# Quarterly Update

Issued November 2022

# Half year dividend maintained and portfolio returns above benchmark in a volatile period for markets

## Earnings

In Whitefield's 100th year of operation, the Company is pleased to report a Net Profit after Tax of $8.544m for the half year ended 30 September 2022. This represents an increase of 6.7% on the equivalent half in the prior year.

After allowing for increases in capital across the year, earnings per ordinary share [EPS] amounted to 7.4 cents a 1.4% increase over the equivalent six months in the prior year.

We were encouraged to see dividend and distribution increases continuing to be evident in over 50% of the Company's investment holdings with notable increases from Origin Energy, Aristocrat, Orica, WiseTech, JB Hi- Fi, Computershare, Atlas Arteria, Treasury Wines and Transurban.

This growth in income was partly offset by reductions in dividends from general insurers and companies that had previously benefitted from COVID lockdowns. Changes to our portfolio holdings and the consequent timing of our dividend receipts had the influence of slightly reducing income recognised in the half year.

## Financial Summary

| | 6 Months to 30 Sep 22 | 6 Months to 30 Sep 21 | % Change |
|---|---|---|---|
| Revenue[1] | 10,490,125 | 9,984,016 | 5.1% |
| Profit[1] before Tax | 9,031,244 | 8,503,582 | 6.2% |
| Income Tax Expense | (486,807) | (498,313) | (2.3%) |
| Profit[1] after Tax | 8,544,437 | 8,005,269 | 6.7% |
| Earnings[1,2] Per Share | 7.4cps | 7.3cps | 1.4% |

[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.*

## Dividends[a]

Whitefield has declared fully franked half year dividends of 10.25 cents per Ordinary Share and 131.25 cents per WHFPB. Dividends are payable on 12 December 2022.

At this time the Company expects to maintain its Ordinary Share dividend at this rate for the subsequent dividend in June 2023.

[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 2022 [b] | |
| Net Asset Backing [NAB] (Post Deferred Tax) | $500m |
| Ordinary Shares on Issue | 111,308,503 |
| Convertible Resettable Pref Shares (Face Value) | $25m |
| Net Asset Backing per Share (Pre-Deferred Tax) | $4.79 |
| Net Asset Backing per Share (Post-Deferred Tax) | $4.49 |
| Share Price | $5.21 |
| (Discount)/Premium to NAB (Pre-Tax) | 8.8% |
| (Discount)/Premium to NAB (Post-Tax) | 16.1% |

[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 (11.3%) for the half year, ahead of the ASX200 Industrials Index benchmark return of (11.6%).

Portfolio returns over the last 3 years are 1.2%pa, again ahead of the benchmark index return of 0.7%pa.

The negative outright return across this half year reflected the weakness across Australian and global share markets driven by rising inflation, interest rates and the Russian-Ukrainian conflict.

Stronger returns in the period came from holdings in Atlas Arteria, Amcor, Brambles, Treasury Wines, CSL ResMed, IPH and NIB Holdings.

Poorer performers in this environment included property trusts, consumer discretionary, non-bank financials and technology. Whitefield benefitted relative to the benchmark index from its underweight exposure to selected stocks in these sectors - notably those with more fragile business models.

### INVESTMENT RETURNS

| At 30 September 2022 | 6 Mths FYTD | One Yr | Three Yr pa |
|---|---|---|---|
| **Before Tax Returns** | | | |
| Investment Portfolio | (11.3%) | (13.3%) | 1.2% |
| Benchmark [ASX200 Ind XJIAI] | (11.6%) | (13.5%) | 0.7% |
| **After Tax & Cost Returns** | | | |
| Net Asset Backing (Pre-Def Tax) | (12.3%) | (14.3%) | (0.1%) |
| Net Asset Backing (Post-Def Tax) | (8.8%) | (10.3%) | 1.4% |
| Share Price | (3.5%) | (4.6%) | 5.4% |

### CONTRIBUTION TO RETURN

| Quarter Ended 30 September 2022 | Portfolio Weight | Weighted Contribution to Performance |
|---|---|---|
| **Top 5 Contributors** | | |
| Qantas Airways Limited | 0.57% | 0.06% |
| A2 Milk Company Limited | 0.24% | 0.04% |
| Insurance Australia Group Limited | 0.68% | 0.04% |
| WiseTech Global Limited | 0.63% | 0.03% |
| IDP Education Limited | 0.33% | 0.02% |
| **Top 5 Detractors** | | |
| Commonwealth Bank of Australia | 10.96% | (1.45%) |
| CSL Limited | 9.97% | (0.91%) |
| Transurban Group Limited | 2.71% | (0.81%) |
| Woolworths Group Limited | 3.24% | (0.80%) |
| National Australia Bank Limited | 6.80% | (0.74%) |

## Investment Exposures

At quarter-end the Company maintained overweight exposures to consumer staples, chemicals, banks, industrials and healthcare sectors.

