent and educated ever, but challenges may arise from ubiquitous "short cuts" that discourage reading, let alone thoughtful analysis, easy momentum profits with multiplier

effects of crypto and paper prosperity and incentives for fraud and corruption leaching top echelons of democratic capitalist bedrocks of free prosperous societies.

Businesses and markets are our primary focus. Markets are not fully efficient, and we periodically pick up perceived value differences. For our long-term investments, we want the strongest, best business interests for the future. Our focus on opportunity costs prioritises situations where probabilities are assessed to be favourable. We say No to opportunity after opportunity assessed as riskier, many with lower returns on capital, competitive pressures, lacking pricing power or vulnerable to disruption.

For MFF, Price matters, and business Quality matters. We seek attractive Value when we purchase, above average sustainable profitable growth when we own, and disciplined assessments of values, including opportunity costs, when we sell. We make a few major decisions, with flexibility to look across industries and geographies. We periodically act in size, possibly contrary to prevailing opinions and with duration on our side. Amongst others, we have benefitted from companies adding profitable adjacencies and strengthening customer satisfaction and profits, as well as network effects.

Longer term MFF outcomes

For many years MFF has published every holding that we have held at any time in any year. Hence success and failures are completely visible. In the financial accounts, we include a medium-term unpolished data table to assist some interested shareholders in collating data from previous reports.



Period Ended ¹	Net Profit / (Loss) after Income Tax \$'m	Opening Statutory Net Assets \$'m	After Tax 'Performance Indicator' % ²	Share Buy-back \$'m	Dividends Declared \$'m ³	Dividend Yield Indicator % ⁴	Cash Tax Paid \$'m	Closing Franking Account \$'m	Expenses Excluding Income Tax and Interest \$'m ⁵	Expenses Indicator % ⁶
30 Jun 17	158.8	786.4	20.2	-	10.0	1.3	3.9	1.3	9.4	1.2
30 Jun 18	240.0	953.1	25.2	-	16.2	1.7	18.0	11.0	7.0	0.7
30 Jun 19	218.6	1,238.2	17.7	-	19.0	1.5	41.6	45.6	7.0	0.6
30 Jun 20	25.1	1,443.6	1.7	-	139.0	9.6	129.4	118.0	8.0	0.6
30 Jun 21	217.5	1,361.9	16.0	-	37.2	2.7	3.4	106.9	6.9	0.5
30 Jun 22	(170.8)	1,593.6	(10.7)	-	43.8	2.7	14.6	104.1	7.0	0.4
30 Jun 23	323.6	1,424.9	22.7	25.6	55.0	3.9	31.1	114.0	5.6	0.4
30 Jun 24	447.4	1,687.3	26.5	17.5	75.2	4.5	60.0	146.8	4.2	0.2
30 Jun 25	432.0	2,071.0	20.9	-	99.3 ⁷	4.8	91.6	200.9	10.6	0.5
Total	1,892.2			43.1	494.7		393.6		65.7	

¹ Figures are rounded, approximate and not audited.

² Net Profit/(Loss) After Income Tax divided by opening statutory net assets.

³ At declaration date, dividends include DRP/BSP. All dividends fully franked except 2017 Interim (1 cent per share franked to 85%).

⁴ Dividends declared divided by opening statutory net assets.

⁵ MFF was not required to pay performance fees to Magellan from 31 December 2019.

⁶ Expenses (excluding income tax and interest) divided by opening statutory net assets.

⁷ The amount of the final 2025 dividend is based on the number of shares on issue at 30 June 2025.

The table on screen provides an overview of key financial data for the nine years from 1 July 2016. Consistent with our objectives of compounding capital and seeking to avoid permanent capital

loss, MFF has managed capital growth over this period, with net profits of \$1,892.2 million after (30%) income tax on unrealised gains as well as realised profits, starting from net assets of \$786.4 million. Each year starts based off the closing market prices of the previous year due to “mark to market” accounting. MFF has held much of the portfolio for the entire period. Over this period, MFF has also declared dividends of \$494.7 million, paid income tax of \$393.6 million and bought back and cancelled \$43.1 million MFF shares.

We intend for MFF to continue to be managed for medium term outcomes, including the payment of fully franked dividends to shareholders.

Portfolio commentary

This brings us to the current portfolio.



	%		%
Net Cash	13.8	United Overseas Bank	1.5
MasterCard	8.9	Lowe's	1.3
Bank of America	8.1	Oversea – Chinese Banking	1.3
Visa	8.0	US Bancorp	1.2
American Express	7.6	HCA Healthcare	1.2
Alphabet Class A	7.1	CVS Health	1.1
Meta Platforms	6.6	Alphabet Class C	1.1
Amazon	6.2	Prosus	0.6
Home Depot	6.0	Allianz	0.2
United Health Group	5.9	L'Oreal	0.2
Microsoft	5.5	Intercontinental Exchange	0.1
Lloyds Banking Group	2.4	Schroders	0.1
DBS Group	2.2	RB Global	0.1
CK Hutchison	1.9		

Notes:

- Figures sourced from MFF Monthly NTA release to the ASX for September 2025 and are unaudited and approximate
- Holdings are shown as percentages of investment assets including net cash and may not add to 100% due to rounding
- Excludes Montaka Global Investments

On the screen we are showing the holdings in MFF's portfolio as at 30 September 2025 (shown at market values as percentages of investment assets including net cash).

