



# WHITEFIELD QUARTERLY REPORT

AUGUST 2016

## PERFORMANCE SUMMARY

At 30 June 2016

	Last Quarter %	One Year %	Two Years % ***	Three Years %***
<b>Before Tax Returns</b>				
Total Portfolio	3.186%	3.333%	7.324%	11.220%
Benchmark*	2.810%	2.929%	6.986%	10.336%
<b>After Tax Returns</b>				
Net Asset Backing (pre deferred tax)** <sup>1</sup>	2.791%	2.044%	6.571%	10.862%
Net Asset Backing (post deferred tax)** <sup>2</sup>	2.409%	2.524%	6.189%	9.173%
Share Price	(1.552%)	(4.034%)	3.637%	10.080%

\* ASX 200 All Industrials (XJIAI) \*\* Including Dividends \*\*\* Annualised

- Investment returns based on net asset backing (pre-tax) represent the investment return prior to any provision for deferred tax benefits or liabilities, but are after the payment of current tax at company rates on income and on realised capital gains.
- Investment returns based on net asset backing (post-tax) represent investment returns after provisions for deferred tax liabilities and benefits, including a provision for capital gains tax should the company's investments be realised in entirety.

## FINANCIAL OUTCOMES

	3 Months to 30 Jun 16	3 Months to 30 Jun 15	% Change
Investment Revenue	\$4,184,200	\$4,142,249	1.0%
Profit Before Tax & Realised Gains	\$3,066,070	\$3,009,521	1.9%
Income Tax Benefit/(Expense)	(\$249,343)	(\$287,816)	(13.4%)
Profit After Tax before Realised Gains	\$2,816,727	\$2,721,705	3.5%
Earnings before Realised Gains Per Share	3.5cps	3.5cps	0.7%

Note: Revenue, profit and earnings shown here represent underlying earnings and accordingly exclude demerger dividends.

## RESULTS COMMENTARY

Whitefield is pleased to report an operating profit after tax of \$2.816m for the first quarter of its 2016/17 financial year. This outcome was 3.5% higher than the prior year result and after allowing for increases in capital across the 12 months amounted to growth in earnings per share of 0.7%.

A large majority of our investment holdings generated increases in their underlying dividend payouts across the quarter, notably Aristocrat, ResMed, Fisher & Paykel Healthcare, Macquarie Group, James Hardie, Sydney Airport, TPG Telecom and Harvey Norman. This was partly offset by a cut to the ANZ dividend and the non-repeat of a special dividend received from James Hardie in the prior year.

Investment returns on the underlying investment portfolio were also favourable both in outright terms and relative to our benchmark Index. Portfolio returns for the quarter were 3.2%, compared to the S&P/ASX200 Industrials Index return of 2.8%. Whitefield's portfolio returns are also ahead of benchmark over rolling 1, 2 and 3 year periods as shown above.

Better performing stocks during the quarter included Aristocrat, Aurizon, Dominos, Cochlear, Ramsay, James Hardie and Dexu Property. It was a weaker quarter of return for holdings in the travel and financial sectors including Qantas, Flight Centre, Henderson Group, BT Investment and AMP.

## NET TANGIBLE ASSETS

At 30 June 2016

NTA (post-tax & preference shares)	\$358.6 million
Ordinary Shares on Issue	83,600,924
8% Cumulative Pref. Shares (Face Value)	\$23,790
Convertible Resetable Prefs. (Face Value)	\$40,000,000
NTA per share (pre-tax)	\$4.59
NTA per share (post-tax)	\$4.29
Share Price	\$4.13
(Discount)/Premium to NTA (pre-tax)	(10.02%)
(Discount)/Premium to NTA (post-tax)	(3.73%)

## TOP 5 CONTRIBUTORS TO PERFORMANCE FOR THE QUARTER\*

At 30 June 2016

	Portfolio Weight	Contribution
CSL Limited	4.27%	0.365%
Aristocrat Leisure Limited	1.32%	0.329%
ANZ Banking Group Limited	5.45%	0.320%
Telstra Corporation Limited	5.27%	0.238%
Ramsay Health Care Limited	1.62%	0.217%

## TOP 5 DETRACTORS TO PERFORMANCE FOR THE QUARTER\*

At 30 June 2016

	Portfolio Weight	Contribution
Qantas Airways Limited	0.45%	(0.218%)
Flight Centre Travel Group Limited	0.24%	(0.186%)
Wesfarmers Limited	3.50%	(0.101%)
Woolworths Limited	1.35%	(0.079%)
Commonwealth Bank of Australia	9.88%	(0.073%)