During the quarter adjustments to investment exposures included:

- Increasing exposure to selected stocks in the industrials, consumer discretionary, insurance, chemicals, technology and healthcare sectors.
- Decreasing exposure to selected holdings in the diversified financials, property, agriculture and banking sectors

### TOP TWENTY HOLDINGS

| As at 30 September 2022 | |
|---|---|
| COMMONWEALTH BANK OF AUSTRALIA | 11.0% |
| CSL LIMITED | 10.0% |
| NATIONAL AUSTRALIA BANK LIMITED | 6.8% |
| WESTPAC BANKING CORPORATION | 5.3% |
| ANZ BANKING GROUP LIMITED | 4.9% |
| WESFARMERS LIMITED | 3.5% |
| MACQUARIE GROUP LIMITED | 3.3% |
| WOOLWORTHS GROUP LIMITED | 3.2% |
| TELSTRA CORPORATION LIMITED | 3.2% |
| TRANSURBAN GROUP | 2.7% |
| GOODMAN GROUP | 1.9% |
| COLES GROUP LIMITED | 1.6% |
| ARISTOCRAT LEISURE LIMITED | 1.3% |
| BRAMBLES LIMITED | 1.3% |
| QBE INSURANCE GROUP LIMITED | 1.2% |
| RESMED INC | 1.1% |
| COMPUTERSHARE LIMITED | 1.1% |
| AMCOR PLC | 1.0% |
| SONIC HEALTHCARE LIMITED | 1.0% |
| SUNCORP GROUP LIMITED | 0.9% |

### SECTOR BREAKDOWN

| As at 30 September 2022 | |
|---|---|
| Financials | 38.1% |
| Health Care | 14.6% |
| Consumer Discretionary | 8.2% |
| Industrials | 8.1% |
| Real Estate | 7.6% |
| Consumer Staples | 7.6% |
| Communication Services | 5.3% |
| Materials | 4.0% |
| Information Technology | 3.8% |
| Utilities | 1.6% |
| Cash & Cash Equivalents | 1.0% |

## Market Outlook

Global investment markets in 2022 have been dominated by a strong rise in inflation and a consequent rise in interest rates.

Sanctions on Russian exports, COVID trade disruptions and the transition to sustainable energy have all contributed to shortages and significant price rises of energy and raw materials.

In response, interest rates in many countries have risen strongly from their prior multi-decade lows as central banks have tightened monetary policy and reversed their quantitative easing strategies.

The first impacts of rising rates are now becoming visible in slower consumer spending, slower business activity growth and a downwards adjustment in the value of rate-sensitive investment assets.

The 2023 year may see both:

- an easing of the temporary drivers of inflation and a slowing in central bank rate rises (developments which would be welcomed by investment markets); and
- a broadening of the more persistent drivers of inflation as higher materials, labour and interest costs cycle into higher wage demands and higher prices of manufactured goods and services.

This environment is likely to exhibit characteristics of stagflation with some easing in consumer spending and business activity coupled with a level of ongoing wage and cost inflation.

Developments in the Ukraine-Russian conflict or other geo-political disputes are unpredictable and will continue to create an abnormal level of uncertainty for investors. A favourable resolution of these conflicts would be viewed as deflationary and ongoing dispute inflationary.

In these higher inflation, higher interest rate conditions it is increasingly important to hold exposure to businesses capable of maintaining their profit margins and delivering a growing stream of income that matches or exceeds the rate of cost inflation.

Generally businesses in strong competitive positions, providing highly necessary goods or services will be better positioned to do this. Accordingly we continue to orient Whitefield's investment portfolio towards those businesses we believe will prosper in these conditions.

While we were encouraged to see earnings and dividend growth across many stocks within the Company's investment portfolio in the last half year, we are keen to see this trend broaden across a larger part of the portfolio as we move further beyond the COVID disrupted financial years of 2021 and 2022.

## Reflecting on 100 Years of Operation

Recent market volatility is an understandable by-product of the rapid economic change currently being experienced around the world. It is a reminder that change occurs frequently and in some cases that change may be significant.

Whitefield adopts a diverse portfolio structure and a strategy of progressively orienting its investments towards those businesses offering an ability to generate sustainable income into the future.

These fundamentals have been important contributors to the durability of the company across the many economic environments Whitefield has experienced over the last 99 years.

We now look forward to reporting on our outcomes as we progress through the second half of our 100th year of continuous operation in 2023.

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Managing Director



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