WHITEFIELD

Quarterly Update

Issued August 2021

Whitefield's first quarter revenue grew strongly, translating into a meaningful Qtr1 EPS uplift

Earnings

Whitefield is pleased to report a Net Profit after Tax of $3.094m for the first quarter ended 30 June 2021, a material uplift from the equivalent quarter in the prior year.

With the company's first quarter in the prior year heavily affected at the start of the COVID pandemic, and Australian economic activity having improved since that time, results showed improvement across many metrics. Revenue was up 159%, profit after tax up 281% and after allowing for increases in share capital and preference share costs, Earnings Per Share rose 442% to 2.9 cents per share.

The uplift in earnings was particularly driven by the reinstatement or increase in dividends from those businesses most impacted in the initial 2020 lockdowns, which included the major banks, retail property trusts and transport infrastructure. Accordingly a large contribution to growth came from Westpac, ANZ, NAB, Macquarie Bank, Vicinity Centres, Stockland, Transurban and Charter Hall Retail.

Encouragingly within the portfolio we also saw a percentage of stocks who have been able to maintain and expand their earnings and dividend notwithstanding the COVID disruption including Technology One, Elders, National Storage Reit and Charter Hall Group.

Financial Summary

	3 Months to 30 Jun 21	3 Months to 30 Jun 20	% Change
Revenue[1]	4,061,514	1,566,815	159.2%
Profit[1] before Tax	3,328,370	974,751	241.5%
Income Tax Expense	(234,229)	(163,498)	43.3%
Profit[1] after Tax	3,094,141	811,255	281.4%
Earnings[1,2] Per Share	2.9cps	0.5cps	441.5%

[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.

Dividend Outlook[a]

Whitefield's long history and careful capital management provide the company with a depth of both income reserves and franking credits.

Whitefield continues to expect that it will be able to maintain its own dividend to shareholders for the half year ending September 2021 at the same level as the prior year. Consistent with prior years, the dividends are expected to be paid in December [2021] and would 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 30 Jun 2021 [b]	
Net Asset Backing [NAB] (Post Deferred Tax)	$481.8m
Ordinary Shares on Issue	96,579,407
Convertible Resettable Pref Shares (Face Value)	$32.1m
Net Asset Backing per Share (Pre-Deferred Tax)	$5.60
Net Asset Backing per Share (Post-Deferred Tax)	$4.99
Share Price	$6.20
(Discount)/Premium to NAB (Pre-Tax)	10.7%
(Discount)/Premium to NAB (Post-Tax)	24.3%

[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.

Share Purchase Plan & July Placement

Whitefield recently completed an Institutional Placement raising $50m and launched its 2021 Share Purchase Plan [SPP] with a closing date of 13 August 2021.

Both issues were priced at estimated pre-deferred tax net asset backing immediately prior to the issue announcement. Accordingly underlying asset backing per share for all shareholders remains materially the same before and after the issues (subject to any movement in underlying investment values while the issue remains open).

The issues were undertaken with a view to:

(a) Improve the availability of WHF shares on market in the light of significant and growing demand;

(b) Provide new and existing shareholders with an ability to acquire shares at or close to net asset backing (before deferred tax);

(c) By progressively increasing scale, enhance the company's ability to maintain or improve cost efficiency over the long term.

Portfolio Return

The investment portfolio generated a strong outright return of 8.5% for the quarter (v benchmark 8.6%), 13.8% for the last 6 months (v benchmark 13.7%), 25.6% for 1 year (v benchmark 27.4%) and 8.9%pa over 2 years (v benchmark 8.4%pa).

As noted in our recent Annual Report, due to high monthly market volatility 12-15 months ago at the start of the pandemic, some care needs to be taken assessing 1 year returns which are currently cycling that period.

INVESTMENT RETURNS

At 30 June 2021	One Qtr	One Yr	Three Yr pa
Before Tax Returns			
Investment Portfolio	8.5%	25.6	9.2%
Benchmark [ASX200 Ind XJIAI]	8.6%	27.4	9.1%
After Tax Returns			
Net Asset Backing (Pre-Def Tax)	8.8%	25.3%	8.1%
Net Asset Backing (Post-Def Tax)	7.1%	20.1%	7.3%
Share Price	18.4%	44.3%	15.6%

CONTRIBUTION TO RETURN

Quarter Ended 30 June 2021	Portfolio Weight	Weighted Contribution to Performance
Top 5 Contributors		
Commonwealth Bank of Australia	10.78%	1.65%
CSL Limited	7.71%	0.63%
Wesfarmers Limited	4.42%	0.51%
Westpac Banking Corporation	5.50%	0.48%
Goodman Group	2.16%	0.34%
Top 5 Detractors		
Nuix Limited	0.08%	(0.09%)
APA Group	0.93%	(0.09%)
Austal Limited	<0.01%	(0.07%)
A2 Milk Company Limited	0.16%	(0.07%)
AGL Energy Limited	0.33%	(0.07%)