\*Contribution = weighted contribution to investment performance

## SECTOR BREAKDOWN

At 30 June 2016

	Excluding Cash	Including Cash
Commercial Banks	28.90%	28.75%
Consumer Discretionary	10.87%	10.82%
Health Care	10.73%	10.67%
Industrials	9.69%	9.65%
Property	7.98%	7.94%
Consumer Staple	6.92%	6.88%
Telecommunication Services	6.90%	6.87%
Materials	6.18%	6.15%
Financials Excluding Banks	6.12%	6.09%
Utilities	4.62%	4.60%
Information Technology	1.09%	1.08%
Cash & Cash Equivalents		0.50%

## CHANGES TO INVESTMENT EXPOSURES

Adjustments to portfolio exposures during the quarter included:

- Increasing exposure to Fletcher Building, IAG, Suncorp, AGL, Charter Hall Group, Harvey Norman, JB Hi Fi, AusNet Services and CSR
- Decreasing exposure to Computershare, AMP, Aurizon, Dulux, Macquarie Group, QBE, Scentre Group, Stockland and Wesfarmers

## OUTLOOK

As we have been highlighting for some time, economic conditions remain mildly positive both domestically and internationally.

The Australian economy is characterised by moderate levels of employment growth, consumer spending and financial activity, strong residential construction and a supportively low Australian dollar.

The US economy continues to grow, Chinese activity has shown some improvement, the Euro-area is slowly progressing further into recovery and Japan is embarking on additional stimulus programs.

This lightly favourable outlook has also been reflected in improving earnings forecasts for Australian companies across the next 12 months.

The most pertinent macro risks at present appear to be the potential for protectionist attitudes and policies to disrupt economic growth, with the recent vote for Britain to exit the EU a notable example. While there remain some concerns as to the financial stability of Euro banks and a range of Chinese lenders, these latter risks appear more likely to be manageable than overwhelming at the present time.

The risk of an oversupply of residential property in Australia has received much press coverage, and remains an area worth monitoring. To date, the combination of underlying demand for property and the relativity between interest rates and incomes has seen house prices remain firm.

We continue to disagree with the ultra-low interest rate policy of the Australian Reserve Bank and central banks globally. While such policy has kept the Australian dollar low, we believe it is adversely impacting consumer spending and promoting deflation (the opposite of its intended purpose). Rather than encouraging the consumer, ultra-low interest rates are unduly lowering retirement incomes and increasing consumer caution by promoting high debt to income levels. On this topic we are interested to see a weight of global commentary steadily emerging which highlights the evident flaws in ultra-low monetary policy and theory.

In the 1980's policymakers realised that high inflation could not be prevented solely by a policy of raising interest rates. Instead high inflation was curtailed through an accord between employers and workers that altered the expectation of inflation. In a similar vein, the policymakers of today must realise that deflation can not solely be prevented by a policy of lowering interest rates. Instead, difficult as it may be, it may be better to focus on restoring inflation expectations and ultimately interest rates to normal accommodative (rather than excessively sub-normal) levels.

Whitefield continues to invest in accordance with its established investment strategy, carefully seeking to emphasise stocks of better or improving quality, which are likely to deliver above average outcomes for our shareholders.

We look forward to reporting on our progress at the next quarter-end.

**ANGUS GLUSKIE**  
CHIEF EXECUTIVE OFFICER



# WHITEFIELD QUARTERLY REPORT

## QUARTER ENDED 30 JUNE 2016

### TOP 20 HOLDINGS

At 30 June 2016

	%	Value \$'000
Commonwealth Bank Of Australia	9.88%	41,519
Westpac Banking Corporation	7.60%	31,921
ANZ Banking Group Limited	5.45%	22,900
Telstra Corporation Limited	5.27%	22,124
National Australia Bank Limited	5.21%	21,893
CSL Limited	4.27%	17,920
Wesfarmers Limited	3.50%	14,698
Transurban Group	2.09%	8,764
Brambles Limited	1.86%	7,821
AGL Energy Limited	1.76%	7,388
Amcor Limited	1.74%	7,317
Westfield Corporation	1.72%	7,238
Ramsay Health Care Limited	1.62%	6,814
Sydney Airport	1.50%	6,286
ResMed Inc	1.40%	5,865
Woolworths Limited	1.35%	5,672
Aristocrat Leisure Limited	1.32%	5,526
Tatts Group Limited	1.22%	5,134
Harvey Norman Holdings Limited	1.17%	4,927
Cochlear Limited	1.05%	4,429
Cash & Cash Equivalents	0.50%	2,106