WHITEFIELD

Quarterly Update

Issued November 2021

In an abnormal half-year, Whitefield has sought to provide consistency of dividend income to our shareholders

Earnings

Whitefield is pleased to report a net profit after tax for the half-year to September 2021 of $8,005,269. After allowing for changes in capital over this time, the result equates to Earnings Per Ordinary Share of 7.61 cents, an increase of 122% from the prior equivalent period.

This strong growth in earnings reflects a partial reversal of the dividend cuts experienced by the majority of businesses in the first six months of the pandemic during 2020.

The most material contributors to earnings growth came from companies who had heavily cut or chosen not to pay dividends in the prior year such as Fletcher Building, Seek, Ramsay, Scentre Group, CBA, Suncorp and Super Retail Group.

Dividend decreases were only experienced by a small number of entities and reflected a more generalised ebb and flow of industry specific conditions. Examples included Amcor, ASX, AGL and Spark Infrastructure.

Dividends & Dividend Outlook[a]

Whitefield has declared interim dividends on Ordinary, WHFPA and WHFPB shares, payable on 10th December 2021. The Ordinary dividend will amount to 10.25 cents per Ordinary share. These dividends will be fully franked, with 10% attributable to LIC discount capital gains.

The company also expects to be able to maintain its Ordinary dividend at this level for its full year dividend following its financial year ending March 2022.

Whitefield has maintained or increased its Ordinary share dividend for over 30 consecutive years, following the introduction of the dividend imputation system in the late 1980s.

[a] *Investors should recognise that while this dividend outlook represents the company's expectation at the present time, no dividend is certain until declared and paid. Whitefield shall consider its income, market conditions and other relevant factors prior to finalising and declaring the next dividend.*

Net Asset Backing

NET ASSET BACKING	
At 30 Sep 2021	
Net Asset Backing [NAB] (Pre Deferred Tax)	$639.5m
Ordinary Shares on Issue	110,321,833
Convertible Resettable Pref Shares (Face Value)	$32.1m
Net Asset Backing per Share (Pre-Deferred Tax)	$5.80
Net Asset Backing per Share (Post-Deferred Tax)	$5.21
Share Price	$5.67
(Discount)/Premium to NAB (Pre-Tax)	(2.19%)
(Discount)/Premium to NAB (Post-Tax)	8.82%

Financial Summary

	6 Months to 30 Sep 21	6 Months to 30 Sep 20	% Change
Revenue[1]	9,984,016	5,355,990	86.4%
Profit[1] before Tax	8,503,582	4,152,647	104.8%
Income Tax Expense	(498,313)	(275,231)	81.1%
Profit[1] after Tax	8,005,269	3,877,416	106.5%
Earnings[1,2] Per Share	7.61cps	3.43cps	121.9%

[1] *Revenue, Profit and Earnings include investment distributions and dividends but do not include movements in the value of investments or capital gains.*
[2] *Earnings Per Share reflects Net Profit After Tax and After Preference Share Dividends per Ordinary Share.*

WHITEFIELD

A structured and disciplined investment strategy consistently applied over time.

Portfolio Return

The investment portfolio generated an outright half year return of 12.8%, reflecting the widespread continuing reflation of equity market values.

Measured over a two year period, which includes both the initial COVID driven market sell-off and the subsequent market rally, portfolio returns amount to 9.2% per annum, a margin above the ASX200 Industrials Index benchmark of 8.7%.

The strong price movements in a number of stocks that were particularly influenced by corporate action or bullish Covid recovery expectations however, saw benchmark index returns slightly higher than Whitefield's portfolio over the latest six months.

Stronger returns for the six months came from investments in CBA, Macquarie Group, Suncorp, Resmed, Ramsay Healthcare, Wisetech, Ausnet Services, IDP Education, Dominos and Carsales.

Investments that detracted from outcomes across this period included Ansell, Boral, Harvey Norman and Magellan Financial.

INVESTMENT RETURNS

At 30 September 2021	One Year	Two Yr pa	Three Yr pa
Before Tax Returns			
Investment Portfolio	31.8%	9.2%	9.9%
Benchmark [ASX200 Ind XJIAI]	33.7%	8.7%	10.0%
After Tax Returns			
Net Asset Backing (Pre-Def Tax)	31.5%	7.9%	8.8%
Net Asset Backing (Post-Def Tax)	26.4%	7.8%	8.4%
Share Price	28.0%	10.9%	10.8%