Investment Exposures

During the quarter adjustments to investment exposures included:

- Increasing exposure to stocks in the healthcare and diversified financials sectors
- Lessening underweight exposures to property, technology and industrial sectors
- Decreasing exposure to stocks in the consumer discretionary, banking and infrastructure sectors

TOP TWENTY HOLDINGS

As at 30 June 2021	
Commonwealth Bank of Australia	10.78%
CSL Limited	7.71%
Westpac Banking Corporation	5.50%
National Australia Bank Limited	5.26%
ANZ Banking Group Limited	4.91%
Wesfarmers Limited	4.42%
Woolworths Group Limited	3.18%
Macquarie Group Limited	2.93%
Telstra Corporation Limited	2.43%
Goodman Group	2.16%
Transurban Group	2.03%
Coles Group Limited	1.72%
Afterpay Limited	1.56%
James Hardie Industries PLC	1.55%
Sonic Healthcare Limited	1.49%
Aristocrat Leisure Limited	1.38%
ResMed Inc	1.08%
Stockland	1.02%
Brambles Limited	1.02%
Xero Limited	1.00%

SECTOR BREAKDOWN

As at 30 June 2021	
Commercial Banks	26.62%
Health Care	13.86%
Consumer Discretionary	10.50%
Financials	10.11%
Real Estate	8.26%
Consumer Staples	7.24%
Industrials	6.99%
Information Technology	4.96%
Communication Services	4.93%
Materials	4.02%
Utilities	2.18%
Cash & Cash Equivalents	0.33%

Market Outlook

Economies around the globe currently find themselves part-way through the demanding task of vaccinating a sufficient majority of their populations to reduce both the potency of the coronavirus and the volume of transmission. At the time of writing 15% of the world population are fully vaccinated and another 15% partly vaccinated.

The emergence of more aggressive strains of the virus has resulted in a very sharp and rapid uplift in virus cases in almost every nation, including those who were previously less affected, and including nations with relatively high vaccination rates.

Positively, full vaccination currently appears effective in minimising hospitalisations and deaths. While this progress is clearly encouraging, the continuing transmissibility of the virus will complicate a return to more normal activity, while the unpredictable nature of the pandemic remains an ever-present threat.

The ability for the virus to mutate into more or less aggressive strains creates the potential for recovery expectations to change materially for better or worse. After surging around the world in increasingly aggressive strains the Spanish Flu of 1918-20 ultimately became less deadly to humans across multiple geographies within a short period of time.

The economic resilience of businesses and governments alike has been surprising. Relatively few bankruptcies have occurred to date, a by-product of governments', companies' and individuals' ability to access debt at negligible interest rates, coupled with a common willingness to provide financial accommodation.

Looking forward, the further lockdowns necessitated by the latest virus outbreaks are likely to be increasingly challenging financially, with savings already partly eroded and leverage levels already having been lifted.

Importantly, we would hope that the material and steady rise in the global vaccination level over upcoming months may provide the necessary encouragement to continue to see financial accommodation extended willingly.

Global and Australian economic data have shown progressive improvements in key areas over the last six months. Employment has been strengthening, retail sales have been particularly strong, distressed loans have been declining, manufacturing, construction and service industry activity growth has been firm over an extended period.

Many of these strong trends have also been reflected in analyst forecasts for specific businesses and industry sectors, with the consequence that the expected corporate profit outlook over upcoming years appears particularly buoyant.

While this is encouraging, these positive expectations may need to be tempered over upcoming months to account for the recovery setback necessitated by the most recent coronavirus surge and consequent lockdowns.

In the very near term it appears likely that accommodative monetary policy and the emergence of periodic setbacks on the path to recovery will assist in keeping interest rates low. Nevertheless we continue to view the emergence of higher inflation and ultimately higher interest rates as both inevitable and desirable (within limits).

A controlled level of inflation and small rises in interest rates over an extended period are necessary ingredients that will be required to lower leverage and debt levels relative to inflating levels of investment income and wages. Central banks will be increasingly attempting to engineer this delicate balance as we progress into 2022 and beyond.

Whitefield will continue to invest in accordance with its structured approach to stock assessment and portfolio construction, progressively orienting its portfolio towards those companies favoured by the emerging environment and away from those most likely to be constrained by the same.

We look forward to reporting to shareholders at the end of our half year at 30 September.

Angus Gluskie
Managing Director

IMPORTANT INFORMATION

Level 16, 68 Pitt Street
Sydney NSW 2000
Phone +61 2 8215 7900
Email mail@whitefield.com.au
Whitefield Limited ABN 50 000 012 895