WHITEFIELD INDUSTRIALS

Quarterly Update

Issued February 2024

Profit after tax amounted to $14.3m for the nine months, being 10% higher than the prior year result

Earnings

Whitefield reports a profit after tax for the nine months ended 31 December 2023 of $14,335,845. This outcome represents an increase of 10% compared to the equivalent nine months in the prior financial year.

After allowing for increases in capital across the year, the result translates to earnings per ordinary share for the nine-months of 11.9 cents, an increase of 5.7% compared to the prior year equivalent.

Stronger earnings growth in the December quarter was evident in three of the major banks – ANZ, NAB and Westpac. Over the same period the emerging softness in economic conditions resulted in cuts to dividends from investment bank Macquarie Group, property trusts and some stocks within the retail, chemicals and fertiliser sectors.

Financial Summary

	9 Months to 31 Dec 23	9 Months to 31 Dec 22	% Change
Revenue[1]	17,604,035	15,998,990	10.0%
Profit[1] before Tax	15,472,811	13,866,489	11.6%
Income Tax Expense	(1,136,965)	(840,451)	35.3%
Profit[1] after Tax	14,335,845	13,026,038	10.0%
Earnings[1,2] Per Share	11.9cps	11.2cps	5.7%

[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.

Dividends[a]

Whitefield expects to maintain its fully franked half year dividends of 10.25 cents per Ordinary Share and 131.25 cents per WHFPB for the next half yearly dividend in June 2024.

[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 31 Dec 2023[b]	
Net Asset Backing [NAB] (Post Deferred Tax)	$571m
Ordinary Shares on Issue	117,006,291
Convertible Resettable Pref Shares (Face Value)	$25m
Net Asset Backing per Share (Pre-Deferred Tax)	$5.36
Net Asset Backing per Share (Post-Deferred Tax)	$4.88
Share Price	$5.06
(Discount)/Premium to NAB (Pre-Tax)	(5.5%)
(Discount)/Premium to NAB (Post-Tax)	3.7%

[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 8.1% for the quarter and 9.1% for the 9 months of the financial year to date to December 2023.

Equity market returns in November and December were particularly strong, in a period where the headline inflation rate subsided from its prior highs and bond yields fell.

Stronger returns in the quarter came from holdings in James Hardie, CSR, Super Retail Group, the property trust sector, Seek, REA and Cochlear.

Less favourably performing stocks included Treasury Wines, Endeavour Group, ResMed and Qantas.

This very sharp rally in the market saw many small capitalisation stocks that rate unfavourably on earnings metrics bounce rapidly in price – an outcome which at least temporarily benefits benchmark indexes relative to Whitefield's portfolio. (Whitefield typically holds an underweight exposure towards businesses with less favourable earnings metrics). This same positioning benefitted Whitefield's investment return performance relative to market in the subsequent January month.

INVESTMENT RETURNS

At 31 December 2023	9 Mths FYTD	Five Yr pa	Ten Yr pa
Before Tax Returns			
Investment Portfolio	9.1%	8.5%	7.3%
Benchmark [ASX200 Ind XJIAI]	9.6%	8.7%	7.4%
After Tax & Cost Returns			
Net Asset Backing (Pre-Def Tax)	8.7%	7.7%	6.4%
Net Asset Backing (Post-Def Tax)	7.5%	7.3%	6.2%
Share Price	2.9%	7.9%	6.5%

RETURN ATTRIBUTION

Quarter Ended 31 December 2023	Portfolio Weight	Stock Return For QTR	Impact on Performance vs Benchmark
Top 5 Contributors			
Super Retail Group Limited	0.4%	31.5%	0.05%
AMP Limited	<0.1%	(25.9%)	0.03%
Helia Group Limited	0.3%	24.6%	0.03%
Scentre Group	1.3%	21.5%	0.03%
Collins Foods Limited	0.3%	23.7%	0.03%
Top 5 Detractors			
Neuren Pharmaceuticals	0.1%	125.8%	(0.10%)
Jumbo Interactive Limited	0.2%	(10.3%)	(0.04%)
Brambles Limited	1.4%	(5.0%)	(0.03%)
Reece Limited	0.1%	20.2%	(0.03%)
QBE Insurance Group	1.5%	(5.7%)	(0.03%)

Investment Exposures

At quarter-end the Company maintained overweight exposures to the property, finance, insurance and consumer discretionary sectors and an underweight to infrastructure, diversified financials and healthcare.

