



CHAIRMAN'S ADDRESS

96th Annual General Meeting of Shareholders

Tuesday, 6 August 2019

Welcome to Whitefield's 96th Annual General Meeting.

I am pleased to report that Whitefield delivered an underlying Operating Profit after Tax of \$18,691,244 for the year ended 31st March 2019. In addition, the company recorded (a) a gain of \$714,914 representing the net write-back of the unused conversion discount on the reset of the company's preference shares and (b) a net after tax revaluation of investments of \$9,844,332.

After allowing for increases in share capital across the year, the Operating Profit after Tax represented Earnings Per Ordinary Share of 18.46 cents (excluding the gain on the reset of preference shares) an increase of 3.8% compared to the prior year. Earnings Per Ordinary Share including the gain amounted to 19.26 cents.

In terms of investment income, this outcome reflected a widespread level of dividend growth across a majority of the investment portfolio, with approximately 75% of investments maintaining or increasing their dividend, combined with cuts to dividends from a small number of stocks including Telstra, AMP and TPG.

The combination of investment income and the positive revaluation of investments amounted to a total investment return on the company's investment portfolio of 7.9%. Notable contributors to return over the year included CSL, Wesfarmers, Macquarie Group, Goodman Group, Woolworths, Transurban, QBE, GPT, Telstra, Mirvac, Charter Hall Group, Brambles, ASX, Magellan Financial and IAG. The return achieved was slightly below the 8.4% return of the ASX Industrials Accumulation Index over the year with Whitefield's slightly higher exposure to Boral, Ramsay Healthcare, Brambles and Metcash in the first quarter of the year the differentiating factor.

The company declared total ordinary dividends of 19.75 cents per share fully franked (up from 17.75 cents in the prior year), and the final June dividends for both ordinary and preference shareholders carried the LIC Discount CGT Status entitling eligible shareholders to a tax deduction representing the applicable CGT discount.

During the year the company's convertible resettable preference shares reached their first reset date. We consider that the reset process provided a positive outcome for both preference and ordinary shareholders. Ongoing preference shareholders will receive the benefit of a stable security face value and fully franked dividends equating to 5.75% gross of franking until the next reset date. The reset also provides the incidental benefit to ordinary shareholders of increasing the residual income available for the payment of ordinary dividends.

Within the year Chairman David Iliffe and director Martin Fowler retired after many years of service. I thank them both for their commitment, skill and efforts over such an extended period. David had been on the Whitefield Board since 1990 and had contributed extensively to the oversight of company operations and the mentoring and development of executives and board members.

Following their departure, Jenelle Webster joined the Whitefield Board. She brings strong credentials and significant experience in the fields of audit, financial services and corporate governance.

The 2019 year was dominated by the political debate around franking credit refunds, and we were pleased to see this proposal ultimately abandoned. Dividend imputation is designed to apply a taxpayer's marginal rate of tax to company earnings. Higher rate taxpayers pay additional tax on dividends, while lower rate taxpayers receive a credit for the excess of tax that has already been paid. The franking credit refund is the mechanism that redistributes the additional tax collected from higher rate taxpayers back to low rate taxpayers including retirees and SMSFs. Prohibiting this redistribution of wealth to low rate taxpayers would not have been a sensible policy.

As we look to 2020 and beyond, we remain encouraged by Australia's economic position as a desirable place to live, with above average affluence and relatively stable government. Our largest concern for the future relates to the continued lowering of interest rates, which we view as a well-meaning but misguided policy. Reducing rates to ultra-low levels hurts the economy by lowering retiree incomes and excessively raising asset prices (and consequently debt levels). Furthermore, every rate cut that now occurs creates the need for larger increases in interest rates in future. Strategically it may be better to steadily and slowly raise rates in conjunction with fiscal policies to raise wages. If done in a slow and balanced way this would see income and spending rise while protecting asset values and lowering debt levels over time.

Whitefield will continue to invest across the next year in accordance with our disciplined investment framework, and we look forward to reporting to shareholders as the financial year progresses.

Angus Gluskie
Managing Director and (Interim) Chairman