



MFF Capital Investments Limited

Interim Report

For the half year ended 31 December 2022

ABN 32 121 977 884

Contents

Directors' Report	3
Auditor's Independence Declaration	6
Portfolio Manager's Report	7
Financial Statements	
Statement of Profit or Loss and Comprehensive Income	11
Statement of Financial Position	12
Statement of Changes in Equity	13
Statement of Cash Flows	14
Notes to the Financial Statements	15
1. Basis of Preparation	15
2. Dividends	16
3. Cash and Cash Equivalents, and Net Interest Bearing Borrowings	17
4. Investments and Derivatives	18
5. Contributed Equity	20
6. Earnings per Share	21
7. Net Tangible Assets per Ordinary Share	21
8. Contingent Assets, Contingent Liabilities and Commitments	21
9. Segment Information	21
10. Subsequent Events	22
Directors' Declaration	23
Independent Auditor's Report	24
Corporate Information	25

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, the report is to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by MFF Capital Investments Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors' Report

for the half year ended 31 December 2022

The Directors of MFF Capital Investments Limited ("MFF" or the "Company") submit their interim report in respect of the period ended 31 December 2022.

1. Directors

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

		Appointed
Annabelle Chaplain AM	Chairman & Independent Non-executive Director	21 May 2019
Robert Fraser	Independent Non-executive Director	21 May 2019
Chris Mackay	Managing Director and Portfolio Manager	29 September 2006
Peter Montgomery AM	Independent Non-executive Director	21 May 2019

2. Company Overview

The Company is a listed public company incorporated in Australia. Its principal place of business is Level 36, 25 Martin Place, Sydney, New South Wales, 2000.

The Company's shares are listed on the Australian Securities Exchange (ASX code: MFF).

3. Principal Activity

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

4. Review of Financial Results and Operations

Financial Results for the Period

The Company recorded a pre-tax profit of \$28,605,000 (December 2021: pre-tax profit \$150,266,000) and a net profit after income tax of \$20,043,000 (December 2021: \$105,223,000) for the period ended 31 December 2022. Basic earnings per share were 3.42 cents (December 2021: 18.35 cents). MFF 'marks to market' its investment portfolio and the results principally reflect movements in the market prices of the portfolio.

The Company had pre-tax net tangible assets ("NTA") of \$2.730 per ordinary share (before net tax liabilities of \$0.298 per ordinary share) as at 31 December 2022 compared with \$2.744 per ordinary share (before net tax liabilities of \$0.306 per ordinary share) as at 30 June 2022. The Company had a post-tax NTA of \$2.432 per ordinary share as at 31 December 2022 compared with \$2.438 per ordinary share as at 30 June 2022.

Operations – Portfolio and Activities

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

Strategy and Future Outlook

The Company is invested in equities, mainly denominated in foreign currencies. As equity and currency markets continue to be subject to fluctuations, it is not meaningful or prudent to provide a detailed outlook statement or statement of expected results of operations.

The Company provides regular updates in the weekly and monthly NTA announcements, which can be found in the Australian Securities Exchange ("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 portfolio holdings at 30 December 2022 in the Portfolio Manager's Report (this information was also released to the ASX on 4 January 2023 as part of the December 2022 monthly NTA release), and further details are provided in Note 4 to the Financial Statements.

The Company's capital structure is detailed in Note 5 to the Financial Statements.

Directors' Report

for the half year ended 31 December 2022

5. Dividends

Final and Interim Dividends

The Company paid the final dividend for the prior period ended 30 June 2022 of \$23,403,000 (4.0 cents per ordinary share) fully franked on 4 November 2022.

On 30 January 2023, the Directors declared a fully franked interim dividend, for the period ended 31 December 2022, of 4.5 cents per ordinary share (December 2021: fully franked interim dividend of 3.5 cents per ordinary share), which will be paid on 12 May 2023. The amount of the proposed dividend, based on the number of ordinary shares on issue at 31 December 2022, is \$26,454,000. The Dividend Reinvestment Plan ("DRP") will operate in conjunction with this dividend and no discount will be applied for the DRP.

On 30 January 2023, the Directors stated their intention to increase the rate per share of the six monthly dividend from the current rate of 4.5 cents per ordinary share as follows:

- 5 cents fully franked for the period ending 30 June 2023,
- 5.5 cents fully franked for the period ending 31 December 2023, and
- 6 cents fully franked for the period ending 30 June 2024;

subject in each case, to corporate, legal and regulatory considerations, with continued operation of the DRP (at zero discount).

Imputation Credits

At 31 December 2022, the Company's total available imputation credits (based on a tax rate of 30%) were \$105,362,000 (December 2021: \$112,841,000).

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.

7. Subsequent Events

On 16 January 2023, an on-market buy-back of up to 30,000,000 MFF ordinary shares for a 12 month period ending 31 January 2024 was announced.

In the latest release to the ASX on 23 January 2023, the Company reported a NTA per ordinary share as at 20 January 2023, as follows:

	20 Jan 2023	31 Dec 2022
	\$ ¹	\$ ²
Pre-tax NTA per ordinary share	2.892	2.730
Net tax liabilities per ordinary share	0.338	0.298
Post-tax NTA per ordinary share	2.554	2.432

¹ The NTA per ordinary share reported to the ASX is approximate and not reviewed by EY.

