

# UPDATE

## Half Year Sep 2022

Released Nov 2022





Proven results.

**\_\_\_\_\_ We've been creating value for our shareholders since 1923.**

It's how we do it that makes us distinct. Our focus on data quality, a quantitative process and high diversification allows us to deliver on our objectives of consistency, efficiency and reliability for our shareholders.

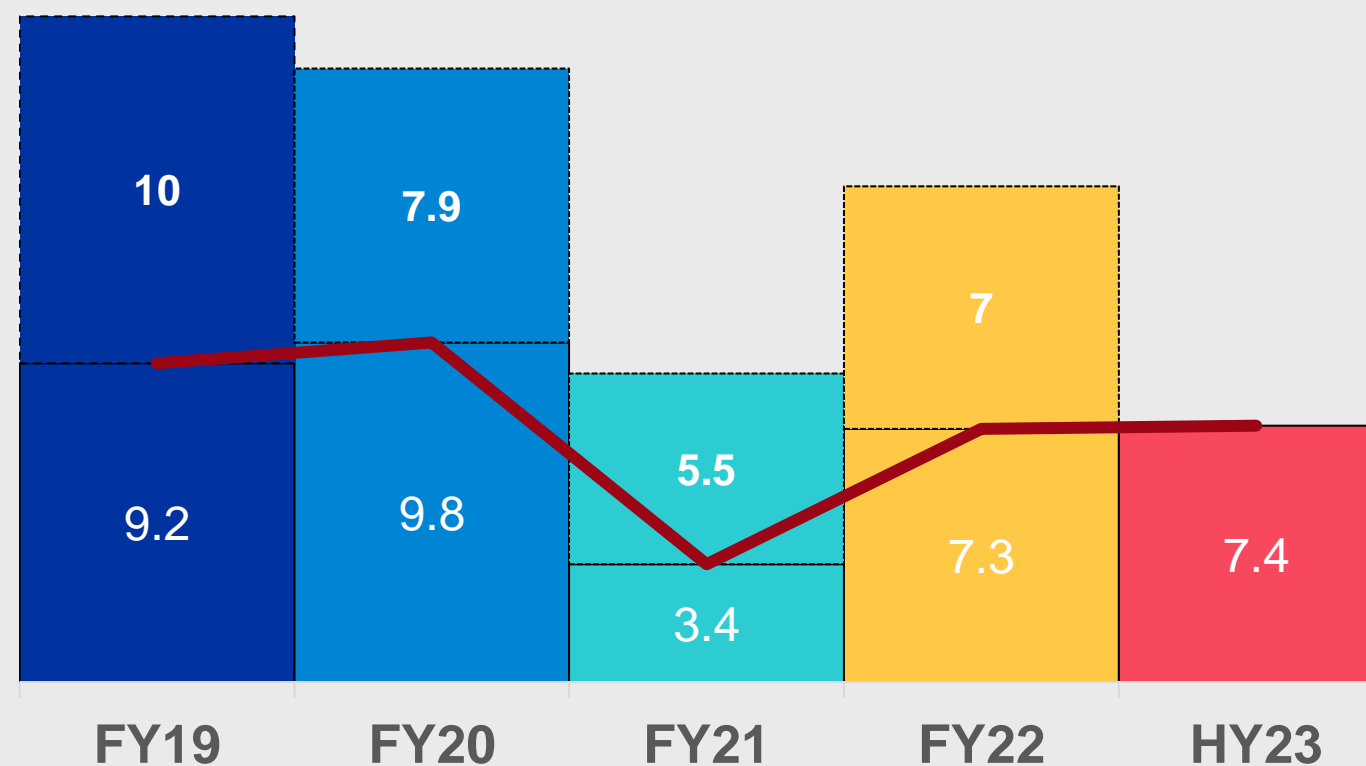


# \_HY Sep 2022: Earnings

## \_EPS 7.4 cents

- Dividend increases across >50% of the portfolio
- Origin Energy, Aristocrat, Orica, Wisetech, JB Hi Fi, Computershare, Atlas Arteria, Treasury Wines and Transurban stronger examples
- Some cuts from insurers and prior covid beneficiaries
- Some decrease from changes to holdings which alters the timing of dividend receipt

