



WHITEFIELD QUARTERLY REPORT

FEBRUARY 2019

PERFORMANCE SUMMARY

At 31 December 2018

	Last Quarter %	One Year %	Three Years % ***	Five Years %***
Before Tax Returns				
Total Portfolio	(8.258%)	(4.276%)	3.602%	6.037%
Benchmark*	(8.251%)	(4.217%)	3.918%	6.201%
After Tax Returns				
Net Asset Backing (pre deferred tax)**1	(9.143%)	(6.293%)	1.945%	5.129%
Net Asset Backing (post deferred tax)**2	(6.419%)	(2.804%)	3.253%	5.249%
Share Price	(8.608%)	(10.019)	3.004%	5.112%

* 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

	9 Months to 31 Dec 18	9 Months to 31 Dec 17	% Change
Investment Revenue	\$16,030,815	\$15,721,383	1.97%
Profit Before Tax & Realised Gains*	\$12,523,023	\$12,009,139	4.23%
Income Tax Benefit/(Expense)	(\$530,276)	(\$954,362)	(44.44%)
Profit After Tax before Realised Gains*	\$11,992,747	\$11,054,776	8.48%
Earnings before Realised Gains Per Share*	13.5cps	12.7cps	6.3%

*Profit and earnings noted above exclude abnormal accounting gains on the conversion and reset of WHFPBs in November 2018

RESULTS COMMENTARY

Whitefield reports an underlying Operating Profit after Tax of \$11,992,747 for the quarter ended 31 December 2018, an increase of 8.5% on the equivalent nine months in the prior year. After allowing for increases in share capital and preference dividends, earnings per Ordinary Share increased by 6.3% to 13.5 cents.

In addition to this outcome, the company recorded a one-off accounting gain of \$722,126 on the reset of its convertible preference shares in November.

Contributors to the result included:

- Continuing breadth of distribution/dividend growth across a very significant majority of holdings;
- A small number of stocks choosing to cut dividends;
- A lower tax expense.

Portfolio investment returns for the last quarter at (8.2%) were similar to the ASX200 Industrials Accumulation Index return of (8.2%) reflecting the widespread easing in the Australian stock market over this period.

Stronger returns for the nine-months came from the company's holdings in CSL, Goodman Group, ResMed, Spark NZ, the listed REITS, Wesfarmers and Woolworths.

NET TANGIBLE ASSETS

At 31 December 2018

NTA (post-tax & preference shares)	\$392.0 million
Ordinary Shares on Issue	91,793,269
8% Cumulative Pref. Shares (Face Value)	\$23,790
Convertible Resetable Prefs. (Face Value)	\$32,338,600
NTA per share (pre-tax)	\$4.52
NTA per share (post-tax)	\$4.27
Share Price	\$4.21
(Discount)/Premium to NTA (pre-tax)	(6.86%)
(Discount)/Premium to NTA (post-tax)	(1.41%)

TOP 5 CONTRIBUTORS TO PERFORMANCE FOR THE QUARTER*

At 31 December 2018

	Portfolio Weight	Contribution
Commonwealth Bank of Australia	9.81%	0.194%
Woolworths Group Limited	2.88%	0.127%
Transurban Group Limited	1.93%	0.119%
AGL Energy Group Limited	1.56%	0.080%
Trade Me Group Limited	0.36%	0.070%

TOP 5 DETRACTORS TO PERFORMANCE FOR THE QUARTER*

At 31 December 2018

	Portfolio Weight	Contribution
ANZ Banking Group Limited	5.70%	(0.629%)
National Australia Bank Limited	5.52%	(0.560%)
CSL Limited	6.70%	(0.484%)
Wesfarmers Limited	3.28%	(0.483%)
Westpac Banking Corporation	6.54%	(0.482%)

*Contribution = weighted contribution to investment performance

SECTOR BREAKDOWN

At 31 December 2018

	Excluding Cash	Including Cash
Commercial Banks	28.91%	27.90%
Financials Excluding Banks	11.34%	10.94%
Health Care	10.89%	10.51%
Industrials	9.10%	8.78%
Real Estate	8.63%	8.33%
Consumer Discretionary	8.21%	7.92%
Consumer Staples	7.83%	7.55%
Materials	4.67%	4.50%
Communication Services	4.14%	3.99%
Utilities	3.30%	3.19%
Information Technology	2.98%	2.87%
Cash & Cash Equivalents		3.52%

CHANGES TO INVESTMENT EXPOSURES

Adjustments to portfolio exposures during the quarter included:

- Decreasing exposure to Westpac and Resmed

DIVIDENDS

Whitefield reiterates its current expectation that it will increase its final dividend payable in June 2019 to at least 10 cents per ordinary share. This expectation of company earnings and dividends is subject to there being no material or abnormal deterioration in economic and market conditions.