² NTA per ordinary share reviewed by EY (refer Note 7).

The announcement also included that net borrowings shown as a percentage of investment assets, were approximately 14.2%, a reduction from 19.3% at balance date.

Other than the above matters and the proposed dividend detailed at Section 5, 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.

Directors' Report

for the half year ended 31 December 2022

8. Other

Auditor's Independence Declaration

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

Rounding of Amounts

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

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



Annabelle Chaplain AM
Chairman



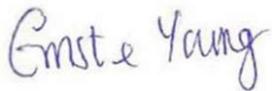
Chris Mackay
Managing Director and
Portfolio Manager

Sydney
30 January 2023

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

As lead auditor for the review of the Interim Financial Report of MFF Capital Investments Limited for the half-year ended 31 December 2022, I declare to the best of my knowledge and belief, there have been:

- a. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
- b. no contraventions of any applicable code of professional conduct in relation to the review; and
- c. no non-audit services provided that contravene any applicable code of professional conduct in relation to the review.



Ernst & Young



Clare Sporle

Partner

Sydney
30 January 2023

Portfolio Manager's Report

for the half year ended 31 December 2022

Dear Shareholder,

Overview of the latest six months

There were relatively few changes to the MFF portfolio in the latest six months. We have been very happy with the business performance of the portfolio companies. Many have increased market shares and longer-term prospects. We are concerned about increased regulatory risks and continue to assess whether in the future we have to at least partially trade off business quality against regulatory risks. We are less concerned about cyclical negatives for many of our portfolio companies, but markets have materially downgraded companies perceived as longer dated growth companies (i.e. applied higher discount rates to estimates of future earnings given the higher and rising interest rate context) and multiplied the downgrades where markets have moved from strong secular growth to cyclical (cloud computing, software, digital advertising and ecommerce are examples).

Markets in the six months were dominated by reactions by market participants to the rhetoric and actions of central banks, particularly the US Federal Reserve, related to increasing policy interest rates and commencing Quantitative Tightening (whereby the Federal Reserve tightens liquidity/money supply by reducing its holdings of US government securities and other securities). MFF had increased its market exposure in calendar 2022, given the sensible market values emerging, the negativity of market sentiment, and an expectation that inflation would reduce without the Federal Reserve needing to cause a severe recession. As months passed in 2022 risks increased, associated with the words and actions of the Federal Reserve, and the elapse of time. Combined, these increased probabilities of more severe economic and market downturns. We always expected the need/opportunity to make portfolio sales to increase liquidity but had felt the risk/reward favoured high levels of investment through this period.

The mark to market financial results for the six months are of even less importance than most six-month results. Past decisions created the quality and mix of the portfolio.

Future decisions will include the extent to which MFF should build up liquidity, for example in market upturns in 2023, and possibly for risk management. We also continue to examine (over time) action to reduce the significant nominal percentages of the two largest holdings (particularly when shown on a pre-tax basis), after the expiry of the MFF Options without a material cash raising (which would have reduced the holdings' percentages).

We are also examining many opportunities across a range of company sizes and note that previous market washups have provided opportunities. For example, share prices of major US companies may rise even 50% from nadir across 12-month periods (selling is often associated with sellers chasing liquidity and very bad sentiment) and quality smaller companies are sometimes "thrown out" in market bottoming processes with even more significant upside. In either case volatility is a feature, and potential gains for longer term holders require purchase of quality in the face of panic and adverse sentiment (prices and price momentum may be terrible). We are assessing, rather than predicting, such opportunities (although some of the large market capitalisation opportunities are objectively attractive).

For many years we had few opportunities that we regarded as excellent, and opportunity cost assessments for after tax proceeds of sale against future possible opportunities were always difficult. This is changing, and markets are beginning to resemble past decades. Active Quality/Value based decisions might be favoured. MFF activity in January 2023 has been consistent with these comments, and consistent with the previous month's description below.

Portfolio Manager's Report

for the half year ended 31 December 2022

Results, Performance, Dividends and Expenses Table

Shareholders and advisers have requested "performance figures" for MFF. The MFF Board agreed to the inclusion of a table of factual data and calculations from MFF's audited/reviewed statutory accounts over a medium-term period, provided that the presentation was non promotional. The table that follows includes 6.5 years from 1 July 2016 (immediately post Brexit vote). Markets fluctuate, and MFF has successfully held much of the portfolio for the entire period (11 of the then 15 largest holdings) and hence, period to period results must also fluctuate. Over the period aggregates for after tax gains, for taxes paid, and for dividends paid are in the hundreds of millions of dollars and are far more meaningful than periodic fluctuations. MFF aims to continue to benefit from market fluctuations and not hurt aggregate performance over time by seeking to "manage" volatility. Of course, extrapolation is both illogical and dangerous. Past performance does not represent future performance.

MFF will continue to be managed for medium term outcomes, including the payment of fully franked dividends to shareholders (this has become more important as the shareholder base ages) and growth in portfolio capital values, and MFF seeks to avoid permanent loss of capital. MFF is a company and pays considerable tax in Australia which allows for franked dividends, based on current legislation.