### Earnings Per Share [cents]



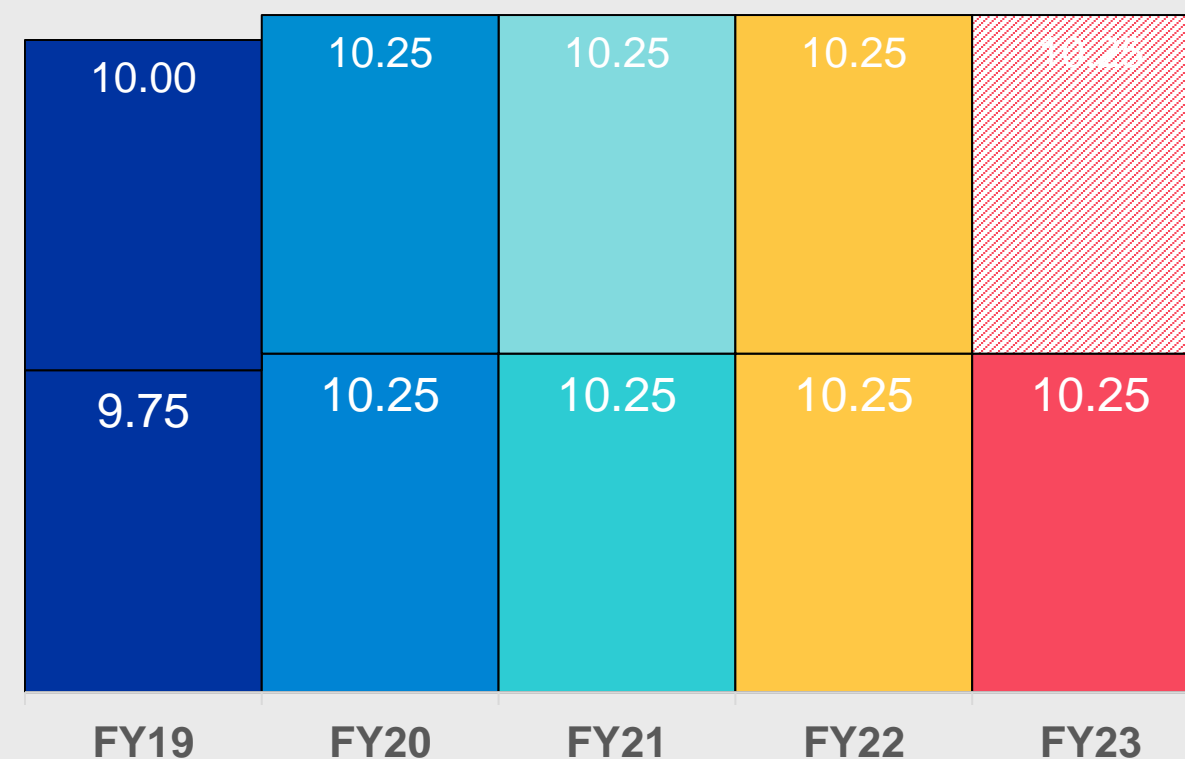


# \_HY Sep 2022: Dividends

## \_Half-Year Dividend

- WHF Ordinary : 10.25 cents
- WHFPB: 131.25 cents
- All fully franked at 30%
- Payable Dec 2022

