WHITEFIELD

Quarterly Update

Issued February 2021

The strength of dividend upgrades in early 2021 provides further support for Whitefield's own final dividend in June.

Earnings

Whitefield reports a net profit after tax for the nine months to December 2020 of $5,636,087, a decrease of 58% from the equivalent nine months in the prior year.

This result reflects the widespread dividend cuts across listed companies resulting from the COVID19 pandemic.

Dividend reductions were most prevalent in the first three months of the financial year (Apr to Jun), and less in the subsequent 6 months. Dividend reductions in Whitefield's portfolio were less severe than the reduction experienced by the benchmark index.

This result equates to Earnings Per Ordinary Share of 4.9 cents, a decrease of 64% from the prior equivalent period.

Holdings within the investment portfolio that displayed notable resilience in distribution included Aurizon, Magellan Financial, Charter Hall Group, APA Group, Wesfarmers, Dexus, CSL, Resmed, JB Hi-Fi, Austal and Fisher & Paykel Healthcare.

Larger cuts in dividends were evident in Lend Lease, the major banks, Suncorp, QBE, Aristocrat, Coca Cola Amatil, Transurban, GPT and Vicinity Centres.

Financial Summary

	9 Months to 31 Dec 20	9 Months to 31 Dec 19	% Change
Revenue[1]	7,863,721	16,083,999	(51.1%)
Profit[1] before Tax	6,094,667	14,344,685	(57.5%)
Income Tax Expense	(458,580)	(821,739)	(44.2%)
Profit[1] after Tax	5,636,087	13,522,946	(58.3%)
Earnings[1,2] Per Share	4.92cps	13.63cps	(63.9%)

[1] Revenue, Profit and Earnings include investment distributions and dividends but do not include movements in the value of investments or capital gains, nor do they include an abnormal gain on the reset of preference shares in the prior year.
[2] Earnings Per Share reflects Net Profit After Tax and After Preference Share Dividends per Ordinary Share.

Dividends & Dividend Outlook[a]

Whitefield's next half yearly dividends will be payable in June 2021.

Based on our deep pool of reserves accumulated over many decades, and the encouraging uplift in dividend announcements in early 2021, Whitefield is confident in its ability to maintain and pay its Ordinary and Preference dividends at the same rate as that paid in December 2020. Dividends are expected to 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 31 Dec 2020	
Net Asset Backing [NAB] (Post Deferred Tax)	$440.25m
Ordinary Shares on Issue	96,298,506
Convertible Resettable Pref Shares (Face Value)	$32.1m
Net Asset Backing per Share (Pre-Deferred Tax)	$5.00
Net Asset Backing per Share (Post-Deferred Tax)	$4.57
Share Price	$5.31
(Discount)/Premium to NAB (Pre-Tax)	6.2%
(Discount)/Premium to NAB (Post-Tax)	16.2%

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A structured and disciplined investment strategy consistently applied over time.

Portfolio Return

The investment portfolio generated a nine month return of 23.6%, reflecting the strong rebound in market values from the lows experienced early in the pandemic at our year-end of 31 March 2020.

Portfolio returns for the nine months were lower than the benchmark ASX200 Industrials Index, reflecting our higher cash holdings across this period. This positioning, coupled with stock selection, however provided a material benefit compared to the market across the rolling 12 months with the company's 1 year return being 1.5% better than benchmark over that time frame.

In a quarter during which positive news emerged as to the development of COVID vaccines, stronger returns were visible in Afterpay, Xero, Coca Cola Amatil, REA Group, Seek, the major banks and retail property trusts.

Lower returning stocks within the quarter included A2 Milk, AGL, ASX, Aurizon, Ramsay Healthcare, Magellan, Cochlear, APA Group, Sonic Healthcare and Transurban.