Period Ended ¹	Net Profit/(Loss) After Income Tax \$'m	Opening Statutory Net Assets \$'m	After Tax Performance Indicator ² % ²	Dividends Declared \$'m ³	Dividend Yield Indicator ⁴ % ⁴	Cash Tax Paid \$'m	Closing Franking Account \$'m	Expenses \$'m ⁵	Expenses Indicator % ⁶
30 Jun 2017	158.8	786.4	20.2	10.0	1.3	3.9	1.3	9.4	1.2
30 Jun 2018	240.0	953.1	25.2	16.2	1.7	18.0	11.0	7.0	0.7
30 Jun 2019	218.6	1,238.2	17.7	19.0	1.5	41.6	45.6	7.0	0.6
30 Jun 2020	25.1	1,443.6	1.7	139.0	9.6	129.4	118.0	8.0	0.6
30 Jun 2021	217.5	1,361.9	16.0	37.2	2.7	3.4	106.9	6.9	0.5
30 Jun 2022	(170.8)	1,593.6	(10.7)	43.8	2.7	14.6	104.1	7.0	0.4
31 Dec 2022 ⁷	20.0	1,424.9	1.4	26.5	1.9	11.2	105.4	3.5	0.2
	709.2			291.7		222.1			

¹ Figures are rounded, approximate and not audited.

² Net Profit/(Loss) After Income Tax Expense divided by Opening Statutory Net Assets.

³ All dividends fully franked except 2017 interim (1 cent per share franked to 85%).

⁴ Dividends Declared divided by Opening Statutory Net Assets.

⁵ Total expenses (excluding Income tax and Interest). MFF has ceased being required to pay performance fees to Magellan for MFF's performance. MFF also does not pay cash or other incentives or grant any stock awards to staff or board members.

⁶ Expenses (excluding Income tax and Interest) divided by Opening Statutory Net Assets.

⁷ Six month period ended 31 December 2022 (not annualised). December results are reviewed not audited.

Portfolio and Market Commentary as at 31 December 2022

Our views on the portfolio and other details were summarised in the December 2022 NTA release to the ASX on 4 January 2023 as follows (with minor editing from original release).

"MFF advises that its approximate monthly NTA per share as at 30 December 2022 was \$2.730 pre-tax (\$2.744 as at 30 June 2022), and \$2.441 after providing for tax (\$2.438 as at 30 June 2022).

For another month MFF's primary activity remained holding shares in companies we regard as excellent on terms we regard as favourable (the full portfolio is shown below). Although portfolio activity was increased in December compared with recent months, the main portfolio characteristics remain Quality, Value and Continuity. Current and recent portfolio activity releases some funds to reduce borrowings, to pay tax and dividends, to make modest purchases, and to have flexibility for more in the future. The MFF Options expired at the end of October and thus ceased to be a possible capital source.

Our portfolio companies are excellent and became better value in December, as did numerous other portfolio companies we have under review. In recent years US equity markets (in particular) were characterised by elevated stock prices, momentum trading success, and other indicators/risks of bubble conditions. In contrast, after significant falls during calendar 2022 many US equity prices fell further in December, as momentum turned very negative, combined with tax loss selling, with many fears including the Federal Reserve's intransigence and broadening recession fears after months of concerns. Of course, the market obsesses every day over marginal changes in prices and other factors (the behavioural psychology causes negative reinforcement in down markets).

Portfolio Manager's Report

for the half year ended 31 December 2022

The equity price falls in December eroded much of the mark to market/net income gains MFF had been accruing in the 2022/23 financial year to date.

Lower market prices increase opportunities for equity investors including MFF, but lower asset prices also reflect (and increase) risks. Over the years, lower market prices, particularly associated with recessions provide opportunities to improve the Value/Quality mix of the portfolio, and to increase the probabilities of favourable outcomes. Lower prices mean higher future returns, except to allow for reflexivity and similar concepts (market price changes causing business economic changes in response). However, many investors are uncomfortable around falling prices, and invite more doubts, whereas they on average are happier buying rising prices (hence momentum programs).

Unlike most professional investors, MFF is not constrained from ignoring time periods which extend beyond their short-term measurement periods. We are also permitted to avoid investment fads (BRICS concept is no longer fashionable) or avoid investing in inferior companies with stock price momentum/apparently attractive valuation metrics. MFF also has a focussed portfolio and focussed opportunity targets, which allow for its objective assessment of factors including business returns on capital, secular growth prospects, cyclicity, risks, margin opportunities and pressures, capital management and the possible catalysts for earnings/risks/intrinsic valuation changes. A current example is the very material earnings benefits accruing to eight of the bank holding companies in the portfolio (the largest category by number) from increases in interest rates on their loan books and on Government bonds. We are permitted to seek companies which might achieve multiples as shareholder returns over time (quality of business and low prices), as well as under-priced high probability opportunities with less likely multiyear secular growth.