## Dividends Per ORD Share

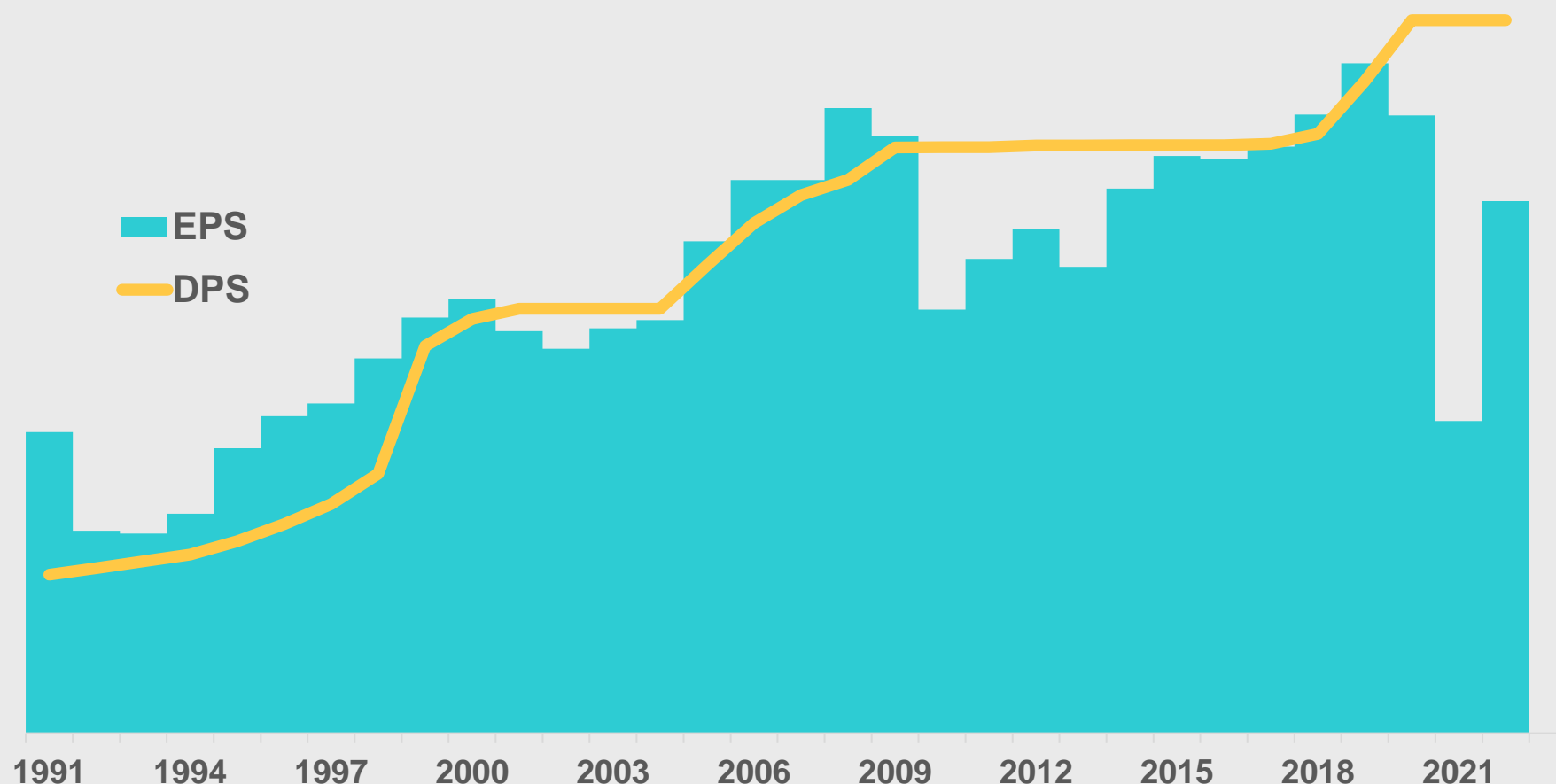


\*Includes expected FY23 H2 dividend shown at the same rate as current half year



# \_HY Sep 2022: Dividend consistency maintained

## Long Term Earnings & Dividends Per Share



\_Whitefield expects to maintain its WHF ordinary dividend at the 10.25 cent per half year level across 2023\*

- Underlying earnings are expected to recover progressively towards pre-COVID levels
- Regular dividends have been maintained or increased in every year since the introduction of the franking system in the 1980s

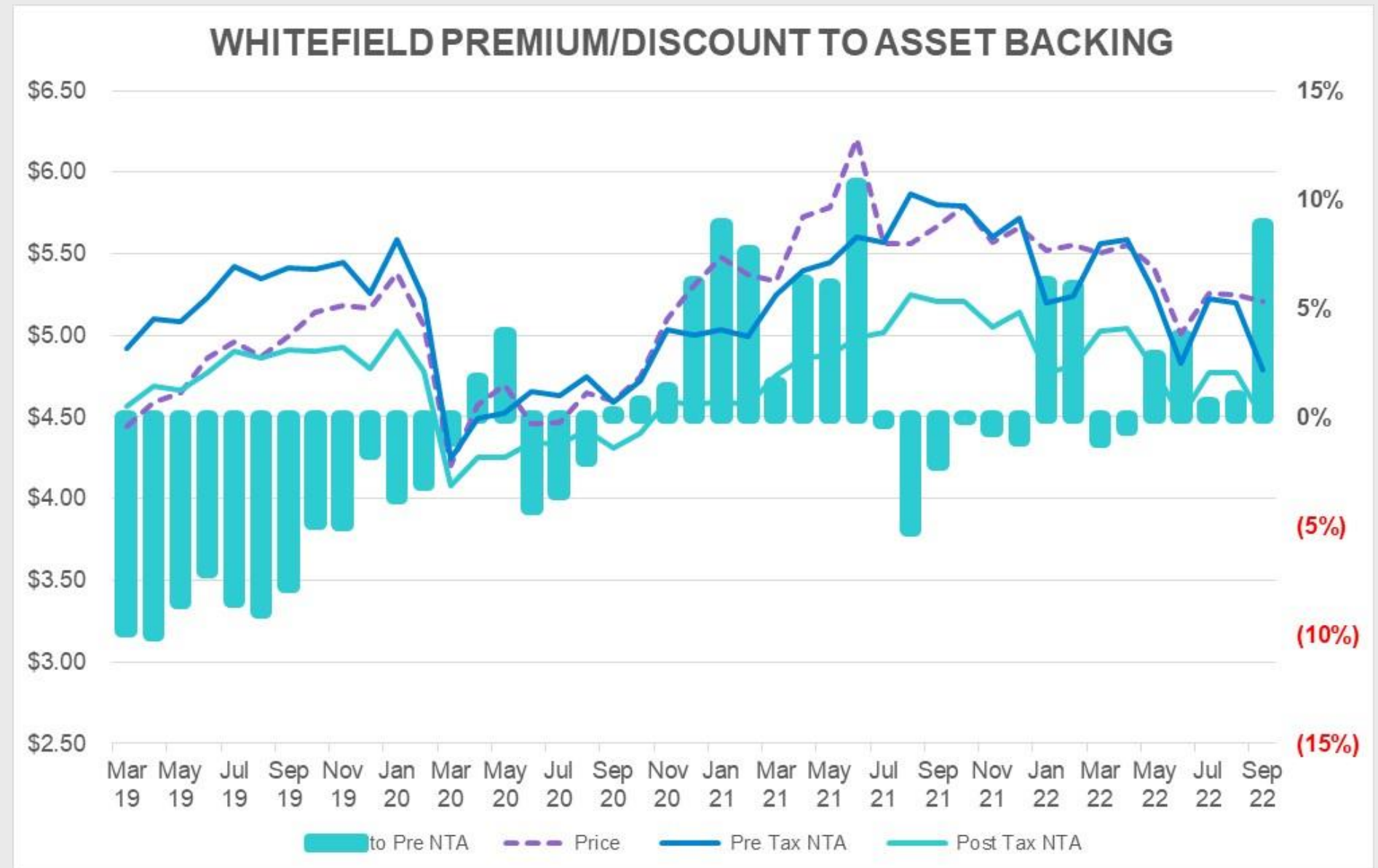
\* Dividends are not guaranteed and the company may reconsider its future dividend plans should circumstances materially change



