WHITEFIELD QUARTERLY REPORT

AUGUST 2017

PERFORMANCE SUMMARY

At 30 June 2017

	Last Quarter %	One Year %	Three Years % ***	Five Years %***
Before Tax Returns				
Total Portfolio	(1.331%)	11.235%	8.612%	15.301%
Benchmark*	(1.410%)	12.628%	8.835%	15.004%
After Tax Returns				
Net Asset Backing (pre deferred tax)**[1]	(1.799%)	10.871%	8.061%	15.360%
Net Asset Backing (post deferred tax)**[2]	(1.149%)	9.194%	7.257%	12.008%
Share Price	3.262%	14.259%	7.063%	16.610%

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

1 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.

2 Investment returns based on net asset backing (post-tax) represent investment returns after provisions for deferred tax liabilities and benefits at the 30% tax rate, including a provision for capital gains tax should the company's investments be realised in entirety.

FINANCIAL OUTCOMES

	3 Months to 30 Jun 17	3 Months to 30 Jun 16	% Change
Investment Revenue	$4,858,338	$4,184,200	16.1%
Profit Before Tax & Realised Gains	$3,630,317	$3,066,070	9.8%
Income Tax Benefit/(Expense)	($332,026)	($249,343)	18.4%
Profit After Tax before Realised Gains	$3,298,291	$2,816,727	17.1%
Earnings before Realised Gains Per Share	4.0cps	3.5cps	13.6%

Note: Provision for current year tax has been made at the 30% tax rate.

RESULTS COMMENTARY

The first quarter of the new financial year has seen strong growth in Whitefield's revenue and profit compared to the prior equivalent period. Profit after Tax grew by 17.1%, while earnings per share increased by 13.6%. This uplift was driven by increases in dividends and distributions from a significant majority of our investment holdings which declared dividends within the period. Of note, growth came from Aristocrat, Orica, ResMed, Sydney Airport, Transurban, Goodman Group, Macquarie Group and Stockland.

We are encouraged by this trend, however care should be taken in extrapolating the outcome of a single quarter in which only a percentage of listed companies have declared dividends. We would expect to obtain further clarity on the underlying trend in earnings growth as our financial year progresses.

The company's investment portfolio return of (1.33%) outperformed the S/P ASX 200 Industrials Accumulation Index in what was a weak quarter for equity markets generally. The company's portfolio return over the last five years equates to 15.3% per annum providing a margin of outperformance above the same index over that longer time frame.

Strong stock level returns were generated from Aristocrat, Boral, Orica, Cochlear, Suncorp, IAG, REA and CSL at the larger end of the portfolio and Flight Centre, Fisher & Paykel Healthcare, ALS, Magellan Financial, Janus Henderson, BT Investment Management and IOOF at the smaller end.

NET TANGIBLE ASSETS

At 30 June 2017

NTA (post-tax & preference shares)	$378.6 million
Ordinary Shares on Issue	84,005,607
8% Cumulative Pref. Shares (Face Value)	$23,790
Convertible Resettable Prefs. (Face Value)	$40,000,000
NTA per share (pre-tax)	$4.91
NTA per share (post-tax)	$4.51
Share Price	$4.54
(Discount)/Premium to NTA (pre-tax)	(7.54%)
(Discount)/Premium to NTA (post-tax)	0.67%

TOP 5 CONTRIBUTORS TO PERFORMANCE FOR THE QUARTER*

At 30 June 2017

	Portfolio Weight	Contribution
CSL Limited	4.02%	0.420%
Aristocrat Leisure Limited	1.04%	0.211%
Insurance Australia Group Limited	1.85%	0.197%
Orica Limited	1.21%	0.191%
Amcor Limited	1.36%	0.108%

TOP 5 DETRACTORS TO PERFORMANCE FOR THE QUARTER*

At 30 June 2017

	Portfolio Weight	Contribution
Westpac Banking Corporation	7.43%	(0.824%)
National Australia Bank Limited	6.09%	(0.549%)
ANZ Banking Group Limited	6.13%	(0.455%)
Wesfarmers Limited	3.31%	(0.401%)
Commonwealth Bank of Australia	9.78%	(0.365%)

*Contribution = weighted contribution to investment performance

SECTOR BREAKDOWN

At 30 June 2017

	Excluding Cash	Including Cash
Commercial Banks	30.89%	30.83%
Financials Excluding Banks	11.85%	11.83%
Real Estate	10.84%	10.81%
Health Care	8.89%	8.88%
Industrials	8.41%	8.39%
Consumer Staple	7.96%	7.94%
Consumer Discretionary	6.86%	6.84%
Materials	5.08%	5.07%
Telecommunication Services	4.38%	4.37%
Utilities	3.12%	3.11%
Information Technology	1.72%	1.72%
Cash & Cash Equivalents		0.21%

