

Quarterly Update

Issued February 2023



Profit after tax grew by 11% compared to the equivalent nine months in the prior year

Earnings

Whitefield is pleased to report a profit after tax for the nine months ended 31 December 2022 of \$13,026,038 an increase of 11% on the outcome for the equivalent nine months in the prior financial year.

After allowing for increases in capital across the year, this outcome equated to earnings per ordinary share for the nine-months of 11.2 cents an increase of 8.2% compared to the prior year equivalent.

Notable growth in income came from previously covid-lockdown-affected stocks including holdings in the property, infrastructure and banking sectors as well as from holdings more generally benefitting from the current economic climate including Origin Energy, Wisetech, JBHifi, Computershare, Incitec and Aristocrat.

While overall dividend growth was strong, some dividend cuts were evident in the insurance sector and in the non-repeat of special dividends from stocks who had been beneficiaries of the prior year covid conditions.

Financial Summary

	9 Months to 31 Dec 22	9 Months to 31 Dec 21	% Change
Revenue ¹	15,998,990	14,691,445	8.9%
Profit ¹ before Tax	13,866,489	12,510,940	10.8%
Income Tax Expense	(840,451)	(772,682)	8.8%
Profit ¹ after Tax	13,026,038	11,738,258	11.0%
Earnings ^{1,2} Per Share	11.2cps	10.4cps	8.2%

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.

Dividends^a

Whitefield expects to maintain its fully franked half year dividends of 10.25 cents per Ordinary Share and 131.25 cents per WHFPB for the next half yearly dividend in June 2023.

^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 2022 ^b

Net Asset Backing [NAB] (Post Deferred Tax)	\$541m
Ordinary Shares on Issue	116,218,202
Convertible Resetable Pref Shares (Face Value)	\$25m
Net Asset Backing per Share (Pre-Deferred Tax)	\$5.04
Net Asset Backing per Share (Post-Deferred Tax)	\$4.66
Share Price	\$5.04
(Discount)/Premium to NAB (Pre-Tax)	0.0%
(Discount)/Premium to NAB (Post-Tax)	8.2%

^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.

Portfolio Return

The investment portfolio generated a strongly positive return of 7.2% for the quarter to December.

Portfolio returns for the nine-month financial year-to-date to December 2022 amounted to negative (4.9%), this outcome being slightly better than the return of the ASX200 Industrials Index benchmark of negative (5.0%).

Portfolio returns over the last 3 years sit at 3.6%pa, a moderate margin ahead of the benchmark index return of 3.2%pa.

Australian and global share markets have experienced significant volatility across the 2022 period. Rising inflation, rising interest rates and the Russian-Ukrainian conflict contributed to market weakness through much of the year. Most recently the easing in headline inflation and a slowing in monetary policy tightening have been welcomed by investors.

Stronger returns in the quarter came from holdings in Origin Energy, Technology One, ALS, Suncorp, Qantas, Virgin UK, Telix Pharmaceuticals, Link Administration, Fisher & Paykel Healthcare, Challenger Group and Webjet.

Poorer performers included Medibank Private, James Hardie, Star Group, Magellan, Imugene, Megaport and Downer Group.

INVESTMENT RETURNS

At 31 December 2022	9 Mths FYTD	One Yr	Three Yr pa
Before Tax Returns			
Investment Portfolio	(4.9%)	(7.5%)	3.6%
Benchmark [ASX200 Ind XJIAI]	(5.0%)	(7.5%)	3.2%
After Tax & Cost Returns			
Net Asset Backing (Pre-Def Tax)	(5.8%)	(8.4%)	2.7%
Net Asset Backing (Post-Def Tax)	(3.2%)	(5.4%)	3.5%
Share Price	(4.8%)	(7.5%)	3.0%

CONTRIBUTION TO RETURN

Quarter Ended 31 December 2022	Portfolio Weight	Weighted Contribution to Performance
Top 5 Contributors		
Commonwealth Bank of Australia	11.16%	1.46%
Westpac Banking Corporation	5.62%	0.88%
National Australia Bank Limited	6.67%	0.50%
ANZ Group Holdings Limited	4.97%	0.41%
Macquarie Group Limited	3.98%	0.38%
Top 5 Detractors		
James Hardie Industries PLC	0.79%	(0.14%)
Medibank Private Limited	0.44%	(0.10%)
Aristocrat Leisure Limited	1.30%	(0.10%)
ResMed Inc	0.93%	(0.08%)
Woolworths Group Limited	2.93%	(0.05%)

Investment Exposures

At quarter-end the Company maintained overweight exposures to consumer staples, chemicals, infrastructure, industrials and property sectors.