Our base case as 2022 evolved was to seek to take advantage of the negative investor sentiment, and invest more in quality companies, particularly some with longer term secular free cash flow growth prospects. By Q4 calendar 2022 risks increased of the Federal Reserve causing a recession and ancillary damage, and markets became weaker and more stressed for liquidity (quantitative tightening has caused money supply growth to become negative, according to expert measurements and definitions; many borrowing rollovers are accruing/scheduled in 2023 and shortly beyond; the flood of venture capital and large tech company venture funding has diminished markedly, with many competitors failing; strains in derivative markets have included the UK pension forced selling of billions of long term assets to meet short term obligations when price movements repeated those of 1994 and moved outside boundaries; and strains in currency markets have begun in some countries with USD reserves pressured by the sustained strength of the USD in 2022). It is also customary to worry about declines in innovation, particularly as economic headwinds are confronted including the sharp moves towards socialism/populism and increased Government regulation that is anti-business and anti-growth (December saw more damaging law suits and interventions attacking success and innovation, and in many cases damaging the hoped for beneficiaries). For an earlier example see Flywheels by Tom Alberg, the Amazon angel investor and long-time Director, including the Seattle example where a direct tax on a "per head" basis against successful tech employment was only defeated when construction labor unions saw tech construction work leaving the city. In December, Washington also passed trillions more unfunded spending and redistribution to favoured groups, not far from where the Federal Reserve deliberates on how to prevent inflation becoming systemic.

Many pressures in economies have been building for some years, and may or may not trigger crises this time, or later. MFF's largely fully invested state reflected very satisfactory equity market prices for the Quality we sought and expectations that inflation pressures would ease (as is occurring) without other factors becoming global systemic disasters for markets. Whilst risks have increased month by month, including COVID and other risks out of China, a Federal Reserve induced major recession appears to be such an obvious preventable error that should be avoided, but many market participants cannot take the risk to short-term performance figures. Our portfolio companies have had plenty of selling pressure recently, well beyond being very liquid sources of capital, as current markets anticipate strong headwinds in online advertising, cloud and other technology spending and in pressures upon housing and other consumer spending over time. We remain positive about quality corporate USA, including about nascent reports of immigration recommencement (which should eventually help ease some of the Fed's concerns about services inflation). If China makes the unlikely decision to revert to the Deng policies, the rest of the world would also be transformed (consider Lulu Chen's recent book on Tencent, harnessing entrepreneurs at unprecedented breadth and scale, and its reversal).

Arguably the US 10 year bond rate (the benchmark or risk free rate) also remains reasonably anchored and it rose month end on month end from approximately 3.6 - 3.7% p.a. to approximately 3.87% p.a. Such moves remain well within margins of safety for value based longer term equity investors (business results including compounding of reinvestment are far more important over time for investors focussed on quality profitable growth) and whether these gyrations mean much more than short term fluctuations in inflationary concerns, will become clearer in the future. Of course, even if the Federal Reserve "overshoots" on quantitative tightening and/or retains interest rates that are too high for too long, and overall monetary conditions that are too tight, the damage caused by a repeat of Lehman type decisions should be avoided. In previous decades, reversals of US central bank interest rate decisions have been customary.

Portfolio Manager's Report

for the half year ended 31 December 2022

All holdings in the portfolio as at 31 December 2022 are shown in the table that follows (shown as percentages of investment assets plus net cash/receivables).

	%		%
MasterCard	13.7	Asahi Group	2.1
Visa	13.7	JP Morgan Chase	1.9
Amazon	8.1	Intercontinental Exchange	1.6
Home Depot	7.7	Lloyds Banking Group	1.4
Microsoft	5.9	Allianz	1.4
American Express	5.7	United Overseas Bank	1.3
Alphabet Class C	5.7	HCA Healthcare	1.3
Alphabet Class A	4.5	DBS Group	1.1
Bank of America	4.2	Oversea - Chinese Banking	1.0
CVS Health	3.1	Lowe's	0.8
Meta Platforms	2.8	Ritchie Bros Auctioneers	0.5
Flutter Entertainment	2.5	Schroders	0.4
CK Hutchison	2.4	US Bancorp	0.4
Prosus	2.3	UnitedHealth Group	0.1
Morgan Stanley	2.2	L'Oreal	0.1

Net debt shown as a percentage of investment assets, was approximately 19.3% as at 30 December 2022 (not adjusted for receivables of approximately 0.7%). AUD net cash was 2.0% (taxes, other expenses and dividends are paid in AUD), USD debt 12.0% and Euro, GBP, HKD and Yen borrowings total approximately 9.3% of investment assets as at 30 December 2022 (all approximate). Key currency rates for AUD as at 30 December 2022 were 0.678 (USD), 0.635 (EUR) and 0.564 (GBP) compared with rates for the previous month which were 0.670 (USD), 0.650 (EUR) and 0.562 (GBP)."

MFF releases regular portfolio and investment information to the ASX including the weekly NTA details, as well as monthly NTA updates and commentary. The January 2023 NTA is scheduled to be released to the ASX on 1 February 2023.

Yours faithfully,



Chris Mackay
Portfolio Manager

Sydney
30 January 2023

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.

Statement of Profit or Loss and Comprehensive Income

for the half year ended 31 December 2022

	Note	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Investment Income			
Dividend and distribution income		12,520	10,160
Interest income		543	1
Net change in fair value of investments ¹		37,245	147,709
Net gains/(losses) on foreign currency cash and borrowings		(11,101)	(4,276)
Net gains/(losses) on foreign exchange settlements & contracts		520	638
Other income		-	6
Total Net Investment Income/(Loss)		39,727	154,238
Expenses			
Research and services fees		2,000	2,000
Finance costs – interest expense		7,579	270
Managing Director's salary		750	750
Non-Executive Directors' fees		132	168
Long service leave statutory expense		12	12
Registry fees		83	143
ASX listing, clearing and settlement fees		105	143
Transaction costs		22	259
Employment related taxes		48	43
Fund administration and operational costs		49	47
Auditor's remuneration		45	57
Other expenses		297	80
Total Expenses		11,122	3,972
Profit/(Loss) Before Income Tax Expense		28,605	150,266
Income tax (expense)/benefit		(8,562)	(45,043)
Net Profit/(Loss) After Income Tax Expense		20,043	105,223
Other comprehensive income		-	-
Total Comprehensive Income/(Loss)		20,043	105,223
Basic Earnings/(Loss) Per Share (cents)	6	3.42	18.35
Diluted Earnings/(Loss) Per Share (cents)	6	3.42	18.05

¹ 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.