OUTLOOK

Recent economic and financial data has revealed a slight slowing in global economic activity. This has been most noticeable in measures of economic activity in countries outside the USA, but has also been evident within the international operations of US companies themselves.

This softening of activity would appear to be a logical consequence of the introduction of protectionist trade policies by the Trump administration, the response of other countries to those policies and the steady withdrawal of quantitative monetary policy support by central banks. These factors are likely to continue to influence the global outlook over 2019. In this regard it is worth considering that improvements in international trade relations, should they eventuate, are likely to be viewed positively by investment markets.

Favourable contributors to the Australian environment continue to be stability in employment, a low Australian dollar which is supportive for manufacturing and export industries and high levels of infrastructure development.

One of the more pertinent risks for Australia at present is the potential for residential construction activity to weaken as the result of softening house prices and the tightening of lending standards. Nevertheless, this threat may in full or part be mitigated by continuing population growth, improving affordability of house prices themselves and the recent retreat in interest rates.

While this environment carries a higher degree of uncertainty than normal, it is also notable that global equity markets are trading at cheaper levels than they have for several years on a range of valuation metrics.

UPCOMING AUSTRALIAN ELECTION AND THE ALP'S PROPOSED PROHIBITION ON FRANKING CREDIT REFUNDS

As a listed investment company representing many shareholders of differing viewpoints, we do not generally seek to comment on matters of politics. However at this time, we are compelled to comment on the Australian Labor Party's proposal to prohibit franking credit refunds for certain investors.

Whitefield and the LIC industry have been actively working across the last year to assist the ALP, politicians generally and all voters to understand the effects of such a policy. However to date the ALP has refused to meaningfully amend their proposal, despite its many apparent flaws.

Amongst other things the ALP policy would:

- **Prevent many retirees from receiving franking credit refunds**, most likely those earning between \$20,000 and \$65,000;
- **Prevent Self-Managed Super Funds** (but not public super funds) **from receiving franking credit refunds**; and
- **Cut income for those affected by as much as 30%**

While there are some allowances for those currently on Government Pensions, this policy **appears likely to result in a loss of income for more than one million Australians**, primarily low and middle income earners and SMSFs. This policy does not affect those on high marginal tax rates, nor most large super funds.

Whitefield considers that Australian tax policies should be sensible, equitable, unbiased and should embrace the fundamentally humane principle of supporting those less well-off. Accordingly we encourage all investors to educate themselves as to this policy and carefully consider:

- (a) Whether this policy is unfair. Is it inequitably biased against SMSFs and low/middle income earners?
- (b) Whether this policy will adversely affect you or your family now or in future?
- (c) Whether this is a policy that should be abandoned or changed and whether you can encourage this through your vote or your correspondence with politicians

ANGUS GLUSKIE
CHIEF EXECUTIVE OFFICER



QUARTER ENDED 31 DECEMBER 2018

At 31 December 2018

	%	Value \$'000
Commonwealth Bank Of Australia	9.81%	43,591
CSL Limited	6.70%	29,778
Westpac Banking Corporation	6.54%	29,052
ANZ Banking Group Limited	5.70%	25,340
National Australia Bank Limited	5.52%	24,509
Wesfarmers Limited	3.28%	14,581
Woolworths Group Limited	2.88%	12,782
Macquarie Group Limited	2.77%	12,307
Telstra Corporation Limited	2.52%	11,215
Transurban Group	1.93%	8,558
Insurance Australia Group Limited	1.65%	7,326
AGL Energy Limited	1.56%	6,925
Aristocrat Leisure Limited	1.40%	6,220
Suncorp Group Limited	1.32%	5,870
Goodman Group	1.32%	5,856
Amcor Limited	1.29%	5,720
Sydney Airport	1.23%	5,460
Coles Group Limited	1.20%	5,313
Scentre Group	1.18%	5,228
Computershare Limited	1.13%	5,010
Cash & Cash Equivalents	3.52%	15,630