Previous extensive comments about the competitive advantages of the portfolio companies will not be repeated. We continue to favour businesses with sustainable advantages and asset light, low stay-in-business capital expenditure and low working capital but high return on capital models. Speculators buying physical assets earning 2% on cost [even before running and maintenance costs] are hoping on favourable cycles and exits via price momentum, even with maximum financial leverage and delayed, benign cycles.

Portfolio changes over the last year were modest, with no new company purchases and no material sales. In previous years we noted that almost no portfolio holdings had market prices below cost and this continued. Although we previously asked whether this was insufficient risk

appetite, we believe that many other opportunities might have carried excessive business and market price risks.

Obviously, many of the portfolio companies are at the forefront of digital technologies; but there are significant technology and data advantages accruing to many of the non-technology portfolio businesses. Generative Artificial Intelligence is more than topical, and many initial benefits will appear in cost reductions and, for some, customer service benefits. In addition, networks, scale, focus and expertise have helped develop vital and profitable adjacencies, including in data and security.

In the latest decade, markets have rewarded profitable growth and, during the latest 12 months, there has been huge enthusiasm for, and capital spent in, technological advances. Competition has increased in many industries, as well as ongoing inflationary pressures upon margins. Production massively exceeds consumption in the historically unique mercantilist economic leader. Surplus production has caused domestic deflation and is shipped to markets worldwide. US tariffs and other actions reflect such imbalances and geopolitical tensions and create new distortions. Overearning is a recurrent factor to consider. Is depreciation sufficient for technology equipment? Are earnings inflated by wealthier cohorts spending some gains on crypto or stocks? Can a financial institution really increase risk assets double digits without future losses this cycle? Underearning is rarer and hugely valuable. We can discuss examples later.

The implications for MFF's portfolio businesses arising from these and other issues can be covered during the questions part of the meeting. Of course, MFF's focus and scope to say no assist somewhat, but these factors cannot be ignored for the portfolio.

We have moved to a decent net cash position since fiscal year end, primarily in response to risk management and opportunity costs arising from differential price movements (rather than any notable changes in underlying businesses). Of course, for MFF our completely liquid portfolio has very similar optionality as cash (which may allow a much higher percentage to be invested than for an illiquid portfolio requiring financing).

Outlook

We expect lower overall returns from the higher starting point of today's markets – possibly much lower. A few years ago, in the context of discussing our Amazon purchases, we noted lowered general market return expectations of 6% or so compared with historical returns of about 8% or above across most periods. The subsequent market corrections in 2022 and out of favour sectors enabled our higher minimum return thresholds to be met, and a few satisfactory opportunities have continued.

In public markets investing, sustained success usually involves improving probabilities through systems and processes, guided by core principles such as market prices being there for opportunities not as primary guides about business values over the medium term. We will not repeat our comments from 2022 which remain important for when conditions become broadly more favourable for widespread purchases.

We continue to believe that sustainable secular growth will be far more unusual and more valuable over the next decade, as competition continues to ramp up, funding remains widely available in a range of interest rate conditions influenced by factors including fiscal and monetary actions. We continue to hunt for opportunities and compare them with existing holdings.

Currencies

We have previously outlined our approach to currency exposures, which remains unchanged: MFF's assets are almost entirely in international equities, and we do not hedge overall currency exposures, though we typically borrow in foreign currencies and hold AUD to pay dividends, tax and business expenses. While there was little to report on currencies in 2025, longer-term concerns have again increased in the last year for the currencies of most countries – including for the USD and AUD. We will update shareholders if material changes to our currency positions occur.

Closing

We have excellent opportunities in front of us. MFF's future success will be built upon diverse input, the best quality talent, ideas and application.

We are delighted to be joined on stage today by Andy Macken, Chief Investment Officer of Montaka Global Investments. Montaka has complete flexibility to invest where Price/Value and Quality are best and Montaka's goals for its unitholders, which are focused on sustained compounding over the medium to long term, are congruent with MFF's objectives and goals for our shareholders. Andy and his team see significant opportunities to invest capital in businesses with high probabilities of generating present value future cashflows well beyond market prices. Simply put, we expect the Montaka team to maintain its excellent investment disciplines and focus year-in year-out for the next decade and beyond, and to well serve their unitholders, become a wonderful partner for advisers and investors, and MFF will benefit.

We have a number of our wonderful team members here today and Annabelle and I encourage shareholders to introduce themselves and ask very difficult questions, following the meeting.

The team, shareholders and I should each be grateful for the Board's ongoing leadership, during this year of change and opportunity for MFF. We have intentionally sought to structure MFF with interests aligned, patiently focused upon a moderate number of very advantaged opportunities, whilst seeking to minimise agency risks, shorttermism, unrealistic expectations and repeated process failures (of omission and commission).

I will now hand back to Annabelle, and we would be happy to address questions.

Chris Mackay
Managing Director and Portfolio Manager