Statement of Financial Position

as at 31 December 2022

	Note	31 Dec 2022 \$'000	30 Jun 2022 \$'000
Current Assets			
Cash and cash equivalents	3	39,205	33,214
Investments	4	1,972,400	1,972,040
Receivables		13,624	1,249
Prepayments		108	20
Total Current Assets		2,025,337	2,006,523
Total Assets		2,025,337	2,006,523
Current Liabilities			
Payables		1,215	1,204
Current tax payable		7,777	11,214
Borrowings	3	419,277	401,386
Total Current Liabilities		428,269	413,804
Non-Current Liabilities			
Net deferred tax liability		166,900	167,568
Provision for long service leave		227	215
Total Non-Current Liabilities		167,127	167,783
Total Liabilities		595,396	581,587
Net Assets		1,429,941	1,424,936
Equity			
Contributed equity	5	730,755	722,390
Profits reserve		461,193	461,193
Retained profits		237,993	241,353
Total Equity		1,429,941	1,424,936

The above Statement of Financial Position should be read in conjunction with the accompanying Notes to the Financial Statements.

Statement of Changes in Equity

for the half year ended 31 December 2022

	Note	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Contributed Equity			
Balance at Beginning of Period		722,390	679,653
Transactions with owners in their capacity as owners:			
Securities issued under Dividend Reinvestment Plan	5	6,286	4,984
Shares issued on exercise of options	5	2,079	26,506
Balance at End of Period		730,755	711,143
Retained Profits			
Balance at Beginning Of Period		241,353	452,716
Total comprehensive income/(loss)		20,043	105,223
Dividends paid	2	(23,403)	(20,205)
Balance at End of Period		237,993	537,734
Profits Reserve			
Balance at Beginning of Period		461,193	461,193
Balance at End of Period		461,193	461,193
Total Equity		1,429,941	1,710,070

The above Statement of Changes in Equity should be read in conjunction with the accompanying Notes to the Financial Statements.

Statement of Cash Flows

for the half year ended 31 December 2022

	Note	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Cash Flows from Operating Activities			
Dividends and distributions received (net of withholding tax)		11,469	8,683
Interest received		516	1
Payments for purchase of equity investments		(66,399)	(107,712)
Proceeds from sale of equity investments		90,544	243,696
Net realised gain/(loss) on foreign exchange settlements and contracts and cash		520	638
Research and services fees paid		(2,000)	(2,000)
Tax paid		(11,215)	(14,564)
Other income received		-	6
Other expenses paid		(1,617)	(1,776)
Net Cash Inflow/(Outflow) from Operating Activities		21,818	126,972
Cash Flows From Financing Activities			
Net proceed/(repayment) of borrowings		6,790	(126,996)
Proceeds on exercise of options	5	2,079	26,506
Interest paid		(7,579)	(270)
Dividends paid (net of DRP)		(17,117)	(15,221)
Net Cash Inflow/(Outflow) from Financing Activities		(15,827)	(115,981)
Net increase/(decrease) in cash and cash equivalents		5,991	10,991
Cash and cash equivalents at beginning of period	3	33,214	3,023
Cash and Cash Equivalents at End of Period	3	39,205	14,014

The above Statement of Cash Flows should be read in conjunction with the accompanying Notes to the Financial Statements.

Notes to the Financial Statements

for the half year ended 31 December 2022

Overview

This interim financial report is for MFF Capital Investments Limited ("MFF" or the "Company") for the period ended 31 December 2022. The principal accounting policies adopted in the preparation of the interim financial report are set out below. These policies, applied to the annual financial statements, have been consistently applied to the period presented, unless otherwise stated.

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

Assets and liabilities with recovery or settlement dates within 12 months after the balance date (current) and more than 12 months after the balance date (non-current) are presented separately in the Statement of Financial Position.

1. Basis of Preparation

The condensed interim financial report for the period ended 31 December 2022 is a general purpose financial report and has been prepared in accordance with AASB 134: *Interim Financial Reporting, Corporations Act 2001* and other mandatory professional reporting requirements. It is presented in Australian dollars ("A\$") and was approved by the Board of Directors on 30 January 2023. The Directors have the power to amend and reissue the financial report.

This condensed interim financial report does not include all the information and disclosures normally included in the annual financial report. Accordingly, this report should be read in conjunction with the 30 June 2022 Annual Report and any public announcements made in respect of the Company during the period ended 31 December 2022 in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

1.1. Accounting Policies

The accounting policies adopted in the preparation of this interim financial report are contained within the notes to which they relate. The policies adopted in the preparation of this interim financial report are consistent with those of the previous financial year and corresponding interim reporting period.

The Company has not early adopted any accounting standard, interpretation or amendment that has been issued but is not yet effective at balance date.