Quarter Ended 30 September 2021	Portfolio Weight	Weighted Contribution to Performance
TOP 5 CONTRIBUTORS TO PERFORMANCE		
Commonwealth Bank of Australia	10.82%	0.69%
Macquarie Group Limited	3.25%	0.45%
National Australia Bank Limited	5.36%	0.31%
Sydney Airport	1.29%	0.30%
CSL Limited	7.67%	0.27%
TOP 5 DETRACTORS TO PERFORMANCE		
Magellan Financial Group Ltd	0.35%	(0.16%)
Ansell Limited	0.55%	(0.14%)
Wesfarmers Limited	3.98%	(0.13%)
Platinum Asset Management Ltd	0.38%	(0.12%)
Cochlear Limited	0.64%	(0.08%)

Changes to Investment Exposures

During the quarter adjustments to investment exposures included:

- Reducing an underweight towards the banking sector
- Increases to selected infrastructure holdings and insurers
- Reductions to selected healthcare, industrial, diversified financial and property development exposures

Investment Exposures

TOP TWENTY HOLDINGS

As at 30 September 2021	
Commonwealth Bank of Australia	10.8%
CSL Limited	7.7%
Westpac Banking Corporation	5.4%
National Australia Bank Limited	5.4%
ANZ Banking Group Limited	5.0%
Wesfarmers Limited	4.0%
Macquarie Group Limited	3.3%
Woolworths Group Limited	3.1%
Telstra Corporation Limited	2.7%
Goodman Group	2.4%
Transurban Group	2.2%
Afterpay Limited	1.8%
Aristocrat Leisure Limited	1.6%
James Hardie Industries PLC	1.6%
Sonic Healthcare Limited	1.5%
Coles Group Limited	1.3%
Sydney Airport	1.3%
QBE Insurance Group Limited	1.1%
Xero Limited	1.0%
Suncorp Group Limited	0.9%

SECTOR BREAKDOWN

As at 30 September 2021	
Commercial Banks	27.2%
Health Care	12.9%
Financials	10.3%
Consumer Discretionary	9.9%
Real Estate	8.0%
Industrials	7.6%
Consumer Staples	7.4%
Communication Services	5.5%
Information Technology	5.0%
Materials	3.2%
Utilities	1.8%
Cash & Cash Equivalents	1.2%

WHFPB Preference Share Reset

The next reset of the WHFPB preference shares occurs on 30 Nov 2021. During the last quarter WHFPB holders were offered the ability to continue to hold the security for an additional term at the new reset rate, or to convert or redeem their securities on 30 November.

The new dividend rate applicable to the WHFPBs of 3.75% gross of franking shall apply from 1 December onwards.

Market Outlook

Australia is progressing through the reopening of business, recreation and travel as the country's vaccination rate continues to climb. The restart of activity is an incremental process with differing industry segments and geographies reopening at varying times.

Construction activity has been and will remain a notable contributor to the economy in the foreseeable future. Residential developments and renovation work are exceptionally high, driven by the low interest rate environment. Infrastructure projects have been actively encouraged by government, while commercial property owners have brought forward renovation and development work.

While this widespread uplift in domestic economic activity is favourable for many listed companies, the outlook into 2022 is also dependent on a range of material external influences.

The COVID pandemic is proving to be more persistent than many expected. The slow pace of natural immunity development, the uneven vaccination rates from country to country and the prospect that the global population may require continuing regular vaccinations are daunting considerations. The potential for the virus to mutate to more or less virulent forms remains.

The political dysfunction that has emerged between China and western economies over recent years has increasingly notable economic ramifications. In particular, travel, migration, manufacturing and trade activities involving China have been affected.

The threat of climate change has also become a dominant and urgent theme for governments and business. The global response to the threat is likely to necessitate increasingly rapid changes to methods of production, sources of energy and the public approach to consumption.

These three material factors (pandemic, geo-political dysfunction and climate change) have contributed to an abnormally high degree of trade disruption. The resulting supply shortages in turn have translated into price inflation.

In this environment of rising economic activity and emerging inflation, it is inevitable that central banks will reverse quantitative easing policies, tighten monetary policy and that ultimately interest rates will progressively rise.

Accordingly, the 2022 year may be a period of significant change that produces an abnormally high divergence in the outlook for many businesses. This will create both opportunities and risks for investors.

Enterprises exposed to the emerging and changing needs of society may experience significant growth. Companies with exposure to inflating operating earnings may do better than heavily indebted businesses or those which have been reliant on asset price rises. Higher interest rates, higher risk premiums and higher inflation may need to be factored into asset valuations.

We will look forward to reporting on these developments and our outcomes in our future quarterly reports.

Angus Gluskie
Managing Director

Suite 16.01
Level 16, 68 Pitt Street
Sydney NSW 2000
Phone +61 2 8215 7900
Fax +61 2 8215 7901
whitefield.com.au
Whitefield Limited ABN 50 000 012 895