Quarterly Update

Issued February 2022

Whitefield's earnings showed continued strong growth in the third quarter to December 21

Earnings

Whitefield is pleased to report an underlying net profit after tax for the nine months to December 2021 of $11,738,258, an increase of 108% from the equivalent nine months in the prior year.

In addition the Company generated an abnormal gain of $612,392 on the reset of the company's convertible resettable preference shares.

Earnings per ordinary share excluding the abnormal gain on reset amounted to 10.39 cents, an increase of 111% on the equivalent period in the prior year.

The strong uplift in revenue and earnings primarily reflects the resurgence in dividends from companies that had been forced to cut dividends in the prior year (at the commencement of the COVID pandemic) as well as earnings growth from businesses whose operations were relatively insulated from pandemic disruption.

Notable increases were evident in our holdings of James Hardie, Wesfarmers, Aristocrat, the major banks, Macquarie Bank, ALS, Metcash, Ramsay Healthcare, Cochlear, IAG, Scentre Group, Wisetech, Reece, Fletcher Building and CIMIC.

Financial Summary

	9 Months to 31 Dec 21[3]	9 Months to 31 Dec 20	% Change
Revenue[1]	14,691,445	7,863,721	87%
Profit[1] before Tax	12,510,940	6,094,667	105%
Income Tax Expense	(772,682)	(458,580)	68%
Profit[1] after Tax	11,738,258	5,636,087	108%
Earnings[1,2] Per Share	10.39cps	4.92cps	111%

[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.
[3] Revenue, Profit and Earnings to Dec 2021 in this table have all been shown excluding an abnormal gain of $612,392 on the reset of the company's resettable preference shares.

Dividends & Dividend Outlook[a]

Whitefield's next half yearly dividends will be payable in June 2022.

Based on our deep pool of reserves accumulated over many decades, and the encouraging uplift in dividend announcements in the financial year to date, Whitefield is confident in its ability to maintain and pay its Ordinary dividend at 10.25 cents and its WHFPB dividend at its new reset rate of 131.25 cents for that 6 month period. 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 2021	
Net Asset Backing [NAB] (Post Deferred Tax)	$570m
Ordinary Shares on Issue	110,948,316
Convertible Resettable Pref Shares (Face Value)	$25m
Net Asset Backing per Share (Pre-Deferred Tax)	$5.72
Net Asset Backing per Share (Post-Deferred Tax)	$5.14
Share Price	$5.66
(Discount)/Premium to NAB (Pre-Tax)	(1.05%)
(Discount)/Premium to NAB (Post-Tax)	10.12%

WHITEFIELD

A structured and disciplined investment strategy consistently applied over time.

Portfolio Return

The investment portfolio generated a quarterly return of 0.52%, slightly above the benchmark S&P/ASX200 Industrials Accumulation Index return of 0.45%.

Returns of the company's investment portfolio for the nine month financial year to date amount to 13.4% and 18.9% for a rolling twelve months.

Following a strong rally in Australian and global share markets in the first half of 2021, the prospect of rising interest rates and the emergence of the Omicron variant saw the market value of equities soften in late 2021 and into the first weeks of 2022.

Notably strong total returns in Whitefield's portfolio for the quarter came from holdings in Goodman Group, Charter Hall Group, Reliance Worldwide, APA Group, Metcash, Reece, Graincorp and Altium.

INVESTMENT RETURNS

At 31 December 2021	One Qtr	One Yr	Five Yr pa	Ten Yr pa
Before Tax & Expenses				
Investment Portfolio	0.52%	18.9%	8.6%	12.3%
S&P/ASX200 Ind XJIAI	0.45%	19.3%	8.8%	12.3%
After Tax & Expenses				
Net Assets (Pre-Def Tax)	0.48%	18.9%	7.5%	11.8%
Net Asset (Post-Def Tax)	0.65%	17.4%	7.4%	9.9%
Share Price	1.66%	10.5%	9.9%	13.2%

Quarter Ended 31 December 2021	Portfolio Weight	Weighted Contribution to Performance
TOP 5 CONTRIBUTORS TO PERFORMANCE		
Macquarie Group Limited	4.01%	0.48%
Goodman Group	2.58%	0.47%
Wesfarmers Limited	3.84%	0.33%
National Australia Bank Limited	5.46%	0.33%
Sonic Healthcare Limited	1.46%	0.18%
TOP 5 DETRACTORS TO PERFORMANCE		
Westpac Banking Corporation	4.43%	(0.88%)
Afterpay Limited	1.15%	(0.53%)
Commonwealth Bank of Australia	9.64%	(0.27%)
Magellan Financial Group Ltd.	0.18%	(0.13%)
Domino's Pizza Enterprises Ltd.	0.40%	(0.12%)