# \_HY Sep 2022: Asset Backing

## \_Trading range 2-8% premium

- Suggesting demand is particularly firm at the present time





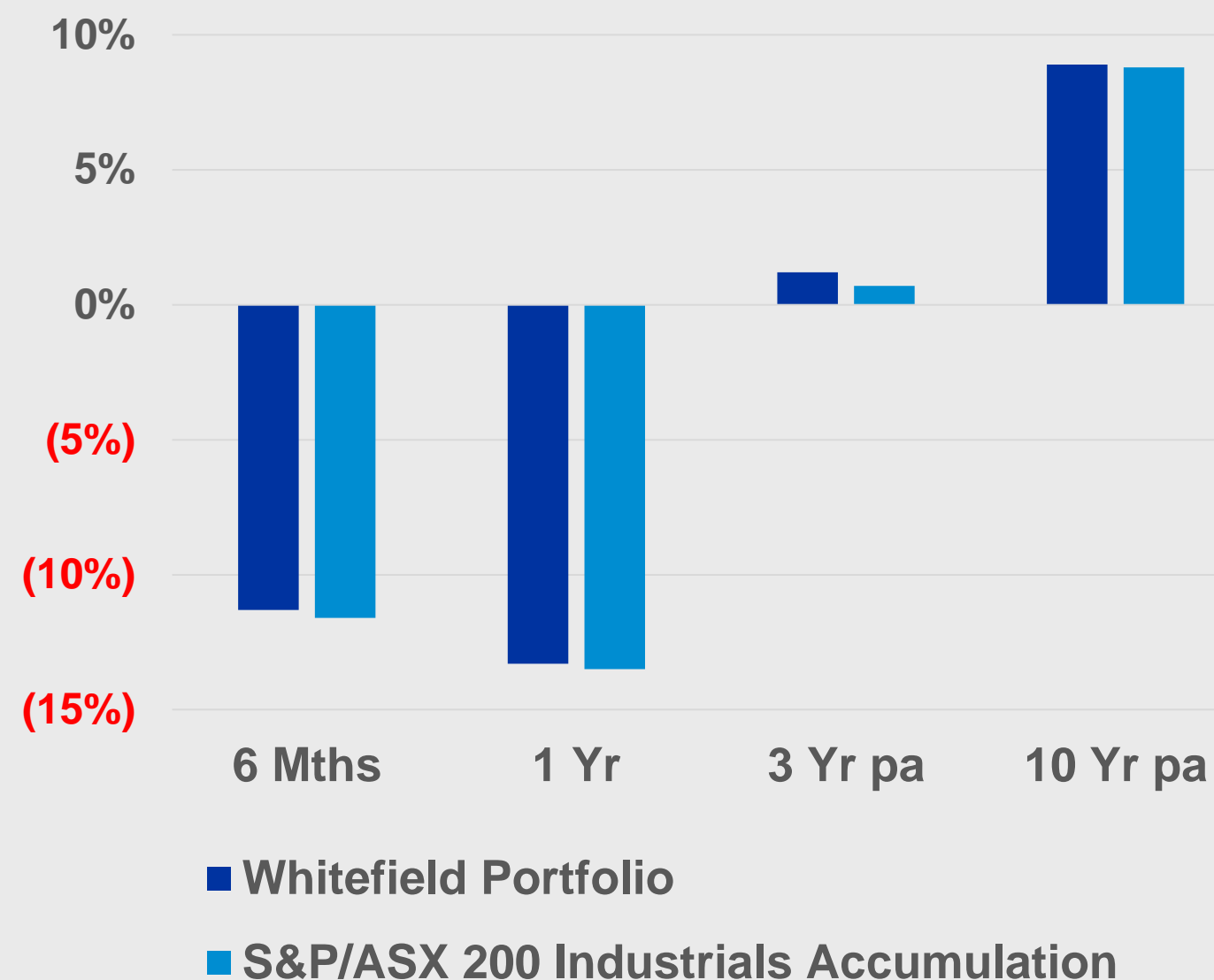
# \_HY Sep 2022: Investment Performance

**\_The half-year to Sept '22 saw the impact of rising interest rates on valuations outweigh solid company earnings**

- Despite a strong economy the Australian equity market fell sharply, along with others around the world, as markets focused on the possibility of recession with central banks committed to do whatever it takes to tackle inflation.
- As with previous market sell-offs, which tend to be characterised by a return to stock fundamentals, the WHF portfolio outperformed its benchmark.

## \_Notes

Performance for periods greater than 1 year shown as annualised equivalent.  
Portfolio performance is before leverage, expenses and company tax.  
Share price and asset backing returns do not take account of franking credits.





# \_HY Sep 2022: Investment Performance

## \_Returns ahead of benchmark over 6m, 1yr, 3yr and 10yrs

- Strong returns from ALX, AMC, BXB, TWE, CSL, RMD, IPH and NHF.