1.2. New and Amended Accounting Standards

There are no new accounting standards, amendments to existing standards or interpretations that are effective as of 1 July 2022 that have a material impact on the amounts recognised by the Company in the prior periods or will affect the current or future periods.

1.3. Rounding of Amounts

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

1.4. Critical Accounting Estimates and Judgements

In applying the Company's accounting policies, a number of estimates and assumptions have been made concerning the future. The Directors base their judgements and estimates on historical experience and various other factors they believe to be reasonable under the circumstances, but which are inherently uncertain and unpredictable. As a result, 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 held at strongly rated financial institutions, the Company's financial assets and liabilities are not subject to significant judgement or complexity.

Notes to the Financial Statements

for the half year ended 31 December 2022

2. Dividends

Dividends paid by the Company during the period are:

	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Fully franked final dividend for the period ended 30 June 2022 (4.0 cent per ordinary share) paid 4 November 2022	23,403	-
Fully franked final dividend for the period ended 30 June 2021 (3.5 cent per ordinary share) paid 5 November 2021	-	20,205
Total Dividends Paid During the Period	23,403	20,205

All dividends were fully franked at the corporate tax rate of 30%.

Dividend Declared

In addition to the final dividend for the year ended 30 June 2022 paid during the period, on 30 January 2023 the Directors declared an interim dividend of 4.5 cents per ordinary share, fully franked at the corporate tax rate of 30% in respect of the period ended 31 December 2022. The amount of the proposed dividend, based on the number of ordinary shares on issue at 31 December 2022, is approximately \$26,454,000 and will be paid on 12 May 2023.

On 30 January 2023, the Directors also stated their intention to increase the rate per share of the six monthly dividend from the current rate of 4.5 cents per ordinary share as follows:

- 5 cents fully franked for the period ending 30 June 2023,
- 5.5 cents fully franked for the period ending 31 December 2023, and
- 6 cents fully franked for the period ending 30 June 2024;

subject in each case, to corporate, legal and regulatory considerations, with continued operation of the DRP (at zero discount).

A dividend payable to shareholders is only recognised in the Statement of Financial Position if the dividend is declared, by the Directors, on or before the end of the period, but not paid at balance date. Accordingly, the interim 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.

Dividend Reinvestment Plan

The Company's DRP was available to eligible shareholders during the period ended 31 December 2022. Under the terms of the DRP, eligible shareholders are able to elect to reinvest their dividends in additional MFF shares, free of any brokerage or other transaction costs. Shares are issued and/or transferred to DRP participants at a predetermined price, less any discount that the Directors may elect to apply from time to time. No discount has been applied to shares issued under the DRP during the period ended 31 December 2022. The DRP issue price is equal to the average of the daily volume weighted average market price of all Company shares sold in the ordinary course of trading on the ASX during the 5 trading day period commencing from the day the Company's shares go ex-dividend or other dates as determined by the Board. Refer to Note 5 for details of ordinary shares issued under the DRP during the period.

Imputation Credits

	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Imputation credits at balance date	105,362	112,841
Imputation credits that will arise from the payment of income tax payable	7,777	10,965
Total imputation credits available for subsequent reporting periods based on a tax rate of 30% (December 2021: 30%)	113,139	123,806

Notes to the Financial Statements

for the half year ended 31 December 2022

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

	31 Dec 2022 \$'000	30 Jun 2022 \$'000
Cash at bank - denominated in Australian Dollars	39,205	33,214
Total Cash	39,205	33,214
Set-Off Cash and Borrowings with MLI		
Borrowings - denominated in US Dollars	(236,228)	(353,671)
Borrowings - denominated in Japanese Yen	(47,197)	(7,868)
Borrowings - denominated in Hong Kong Dollars	(45,936)	(7,969)
Borrowings - denominated in British Pounds	(45,913)	(14,889)
Borrowings - denominated in Euros	(32,488)	(5,467)
Borrowings - denominated in Singapore Dollars	(11,340)	(11,074)
Borrowings - denominated in Australian Dollars	(164)	(437)
Borrowings - denominated in Canadian Dollars	(11)	(11)
Net Borrowings with MLI	(419,277)	(401,386)

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.

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") (refer below). The Company and MLI intend to net settle and are permitted to do so under the terms of the facility. At 31 December 2022, the Company's borrowings with MLI of \$419,277,000 (June 2022: \$401,386,000) have been presented net of the Company's cash deposits held with MLI of nil (June 2022: nil). As a result, a net borrowings position with MLI of \$419,277,000 (June 2022: net borrowings \$401,386,000) is included in borrowings in the Statement of Financial Position.

Multi-Currency Financing Facility

The Company has a multi-currency financing facility with MLMA. Amounts drawn as borrowings are repayable on written demand. The financing facility is a service provided under the International Prime Brokerage Agreements ("IPBA") between the Company and MLI. The IPBA provides MLI with a fixed charge over the Company's right, title and interest in the assets held in custody with MLI (listed in Note 4), as security for the performance of its obligations under the IPBA.

Notes to the Financial Statements

for the half year ended 31 December 2022

4. Investments and Derivatives

The Company discloses the fair value measurements of financial assets and financial liabilities using a three level fair value hierarchy to reflect the source of valuation inputs used when determining the fair value:

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

Level 2: valuation techniques using market observable inputs, either directly or indirectly. The fair value of assets and liabilities with short-term maturities is 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 unobservable market data with the fair value based on a Directors' valuation.