During the quarter adjustments to investment exposures included:

- Increases in exposure to Diversified Financials, Chemicals, Property Investment, Consumer Discretionary and Healthcare sectors
- Decreases in exposure to Consumer Staple, Insurance, Bankng, Property Development and Infrastructure sectors

Investment Exposures

TOP TWENTY HOLDINGS

As at 31 December 2021	
COMMONWEALTH BANK OF AUSTRALIA	9.64%
CSL LIMITED	8.07%
NATIONAL AUSTRALIA BANK LIMITED	5.46%
ANZ BANKING GROUP LIMITED	4.59%
WESTPAC BANKING CORPORATION	4.43%
MACQUARIE GROUP LIMITED	4.01%
WESFARMERS LIMITED	3.84%
TESLTRA CORPORATION LIMITED	2.74%
GOODMAN GROUP	2.58%
WOOLWORTHS GROUP LIMITED	2.46%
TRANSURBAN GROUP	2.25%
ARISTOCRAT LEISURE LIMITED	1.56%
JAMES HARDIE INDUSTRIES PLC	1.54%
SONIC HEALTHCARE LIMITED	1.46%
COLES GROUP LIMITED	1.28%
SYDNEY AIRPORT	1.25%
AFTERPAY LIMITED	1.15%
QBE INSURANCE GROUP LIMITED	1.01%
XERO LIMITED	0.98%
ASX LIMITED	0.96%

SECTOR BREAKDOWN

As at 31 December 2021	
Financials	35.49%
Health Care	13.55%
Consumer Discretionary	9.76%
Real Estate	8.85%
Industrials	8.45%
Consumer Staples	6.25%
Communication Services	5.64%
Information Technology	5.19%
Materials	3.75%
Utilities	1.76%
Cash & Cash Equivalents	1.31%

Market Outlook

The outlook for Australian and global investment markets over 2022 is being increasingly influenced by the prospect of rising interest rates and the removal of central banks' quantitative easing strategies.

With COVID vaccines having been widely distributed and the surge in Omicron cases now subsiding, a lowering of COVID restrictions and an increase in economic activity is becoming more likely.

In addition, COVID disruptions and geopolitical dispute have produced shortages in the supply of goods and labour, with a consequent and material increase in inflation.

In these conditions the loose monetary policies that have been adopted by central banks will be progressively reversed. Central banks in Europe, the US, NZ and Australia have accordingly outlined their plans for decreasing bond purchases and increases in official cash rate targets.

After 30 years of globalisation, falling inflation and falling interest rates the prospect of rising input costs and higher interest rates may be a challenging concept for both investment markets and central banks.

Nevertheless, as we have highlighted previously, a small level of inflation and a slow return of rates to more normalised levels may be a constructive development for most economies. A more normal level of interest rates not only improves investor incomes, it also creates a more sustainable and less risky balance between the carry-cost of assets and their upfront capital cost.

The speed at which monetary policy is tightened will be an important issue over upcoming years for both borrowers and investors. History has shown that rapid changes in rates can be destabilising for investment markets. An example of this can be seen in the recent equity market volatility that resulted from the relatively fast and large movement in bond rates over December 21 and January 22.

At the current time, Australian economic activity is moderately firm. A majority of industry sectors have been able to operate successfully notwithstanding COVID restrictions. Government support has been of assistance to some of the most heavily COVID impacted sectors. Other industries have been incidental beneficiaries of the redirection of household spending from overseas travel to household renovations, personal spending or domestic recreation.

Notwithstanding these positives, risk remains elevated. Government debt has risen materially over this time and this comes at a future cost to taxpayers. The prices of houses, investments and novel assets such as cryptocurrency have been boosted by the negligible level of interest rates and by speculative fervour. Some reversal of the excess in those prices is possible.

The progress of the COVID pandemic appears likely to remain an area of material uncertainty throughout 2022. The current need for repeat vaccinations is a tangible problem for a heavily populated world. The potential for the virus to mutate into more or less severe and transmissible strains may prolong or truncate the need for restrictions.

While we hold a level of caution given the elevated level of risk, we are encouraged with the trend that has seen COVID disruption declining, the profits of many listed companies improving accordingly. Dividend growth across the market in the current year to date represents a substantial but still only partial retracement of the prior year COVID related cuts and we have been pleased to see further dividend increases from a range of companies announced subsequent to our December quarter end.

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

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