- The WHF portfolio also benefitted relative to its benchmark from underweight exposure to poorer performing stocks in Real Estate, Consumer Discretionary, Financials and Technology.

Returns to 30 Sep 2022	6 Mth	1 Yr	3 Yr pa	10 Yr pa
<b>Before Tax Returns</b>				
<b>Whitefield Portfolio</b>	<b>(11.34%)</b>	<b>(13.26%)</b>	<b>1.15%</b>	<b>8.93%</b>
S&P/ASX 200 Industrials Accumulation	(11.58%)	(13.48%)	0.71%	8.76%
<b>Outperformance</b>	<b>0.24%</b>	<b>0.22%</b>	<b>0.44%</b>	<b>0.17%</b>
<b>After Company Tax and Cost Returns</b>				
WHF Pre-Deferred Tax NTA (inc dividends)	(12.29%)	(14.29%)	(0.06%)	8.29%
WHF Post-Deferred Tax NTA (inc dividends)	(8.76%)	(10.60%)	1.40%	7.42%
WHF Share Price (inc dividends)	(3.48%)	(4.65%)	5.44%	10.49%

## \_Notes

Performance for periods greater than 1 year shown as annualised equivalent. Portfolio performance is before leverage, expenses and company tax. Share price and asset backing returns do not take account of franking credits. Benchmark Index returns do not account for the accumulation of cash prior to distribution as dividends, nor any portfolio implementation costs.





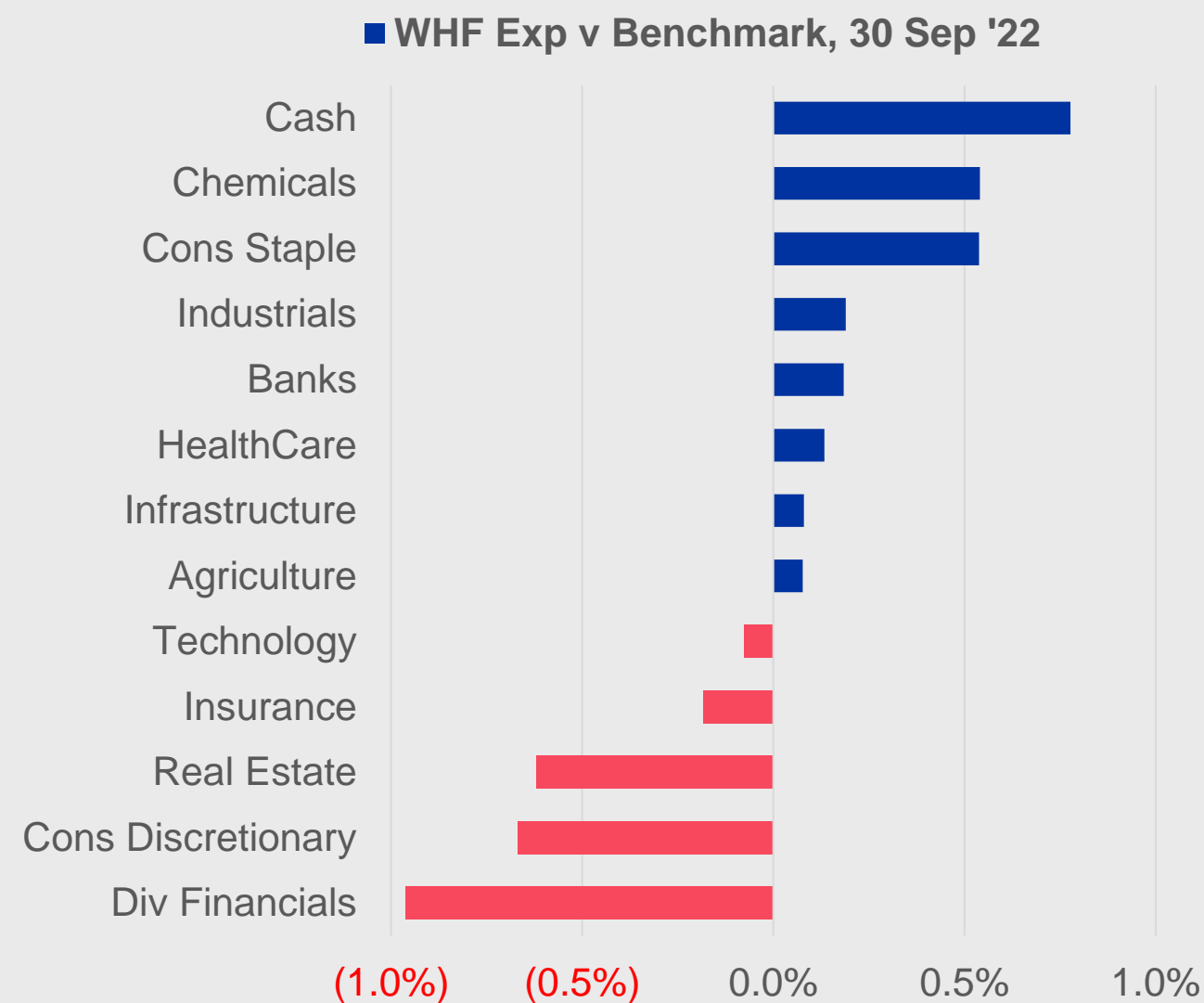
# \_HY Sep 2022: Exposures & Transactions