The Company does not hold any Level 2 or Level 3 assets. There have been no transfers between any of the three levels in the hierarchy during the half year and the Company's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of each reporting period.

Notes to the Financial Statements

for the half year ended 31 December 2022

Details of Investments

		31 Dec 2022	30 Jun 2022	31 Dec 2021	31 Dec 2022	30 Jun 2022
	Domicile	Holding	Holding	Holding	Value \$'000	Value \$'000
Listed Equity Securities (Level 1)						
MasterCard	i	528,150	564,261	564,261	270,816	258,872
Visa	i	879,298	954,222	954,222	269,384	273,218
Amazon	i	1,283,331	1,245,880	42,778	158,962	192,431
Home Depot	i	328,130	328,130	328,959	152,832	130,875
Microsoft	i	331,616	331,616	195,749	117,272	123,855
American Express	i	517,717	369,641	-	112,796	74,514
Alphabet Class C ¹	i	853,520	42,676	33,790	111,676	135,755
Alphabet Class A ¹	i	687,199	32,092	8,964	89,407	101,704
Bank of America	i	1,685,493	1,618,594	1,247,260	82,317	73,274
CVS Health	i	448,638	525,232	637,910	61,651	70,774
Meta Platforms	i	316,425	300,425	272,979	56,151	70,448
Flutter Entertainment	vi	245,170	262,471	194,443	49,098	38,215
CK Hutchison	iv	5,245,500	5,075,500	4,825,500	46,430	49,899
Prosus	ii	437,561	489,323	475,530	44,382	46,481
Morgan Stanley	i	347,997	328,472	272,826	43,629	36,332
Asahi Group	iii	912,200	912,200	880,200	41,992	43,403
JP Morgan Chase	i	185,428	185,428	138,783	36,667	30,366
Intercontinental Exchange	i	210,700	210,700	210,700	31,875	28,814
Lloyds Banking Group	vi	35,311,542	33,817,391	33,497,676	28,443	25,269
Allianz	ix	88,186	107,733	97,733	27,882	29,829
United Overseas Bank	vii	757,623	747,623	747,623	25,572	20,507
HCA Healthcare	i	72,222	53,805	31,010	25,555	13,150
DBS Group	vii	588,094	578,094	578,094	21,932	17,929
Oversea - Chinese Banking	vii	1,455,499	1,435,499	1,435,499	19,491	17,085
Lowe's	i	52,219	52,219	52,219	15,342	13,264
Ritchie Bros Auctioneers	i	126,968	126,968	126,968	10,827	12,013
Schroders ²	vi	1,056,495	211,299	201,035	8,171	8,340
US Bancorp	i	117,361	117,361	213,789	7,547	7,854
UnitedHealth Group	i	3,562	3,562	3,562	2,785	2,661
L'Oreal	v	2,887	2,887	4,911	1,516	1,445
Chipotle Mexican Grill	i	-	9,476	-	-	18,014
Sonic Healthcare	viii	-	165,094	202,715	-	5,450
Procter & Gamble	i	-	-	2,998	-	-
Total Investments					1,972,400	1,972,040

¹ Stock split effective 18 July 2022. Holders received 19 additional shares for every 1 share held.

² Stock split effective 20 September 2022. Holders received 5 post-split ordinary shares for each non-voting share.

No other securities were bought or sold by the Company in the periods shown.

Stock Exchange Domicile

The relevant stock exchange pertaining to each investment is as follows:

i	United States	iii	Japan	v	France	vii	Singapore
ii	Netherlands	iv	Hong Kong	vi	United Kingdom	viii	Australia
						ix	Germany

Notes to the Financial Statements

for the half year ended 31 December 2022

Foreign Exchange Rates

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

	31 Dec 2022	30 Jun 2022
US Dollar	0.67815	0.68765
Euro	0.63542	0.65776
Japanese Yen	89.47850	93.42070
Hong Kong Dollar	5.29293	5.39596
British Pound	0.56376	0.56622
Singapore Dollar	0.90954	0.95700

5. Contributed Equity

	6 Months to 31 Dec 2022 Number of Securities	12 Months to 30 Jun 2022 Number of Securities	6 Months to 31 Dec 2022 \$'000	12 Months to 30 Jun 2022 \$'000
Ordinary Shares				
Opening balance	584,359,089	568,040,118	722,390	679,653
Shares issued under DRP:				
5 November 2021	-	1,720,999	-	4,984
13 May 2022	-	2,104,731	-	5,271
4 November 2022	2,716,219	-	6,286	-
Shares issued on exercise of options	799,503	12,493,241	2,079	32,482
Total Contributed Equity	587,874,811	584,359,089	730,755	722,390
MFF 2022 Options				
Opening balance	81,926,543	94,419,784	-	-
Shares issued from exercise of options during period	(799,503)	(12,493,241)	-	-
Options lapsed 31 October 2022	(81,127,040)	-	-	-
Total MFF 2022 Options	-	81,926,543	-	-

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.

MFF 2022 Options

Each eligible shareholder of the Company received one option for every five ordinary shares held at 27 August 2020 for nil consideration. A total of 109,928,551 options were issued by the Company on 3 September 2020. On 31 October 2022, the MFF 2022 Options expired and 81,127,040 unexercised options lapsed. Ordinary shares issued on exercise of the options ranked equally with all other ordinary shares from the date of issue.

