WHITEFIELD INDUSTRIALS

Quarterly Update

Issued August 2024

Revenue earned was consistent with the strong 1st quarter outcome in the prior year

Earnings

Whitefield reports a Net Profit after Tax of $4.4m for the first quarter ended 30 June 2024. This result reflects revenue which was largely consistent with the strong first quarter in the prior financial year coupled with minor expense variations compared to the prior year.

This result equated to earnings per ordinary share of 3.6 cents.

This first quarter's earnings displayed a mix of both dividend increases and decreases across the company's investment portfolio, reflecting the rising cost pressures faced by some sectors of the Australian economy, a slight softening in consumer activity as well as the general resilience of businesses with stronger competitive positions.

Notable increases in dividends were seen from Westpac, Aristocrat, Stockland, Mirvac, ResMed, Kogan and Technology One.

Financial Summary

	3 Months to 30 Jun 24	3 Months to 30 Jun 23	% Change
Revenue[1]	5,583,924	5,615,927	(0.1%)
Profit[1] before Tax	4,764,094	4,844,939	(1.7%)
Income Tax Expense	(371,709)	(377,987)	(1.7%)
Profit[1] after Tax	4,392,385	4,466,952	(1.7%)
Earnings[1,2] Per Share	3.6 cps	3.7cps	(2.4%)

[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.*

Dividend Outlook[a]

Whitefield's earnings trajectory for the 2025 year will become more clear as we move through the quarter to September. The company is increasingly close to the point where it could consider increasing its dividend, subject to achieving a further level of sustainable earnings growth and economic conditions at the time.

At this point, the company expects to maintain its own ordinary share dividend for the half year ending September 2024 at 10.25 cents. Consistent with prior years, the dividends are expected to be paid in December 2024 and be fully franked.

[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 Jun 2024 [b]	
Net Asset Backing [NAB] (Post Deferred Tax)	$607.8m
Ordinary Shares on Issue	117,398,308
Convertible Resettable Pref Shares (Face Value)	$25.0m
Net Asset Backing per Share (Pre-Deferred Tax)	$5.75
Net Asset Backing per Share (Post-Deferred Tax)	$5.18
Share Price	$5.12
(Discount)/Premium to NAB (Pre-Tax)	(10.98%)
(Discount)/Premium to NAB (Post-Tax)	(1.10%)

[b] *Asset Backing Releases after this date are made available on the company's website or ASX Announcements*

WHITEFIELD

A structured and disciplined investment strategy consistently applied over time.

Portfolio Return

The investment portfolio generated a return of 0.1% for the quarter, 17.8% across a rolling one year and 7.1%pa over the last five years.

Stronger returns in the period came from holdings in AGL, Origin, Aristocrat, Bendigo Bank, IAG, HUB24, Westpac Bank, Telix Pharmaceuticals, Promedicus, Life360 and Fisher & Paykel Healthcare.

Softer outcomes were visible in the consumer, building products and REIT sectors including Super Retail, Harvey Norman, James Hardie, Fletcher Building, Reece, Vicinity Centres, Mirvac, Stockland, GPT and Scentre Group.

INVESTMENT RETURNS

At 30 June 2024	One Qtr	One Yr	Five Yr pa
Portfolio Returns			
(Before Tax, Cost, Franking)			
Investment Portfolio	0.1%	17.8%	7.1%
Benchmark [ASX200 Ind XJIAI]	0.3%	17.8%	7.1%
Shareholder Returns			
(After Tax, Cost, Gross of Franking Credits)			
Net Asset Backing (Pre-Def Tax)	0.7%	18.8%	7.8%
Share Price	(0.1%)	5.3%	6.9%

CONTRIBUTION TO RETURN

Quarter Ended 30 June 2024	Portfolio Weight	Weighted Contribution to Performance
Top 5 Contributors		
Ramsay Health Care Limited	0.1%	0.1%
Orora Limited	0.0%	0.0%
Aristocrat Leisure Limited	0.1%	0.0%
Seek Limited	0.2%	0.0%
ASX Limited	0.3%	0.0%
Top 5 Detractors		
Kogan.com Limited	0.3%	(0.1%)
Eagers Automotive Limited	0.1%	(0.1%)
oOh Media Limited	0.3%	(0.1%)
Super Retail Group Limited	0.4%	(0.1%)
Life 360 Inc.	0.0%	(0.1%)

Investment Exposures

At quarter-end the company maintained overweight exposures to heavy industrial, finance and real estate investment sectors.