## \_Exposures at half-year end

- Overweights: Chemicals; Consumer Staples; mature/quality Industrials, Banks and Healthcare.
- Underweights: Diversified Financials; Consumer Discretionary; Real Estate.

## \_Recent changes

- Continued increasing Staples and reducing Discretionary.
- Increased Agriculture, Infrastructure and Healthcare.
- Reduced Diversified Financials and Insurers.





# \_Market Themes: High inflation, soft growth may persist until supply/demand realigned

- Many sectors of the economy now face supply shortages.
- While some shortages relating to COVID-19 and war are likely temporary, others may be stickier.
- In the absence of supply-side solutions, monetary policy will need to aggressively reduce demand to resolve imbalances.
- The extent and duration of monetary tightening required may not be clear for some months.

Driver of supply/demand misalignment	Category	Energy	Food	Comm	Tech	Goods	Services	Housing
Under-investment in commodity supply	ESG	•		•				•
Land allocated to biofuels rather than food	ESG		•					
Shift to production with smaller ecological footprint	ESG		•			•		•
Sanctions on Russian commodities	War	•		•				
Damaged energy infrastructure	War	•						
Disruptions to food supply	War		•					
Disrupted flow of labour and goods	COVID-19					•	•	•
Loss of worker 'skill'	COVID-19					•	•	•
China zero-tolerance policy	COVID-19				•	•	•	
Deglobalisation reverses comparative advantage	Geopolitics				•	•	•	
China/US strategic competition	Geopolitics				•	•	•	
Motivated OPEC+ with Russian oil dependence	Geopolitics	•						
Cycling higher input costs through broader inflation	Economic					•	•	•
Constraints on removal of excess money supply	Economic					•	•	•
Effects of earlier fiscal & monetary stimulus	Economic					•	•	•



# \_Market Themes: What happened in the 1970's?

**1973-74:** First oil shock, following years of persistent inflation – Fed starts raising rates; equity market falls sharply; unemployment starts to rise.