CHANGES TO INVESTMENT EXPOSURES

Adjustments to portfolio exposures during the quarter included:

- Increasing exposure to Aurizon, CIMIC, Bendigo Bank, NAB, GPT, Mirvac and Stockland
- Reducing exposure to the discretionary retail sector, Fletcher Building, James Hardie, Coca Cola Amatil, Qantas and Telstra
- Slight decreases in our exposures to CSL and Ramsay Healthcare

CHANGES TO COMPANY TAX RATE

It is most likely that Whitefield will be subject to the lower 27.5% company tax rate for its **2018/19** financial year, and would frank dividends based on the 27.5% tax rate from 1 Apr 2018. At such time as it moves to the lower tax rate, Whitefield's deferred tax liabilities (or assets) will reduce accordingly, and the company's net asset backing after deferred tax would equivalently increase. As an indication of the potential impact, Whitefield's asset backing after deferred tax at 30 June 2017 would have been 3 cents higher had it applied the lower 27.5% rate at that date.

The company will only be able to determine the tax rate applicable for the current **2017/18** financial year at year-end. Prior to this time Whitefield will continue to provide for tax at the 30% tax rate.

Dividends paid within the **2017/18** financial year will continue to be franked based upon the 30% tax rate, even if Whitefield is ultimately entitled to pay tax at the lower rate for that same year.

OUTLOOK

Economic growth in Australia and overseas is continuing to develop in a positive manner, notwithstanding the somewhat volatile global political climate.

Accommodative monetary policy, moderately firm asset prices, a firm level of underlying population growth and a moderate level of employment growth are all factors contributing positively to the Australian consumer at the present time. The impact of low interest rates on retiree incomes and a level of caution resulting from high house prices and debt loads however, continue to provide a partial offset against the otherwise strong trend.

A notable feature of the Australian economy at present is the strong growth in infrastructure development which has supplemented the firm but easing volume of housing construction. With many large infrastructure projects still in the planning stages, this dynamic may continue for some time.

The recent uptick in the Australian dollar is an unwanted development for Australian exporters, and has been driven by a firming of Chinese economic activity, high volumes of Australian commodity exports and in part by the market's hawkish misinterpretation of the Reserve Bank's musings on the hypothetical level of a neutral interest rate.

The imposition of the Bank Levy on major Australian banks was an unwanted development, representing an arbitrary impost on a single sector. The majority of Australians recognise the importance of a strong but fair taxation system, and the imposition of this sector-targeted tax has been justifiably questioned by many. Nevertheless the banking regulator's recent confirmation of the quality of Australian bank capital adequacy has reduced risks around further bank capital raisings.

At a global level, the European, Japanese, US and Chinese economies are all displaying either strong levels of activity or improvements relative to their recent past. This synchronisation of global growth in a positive direction has the potential to nudge global inflationary expectations higher – a development which would be generally welcomed – but which would also see interest rates push up from their currently subdued levels.

While these conditions are broadly favourable, the political instability evident in the US presents some challenges for all investment markets, including Australia. The proposed Trump policies on healthcare, taxes, government spending and international trade relations have widespread implications. The ebb and flow of Trump's political credibility consequently has the potential to destabilise investment markets over upcoming months.

We will look forward to reporting to shareholders on our half year results following the financial half year completion on 30 September.

ANGUS GLUSKIE
CHIEF EXECUTIVE OFFICER

QUARTER ENDED 30 JUNE 2017

TOP 20 HOLDINGS

At 30 June 2017

	%	Value $'000
Commonwealth Bank Of Australia	9.78%	43,922
Westpac Banking Corporation	7.43%	33,362
ANZ Banking Group Limited	6.13%	27,548
National Australia Bank Limited	6.09%	27,350
CSL Limited	4.02%	18,059
Wesfarmers Limited	3.31%	14,866
Telstra Corporation Limited	3.16%	14,177
Woolworths Limited	2.41%	10,815
Macquarie Group Limited	2.19%	9,851
Scentre Group	2.10%	9,443
AGL Energy Limited	1.86%	8,341
Insurance Australia Group Limited	1.85%	8,319
Transurban Group	1.76%	7,900
Amcor Limited	1.36%	6,098
Aurizon Holdings Limited	1.31%	5,902
CIMIC Group Limited	1.23%	5,533
Stockland	1.22%	5,462
Orica Limited	1.21%	5,452
QBE Insurance Group Limited	1.18%	5,288
Sydney Airport	1.17%	5,260
Cash & Cash Equivalents	0.21%	930