TOP TWENTY HOLDINGS

As at 31 December 2023	
COMMONWEALTH BANK OF AUSTRALIA	11.4%
CSL LIMITED	8.1%
NATIONAL AUSTRALIA BANK LIMITED	5.8%
WESTPAC BANKING CORPORATION	4.8%
ANZ GROUP HOLDINGS LIMITED	4.8%
MACQUARIE GROUP LIMITED	3.9%
WESFARMERS LIMITED	3.8%
WOOLWORTHS GROUP LIMITED	2.9%
TELSTRA GROUP LIMITED	2.8%
GOODMAN GROUP	2.7%
TRANSURBAN GROUP	2.3%
ARISTOCRAT LEISURE LIMITED	1.9%
QBE INSURANCE GROUP LIMITED	1.5%
JAMES HARDIE INDUSTRIES PLC	1.5%
BRAMLBES LIMITED	1.4%
COLES GROUP LIMITED	1.4%
COCHLEAR LIMITED	1.3%
SCENTRE GROUP	1.3%
SUNCORP GROUP LIMITED	1.2%
SONIC HEATHCARE LIMITED	1.1%

SECTOR BREAKDOWN

As at 31 December 2023	
Financials	39.3%
Health Care	12.3%
Consumer Discretionary	9.6%
Real Estate	9.1%
Industrials	8.9%
Consumer Staples	6.4%
Communication Services	5.2%
Materials	3.3%
Information Technology	3.0%
Utilities	1.8%
Cash & Cash Equivalents	1.2%

Market Outlook

While economic growth has slowed in the second half of 2023, global and Australian business conditions remain mildly positive at this time.

Australian employment has so far remained firm and unemployment is low. Government, healthcare and education services are increasing. Residential, commercial and infrastructure construction works are continuing.

Notwithstanding these positive influences, consumers are increasingly faced with higher costs of living and businesses with higher costs of operation.

Costs of food, services, travel, rent and mortgage interest are all materially higher than in prior years. This pressure on the consumer has translated into lower volumes of retail sales and some increases in mortgage arrears.

Rising costs of operation for businesses coupled with the prospect of lower consumer demand have seen decreases in discretionary business spending and growing caution in hiring new staff.

As we move forward into 2024, the ongoing transition of borrowers to current interest rates (from the lower levels of prior years) will continue to weigh on consumer spending. The passing of time however will increasingly see the consumer benefitting from the recently announced tax cuts, a growing level of wage increases (many of which have already been announced) and falls in some areas of cost (such as energy prices and volatile food items).

The recent falls in headline inflation have also had the benefit of decreasing the pressure on central banks to further tighten monetary policy.

This mixed outlook which contains a blend of positives and negatives may create an environment across 2024 where interest rates are relatively stable (fluctuating within a limited range) and where economic activity progresses at mildly positive rates.

While the lower headline inflation rate of recent months is encouraging, the influence of steadily rising wages and its flow on to the pricing of goods and services is a persistent and ongoing process. Accordingly we continue to consider it likely that medium term inflation and interest rates will remain at levels over future years that are higher than the particularly low levels evident across the last decade.

Risks for investment markets at the present time include the continuing trade, political and military unrest and dispute in eastern Europe, the middle east and Asia. The maturing of China's economic growth profile and its ability to digest any excesses of production and debt also remains an area of potential uncertainty over the next year.

We will look forward to reporting to investors on our full year outcome subsequent to our financial year end at 31st March 2024.

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Managing Director

IMPORTANT INFORMATION

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