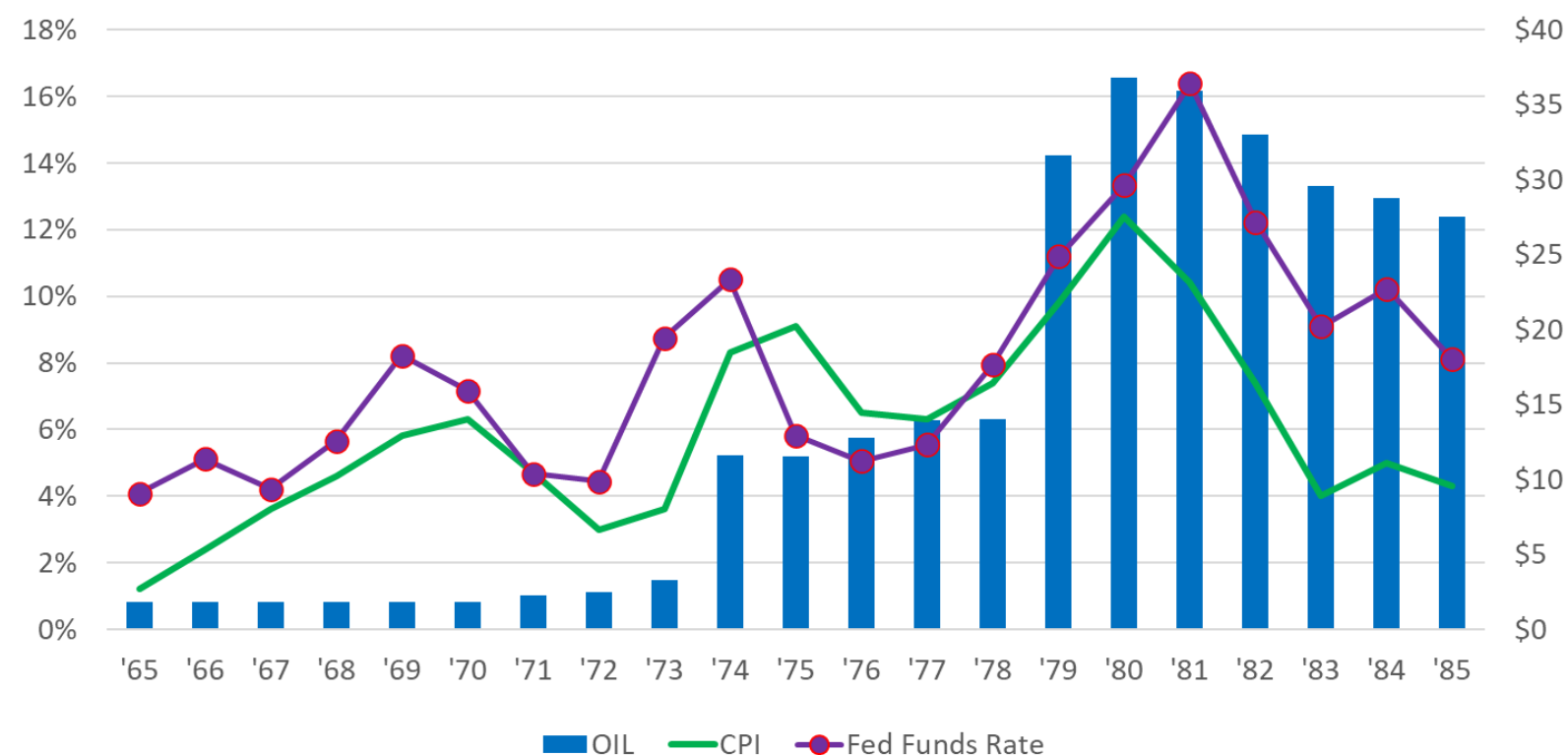
**1975:** Fed Chairman Burns cuts rates to protect employment despite high inflation; equity market rises; inflation remains elevated.

**1977:** Burns replaced by Miller, a former GE CEO, sympathetic to the administration's preference to protect employment; inflation starts rising again.

**1979:** Second oil shock; Miller replaced by Volcker, a Monetarist who aggressively raises rates.

**1980-81:** Equity market falls sharply; inflation and then interest rates peak, before a gradual decline drives an equity market rally throughout much of the 1980's.