INVESTMENT RETURNS

At 31 December 2020	One Qtr	One Yr	Five Yr pa
Before Tax & Expenses			
Investment Portfolio	11.4%	1.2%	6.4%
Benchmark [ASX200 Ind XJIAI]	12.6%	(0.3%)	6.5%
After Tax & Expenses			
Net Asset Backing (Pre-Def Tax)	11.1%	(0.7%)	4.9%
Net Asset Backing (Post-Def Tax)	8.4%	(0.0%)	5.1%
Share Price	17.8%	7.1%	8.4%

Quarter Ended 31 December 2020	Portfolio Weight	Weighted Contribution to Performance
TOP 5 CONTRIBUTORS TO PERFORMANCE		
Commonwealth Bank of Australia	10.26%	2.38%
ANZ Banking Group Ltd	4.63%	1.20%
National Australia Bank Ltd	5.34%	1.18%
Westpac Banking Corporation	4.75%	0.75%
Wesfarmers Limited	4.41%	0.56%
TOP 5 DETRACTORS TO PERFORMANCE		
a2 Milk Company Ltd.	0.58%	(0.13%)
ASX Limited	0.95%	(0.11%)
Aurizon Holdings Ltd	0.88%	(0.09%)
Austal Limited	0.06%	(0.08%)
AGL Energy Limited	0.51%	(0.08%)

During the quarter adjustments to investment exposures included:

- A decrease in cash holdings and an increase in our equity holdings
- Increases in exposure to Banking, Property Investment, Consumer Discretionary, Healthcare and Infrastructure sectors
- Decreases in exposure to general Industrial, Consumer Staple, Insurance, Property Development, Technology and Chemical sectors

Investment Exposures

TOP TWENTY HOLDINGS

As at 31 December 2020	
Commonwealth Bank of Australia	10.26%
CSL Limited	8.47%
National Australia Bank Limited	5.34%
Westpac Banking Corporation	4.75%
ANZ Banking Group Limited	4.63%
Wesfarmers Limited	4.41%
Woolworths Group Limited	3.71%
Macquarie Group Limited	3.19%
Telstra Corporation Limited	2.40%
Transurban Group	2.38%
Coles Group Limited	2.15%
Goodman Group	2.13%
Sonic Healthcare Limited	1.64%
Afterpay Limited	1.41%
Aristocrat Leisure Limited	1.34%
Brambles Limited	1.21%
Sydney Airport	1.17%
Xero Limited	1.16%
James Hardie Industries PLC	1.15%
APA Group	1.15%

SECTOR BREAKDOWN

As at 31 December 2020	
Commercial Banks	25.68%
Health Care	13.89%
Financials	9.81%
Consumer Discretionary	9.75%
Real Estate	8.90%
Industrials	8.46%
Consumer Staples	7.93%
Communication Services	5.63%
Information Technology	4.45%
Utilities	2.12%
Materials	2.11%
Cash & Cash Equivalents	1.27%

Market Outlook

Global and domestic macro-economic indicators have displayed some improvements in the latter months of 2020. Manufacturing and service industry activity have increased. Employment levels have slowly improved and consumer spending continues to be buoyed by the redirection of cash flow previously spent on travel.

These trends, coupled with a widespread anticipation of an emerging recovery, have been reflected in strong forward expectations of earnings growth for Australian and overseas listed companies.

Against this, the surge in global COVID cases during December has necessitated additional lockdowns and constraints in many countries, and the effects of this further disruption will be evident in economic activity levels at the start of the 2021 year.

The emergence of a small number of vaccines with high efficacy in November/December was extremely significant for investment markets, as it confirmed that a viable pathway towards an ultimate pandemic resolution would be increasingly likely.

The practical complexities around vaccine development and rollout however, have also become more evident. The efficacy of several other vaccine candidates has been far less than expected. Manufacturing, distribution and achievement of adequate levels of immunity on a wide scale appear likely to take some time. The potential for the virus to mutate remains a persistent threat.

The establishment of a new presidency and administration in the United States in early 2021 has also been a constructive development. It will be important to see the US now rebuild stability, consistency and rationality in its financial and economic policies, and further to replace the political polarisation and disfunction of recent years with a more collaborative and bipartisan approach.

The extremely low levels of short term interest rates remain problematic. Low rates have the benefit of lessening the time and carry cost of borrowings and accordingly have assisted businesses, government and consumers to ride out the period of pandemic disruption.

Less favourably, these ultra low rates materially distort the relationship between returns from capital and income. In this environment investors in all asset types (whether homes, bonds or businesses) are being offered a negligible level of income in return for the taking of an exceptionally high level of capital risk. This is an unattractive trade-off.

In aggregate we are hopeful that the emergence of successful vaccines will lead to some progressive improvement in activity levels across the 2021 year. We would hope to see this increasingly reflected in listed share earnings and dividends. This path to recovery however is not straightforward and the risk of delay is high.

We will look forward to reporting to investors on our progress following the close of our financial year in March and as the new financial year progresses.

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