During the quarter adjustments to investment exposures included:

- Increasing exposure to stocks in the finance, real estate investment, heavy industrial, healthcare and insurance sectors.
- Decreasing exposure to stocks in the consumer staple, consumer discretionary, utilities, materials, and information technology sectors

TOP TWENTY HOLDINGS

As at 30 June 2024	
COMMONWEALTH BANK OF AUSTRALIA	11.8%
CSL LIMITED	7.6%
NATIONAL AUSTRALIA BANK LIMITED	6.2%
WESTPAC BANKING CORPORATION	5.3%
ANZ BANKING GROUP LIMITED	4.8%
WESFARMERS LIMITED	4.1%
MACQUARIE GROUP LIMITED	3.7%
GOODMAN GROUP	3.4%
WOOLWORTHS GROUP LIMITED	2.2%
TELSTRA CORPORATION LIMITED	2.2%
ARISTOCRAT LEISURE LIMITED	2.0%
TRANSURBAN GROUP	2.0%
QBE INSURANCE GROUP LIMITED	1.6%
COLES GROUP LIMITED	1.4%
BRAMBLES LIMITED	1.4%
COCHLEAR LIMITED	1.4%
XERO LIMITED	1.3%
ORIGIN ENERGY LIMITED	1.3%
JAMES HARDIE INDUSTRIES PLC	1.2%
SCENTRE GROUP	1.2%

SECTOR BREAKDOWN

As at 30 June 2024	
Financials	41.0%
Health Care	12.0%
Consumer Discretionary	9.9%
Industrials	9.4%
Real Estate	9.0%
Consumer Staples	5.7%
Communication Services	4.0%
Information Technology	3.8%
Materials	2.3%
Utilities	2.0%
Cash & Cash Equivalents	1.0%

Market Outlook

Economic growth in Australia continues to be buoyed by strong population growth and high rates of employment. The Australian population has been growing at 2.5% per annum, while employment expanded by 2.8% over the year to June 24.

The consequent strength of demand stemming from these influences can particularly be seen in the steady growth in public infrastructure such as roads, communication services, energy transmission, education, healthcare and housing. The need for expanded services in each of these areas is strong now and is likely to continue for many years.

While this demand growth is generally favourable for business activity, businesses and consumers must also contend with inflation which is currently running at 3.6%.

Businesses are facing higher production costs for raw materials, energy, services and labour and are seeking to offset this by raising the prices they charge to customers.

Consumers on the other hand, must not only meet these higher costs of goods and services, but are also faced with higher costs of housing – whether through higher rents or higher mortgage costs. One understandable consequence of this pressure is for wage earners to seek compensatory wage increases, an outcome which is being reflected in average weekly earnings growth of approximately 4%pa in each of the last two years.

A second consequence is the switching of consumer spending towards items viewed as essential and away from discretionary or less favoured items. This differentiation between stronger and weaker consumer products and services has become increasingly evident in the recent results of many businesses.

In this environment policymakers must grapple with the conflicting requirement to both support consumers and economic growth while discouraging excessive inflation. Because these objectives potentially conflict, we consider it most likely that central banks will maintain official interest rates close to current levels (either leaving rates stable or making small adjustments only).

We would contend that a relatively stable interest rate outlook would be favourable over the medium and longer term for consumers and businesses.

Notable risks to the outlook at the present time include the elevated level of global military and trade conflict, the potential for sticky inflation data to frustrate central bank policy and the risk of consumer weakness being greater than expected.

The Whitefield portfolio remains tilted towards a balance of stocks and sectors offering greater resilience than others in this environment. We continue to favour those businesses with stronger competitive positions in the markets in which they operate – an attribute of increasing importance in challenging economic conditions.

We look forward to reporting to investors following the half year end in September.

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