Dividend Reinvestment Plan

Refer to Note 2 for details on the DRP.

On-Market Buy-back

On 16 January 2023, an on-market buy-back of up to 30,000,000 MFF ordinary shares for a 12 month period ending 31 January 2024 was announced.

Notes to the Financial Statements

for the half year ended 31 December 2022

6. Earnings per Share

Basic earnings per share is calculated as net profit/(loss) after income tax expense for the period divided by the weighted average 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.

	31 Dec 2022	31 Dec 2021
Basic Earnings Per Share (cents)	3.42	18.35
Diluted Earnings Per Share (cents)	3.42	18.05
Weighted Average Number of Ordinary Shares		
Weighted average number of ordinary shares on issue used in calculating basic EPS	585,605,357	573,463,348
add: equivalent number of unexercised options for the purposes of calculating diluted EPS	-	9,349,509
Weighted average number of ordinary shares on issue used in calculating diluted EPS	585,605,357	582,812,857
Earnings Reconciliation		
Net profit after income tax expense used in the calculation of basic and diluted EPS (\$'000)	20,043	105,223

The MFF 2022 options issued on 3 September 2020 were considered to be potential ordinary shares until they expired on 31 October 2022, and as a result, the options were included in the determination of diluted earnings per share to the extent they were dilutive up until that date (refer Note 5).

7. Net Tangible Assets per Ordinary Share

The following table shows the NTA per ordinary share presented in the Statement of Financial Position as at 31 December 2022 and the NTA per ordinary share at 30 December 2022, reported to the ASX on 4 January 2023.

	30/31 Dec 2022 Pre-tax \$	30/31 Dec 2022 Post-tax \$	30 Jun 2022 Pre-tax \$	30 Jun 2022 Post-tax \$
ASX Reported NTA per Ordinary Share¹	2.730	2.441	2.745	2.438
NTA per Ordinary Share²	2.730	2.432	2.744	2.438

¹ The NTA per ordinary share reported to the ASX includes estimates for accrued expenses and tax liabilities.

² 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.

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

8. Contingent Assets, Contingent Liabilities and Commitments

At balance date, the Company has no material contingent assets, liabilities or commitments (June 2022: nil).

9. Segment Information

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

Notes to the Financial Statements

for the half year ended 31 December 2022

10. Subsequent Events

In the latest release to the ASX on 23 January 2023, the Company reported NTA per share as at 20 January 2023 as follows:

	20 Jan 2023	31 Dec 2022
	\$ ¹	\$ ²
Pre-tax NTA per ordinary share	2.892	2.730
Net tax liabilities per ordinary share	0.338	0.298
Post-tax NTA per ordinary share	2.554	2.432

¹ The NTA per ordinary share reported to the ASX is approximate and not reviewed by EY.

² NTA per ordinary share reviewed by EY (refer Note 7).

The announcement also included that net borrowings shown as a percentage of investment assets, were approximately 14.2%, a reduction from 19.3% at balance date.

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

Directors' Declaration

for the half year ended 31 December 2022

In the Directors' opinion:

- a. the Financial Statements and notes set out on pages 11 to 22 are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the financial position of MFF Capital Investments Limited as at 31 December 2022 and of its performance, as represented by the results of its operations and its cash flows, for the period ended on that date; and
 - ii. complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- b. there are reasonable grounds to believe that MFF Capital Investments Limited will be able to pay its debts as and when they become due and payable.

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

Signed in accordance with a resolution of the Directors.



Annabelle Chaplain AM
Chairman

Sydney
30 January 2023



Chris Mackay
Managing Director and
Portfolio Manager

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

Conclusion

We have reviewed the accompanying Interim Financial Report of MFF Capital Investments Limited (the Company), which comprises the statement of financial position as at 31 December 2022 and the statement of profit or loss and comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of the Company does not comply with the *Corporations Act 2001*, including:

1. giving a true and fair view of the Company's financial position as at 31 December 2022 and of its financial performance for the half-year ended on that date; and
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year 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 APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Annual Financial Report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

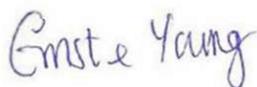
Directors' Responsibility for the Interim Financial Report

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

Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

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



Ernst & Young



Clare Sporle

Partner

Sydney
30 January 2023

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

Corporate Information

for the half year ended 31 December 2022

Directors

Annabelle Chaplain AM - Chairman
Robert Fraser
Chris Mackay - Managing Director and Portfolio Manager
Peter Montgomery AM

Company Secretary

Marcia Venegas

Registered Office

Level 36
25 Martin Place
Sydney NSW 2000
Telephone: +61 2 9235 4887
Fax: +61 2 9235 4800
Email: info@magellangroup.com.au

Auditor

Ernst & Young
200 George Street
Sydney NSW 2000

Share Registrar

Boardroom Pty Limited
Level 8
210 George Street
Sydney NSW 2000
Telephone: 1300 005 016 (Australia), +61 2 9290 9600 (International)
Fax: +1300 653 459
Email: magellan@boardroomlimited.com.au

Securities Exchange Listing

Australian Securities Exchange code (ordinary shares): MFF

Website

www.mffcapital.com.au