## 1970-80's Inflation Shock (USA)





# \_Market Themes: Is this time going to be different?

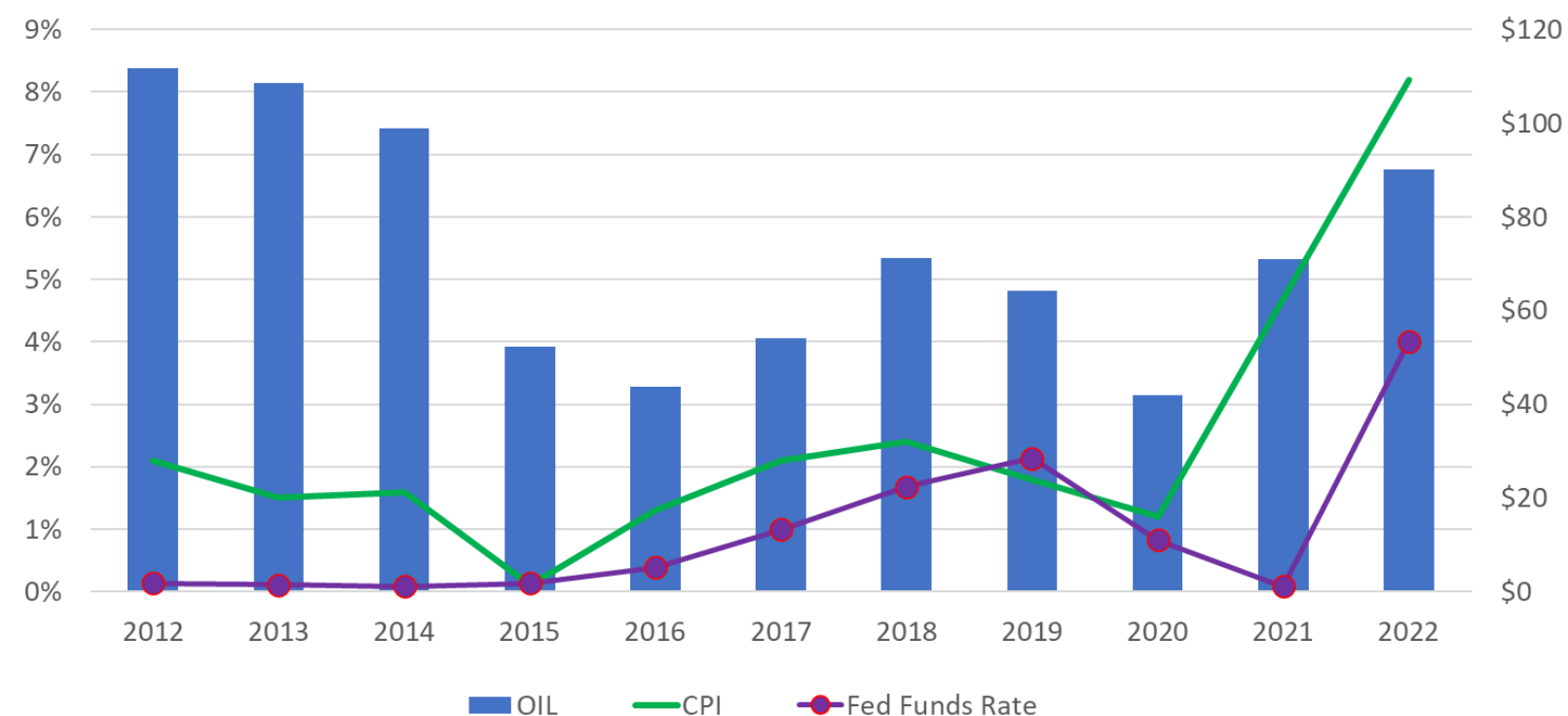
**Backdrop:** Unlike the 1970's, central banks have been fighting deflation. This masked early inflationary signs.

**Supply Shock:** While this time the oil price has risen by a much smaller amount, the sources of the current shock are more widespread.

**Response:** Having learned the lessons from the 'Burns Bluster', central banks are committed to do whatever it takes to beat inflation, hopefully avoiding the five-year period of denial from 1974-79 which created the need for a bigger correction.

**Conclusion:** Aggressive central bank action now seeks to limit transmission of inflation into the economy. However, some inflation is likely beyond central banks' control.

## 2022 Inflation Shock (USA)





# \_Market Themes: Combination of hope and uncertainty creates opportunities and risks

\_Whitefield's systematic approach seeks to correctly identify and respond to emerging change efficiently across a wide breadth of stocks.

## \_Persistent themes beyond the noise

**Quality** businesses are more likely to be able to absorb inflation pressures and continue to grow earnings, and this is likely to be increasingly sort after by investors.

**Value** rotation away from once loved growth stories is likely to continue while rising interest rates and an increasingly uncertain growth outlook undermine their proposition.

**Volatility** is likely to persist so long as the path through, and duration of, the monetary tightening cycle remains unclear.

**Investors will need to be flexible to keep pace with rapidly evolving events.**

Preferences	Asset Plays	Consumer	Financials	Industry
Quality	ALX, APA, GMG, INA, TCL	ALL, ARB, IEL, TWE, WOW	CBA, CPU, MQG, NHF	ALU, CSL, PME, RMD, TNE, WTC
Quality & Value	CHC, CQR	APE, JBH, MTS	AUB, NAB	ALQ, IPL, JHX, ORA, ORG, SPK
Value	DXS, VCX, MGR, SGP	NEC, QAN	ANZ, MFG, QBE, SUN, WBC	CSR, FBU, GUD, NUF, ORI



# **\_FY2023: Lessons from 100 Years of WHF Operations**

**It is better to generate and compound steady increments of sound return than to chase unsustainably high and risky returns**

- **Unsustainably high and risky = Inefficient over the long term**
  - Abnormally high investment returns or outperformance are frequently achieved as a by-product of a fund manager or investor taking excessive risk
  - This can result in small numbers of great years followed by outsize losses or underperformance, materially eroding investor wealth
- **Steady increments and risk control = Efficient**
  - A strategy that can consistently deliver steady increments of return or outperformance while controlling risk can greatly assist the strength of long term compound outcomes

**At the heart of Whitefield's strategy is the belief that an efficient balance of return generation and risk control assists wealth creation**

# Thank you for your attendance.





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