During the quarter adjustments to investment exposures included:

- Increasing exposure to selected stocks in the property sector.
- Reducing underweights to stocks in consumer discretionary and diversified financial sectors.
- Reducing overweight exposure to the healthcare, banking and consumer staple sectors.

TOP TWENTY HOLDINGS

As at 31 December 2022

COMMONWEALTH BANK OF AUSTRALIA	11.2%
CSL LIMITED	9.0%
NATIONAL AUSTRALIA BANK LIMITED	6.7%
WESTPAC BANKING CORPORATION	5.6%
ANZ GROUP HOLDINGS LIMITED	5.0%
MACQUARIE GROUP LIMITED	4.0%
WESFARMERS LIMITED	3.2%
WOOLWORTHS GROUP LIMITED	2.9%
TELSTRA CORPORATION LIMITED	2.8%
TRANSURBAN GROUP	2.7%
GOODMAN GROUP	2.1%
QBE INSURANCE GROUP LIMITED	1.3%
COLES GROUP LIMITED	1.3%
ARISTOCRAT LEISURE LIMITED	1.3%
ORIGIN ENERGY LIMITED	1.2%
BRAMBLES LIMITED	1.2%
INCITEC PIVOT LIMITED	1.1%
AMCOR PLC	1.0%
SCENTRE GROUP	1.0%
COMPUTERSHARE LIMITED	1.0%

SECTOR BREAKDOWN

As at 31 December 2022

Financials	39.3%
Health Care	13.1%
Real Estate	8.5%
Industrials	8.0%
Consumer Discretionary	7.8%
Consumer Staples	6.9%
Communication Services	4.8%
Materials	4.1%
Information Technology	3.7%
Utilities	2.4%
Cash & Cash Equivalents	1.2%

Market Outlook

The direction of inflation and interest rates and their impact on consumers are likely to remain as dominant considerations for investment markets across 2023.

Little more than 12 months ago many investment market participants considered inflation unlikely, bond yields sat at multi-decade lows and official cash rates across the world were close to (or in some cases below) zero.

Since that time covid lockdown-driven disruptions to trade, the removal of Russian-sourced materials from western markets and declines in fossil fuel supply have seen inflation escalate materially. In turn central banks have reversed quantitative easing policies and raised official cash rates.

The progressive lessening of lockdown disruptions and the growing availability of non-Russian-sourced materials have lowered some readings of headline inflation over recent months. At the same time central banks have shown a willingness to slow their monetary policy tightening while they assess its effectiveness.

It is this easing in inflationary and rate pressure that has most recently been supportive for equity markets.

Notwithstanding the easing in some measures of inflation, many of the underlying drivers of inflation may persist for a more extended period. The transition to new energy sources comes at a cost to economies over many years. The trend towards local production over globalisation reverses one of the prior contributors to deflation. Shortages of skilled labour are improving the bargaining power of the global workforce.

Most powerfully, the pressure of rising material costs and rising interest rates themselves are likely to feed into higher wage demands and in turn into more widespread goods and services cost increases.

These factors are suggestive that both inflation and interest rates will remain a notable margin higher over the next decade than the last decade.

Investment markets and central banks have, at least in part, digested and acclimatised to this higher inflation – higher rate outlook during the course of 2022.

The impact on consumers of higher interest costs and living expenses will be evident as we progress through 2023. With wage growth tending to lag the increases in consumer costs a rise in consumer caution and some curtailment of consumer spending are likely outcomes.

In this environment central banks including the RBA will be seeking to manage the frequently conflicting objectives of restraining inflation while minimising the harm to the economy from the gap between consumer cost escalation and rising wages.

Looking forward we are believers that moderate levels of inflation and interest rates can be important contributors to a well-functioning economic environment, as they promote an equitable balance between the upfront capital cost and the ongoing carry cost of an investment. (This may be contrasted against the unsustainably low yields of recent years which resulted in excessively high upfront capital costs and unattractively low running yields for investors).

Accordingly, while 2023 presents some challenges for the consumers and the economy, we see the emerging economic and financial conditions as ultimately more constructive for investors over the long term.

We look forward to reporting on our outcomes as we progress through the last quarter of Whitefield's 100th year of continuous operation.

Angus Gluskie
Managing Director

IMPORTANT INFORMATION

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