

CHAIRMAN'S ADDRESS

98th Annual General Meeting of Shareholders

Thursday, 5 August 2021

Welcome to Whitefield's 2021 Annual General Meeting.

2021 Results & Dividend

The company generated an operating profit after tax of \$9.8m, which equated to earnings per ordinary share of 8.97 cents, a notable decrease from the prior year.

This income fall reflects the very widespread cuts and cancellations of dividends across the market as a result of the pandemic. Roughly 2/3rds of our investments decreased dividends while 1/3rd maintained or increased them. Our portfolio experienced a revenue fall of 40%, which was moderately better than the 46% fall in revenue experienced by the benchmark index.

In addition to those earnings, which make up our accounting net profit, Whitefield also generated a further \$104m of pre-tax revaluation gains, representing the large upswing in the market since the March 2020 lows one year ago.

Whitefield's portfolio generated an investment return of 29.6% over the year, however a more accurate picture can be seen if this measurement is extended over a longer period to include both the market fall and subsequent recovery. The portfolio generated returns of 6.2%pa (13 months), 8.7%pa (2 years) and 8.4%pa (3 years), with returns over each of those periods exceeding the company's benchmark index.

Whitefield's own dividends to shareholders were maintained at 10.25 cents per six months per ordinary share and 201.25 cents per WHFPB preference share. All dividends were fully franked.

This is the 31st consecutive year in which ordinary share dividends have been maintained or increased.

Whitefield has sufficient reserves that in the majority of circumstances it would be able to continue to maintain its ordinary share dividend at this level while underlying earnings recover. That of course, comes with the important proviso that economies and markets are unpredictable, and in exceptionally adverse circumstances we would reconsider our position.

Commentary on the company's 2021 Share Purchase Plan and recent Placement

Whitefield has recently completed an institutional placement and launched its 2021 Share Purchase Plan [SPP]. In doing these issues the company has been careful to preserve shareholder value. Both issues were priced at estimated net asset backing. This means that every investor has exposure to a similar underlying net asset value after the issues as they had before the issues, subject to any fluctuations in the underlying market value of our investments during the issue period.

These issues were undertaken because of the significant demand for Whitefield shares over recent years.

While the running of the SPP at this time may cause a temporary weakening in the price on market during the course of (and shortly after) the issue SPP, these issues create potential ongoing benefits for shareholders:

- (a) **We are aiming to prevent premiums in the stock price becoming excessive:** While on paper a rising premium to asset backing can appear attractive, an excessive premium can discourage new and existing shareholders from investing.
- (b) **Secondly, progressive growth in company size assists all shareholders by reducing the level of fixed costs per share.** This represents an important offset to the inflation in fixed costs over time and if done sufficiently over time can lead to a lower operating expense ratio.
- (c) **In addition, scale enhancements can assist in supporting long term price relativity to asset backing:** This may occur as a by-product of (a) increased visibility and awareness (b) a broader spread of investors and (c) cost efficiencies.

Outlook

As we move through 2021 and into 2022 most countries will be attempting to balance a growing urgency to reopen their economies against the protective measures that may be needed to contain the more aggressive Delta virus strain.

The potential for the virus to mutate into more or less aggressive strains that extend or truncate the pandemic remains a material uncertainty, and one to which we must all be alert.

A common willingness to provide financial accommodation coupled with ongoing access to debt and negligible interest rates has prevented much financial distress over the last year.

While that has been favourable, a rise in inflation and interest rates should be expected as an inevitable consequence of a recovery and will be required to rebalance the relationship between asset prices, debt levels, investment income and wages. The challenge for governments and central banks will be to achieve these objectives without destabilising economies and investment markets.

A continued recovery in business earnings as economies reopen more fully across latter 21 and into 22 would be a welcome development for all equity investors.

On behalf of the Board and management at Whitefield, I wish shareholders all the best for the upcoming year and we look forward to reporting to you on the company's progress at each quarter-end.

Angus Gluskie

Chairman