WHITEFIELD INDUSTRIALS

Quarterly Update

Issued August 2023

Earnings per share growth in the first quarter of the 2024 financial year was strong at 17.8%

Earnings

Whitefield is pleased to report a Net Profit after Tax of $4.47m for the first quarter ended 30 June 2023, an increase of 22% on the outcome for the equivalent quarter in the prior year.

After allowing for increases in capital across the year, earnings per ordinary share rose 17.8% to 3.7 cents.

The strong uplift in earnings experienced in this period reflects the relatively robust business conditions that have existed subsequent to the COVID disrupted 2020 and 2021 years.

Increases in dividends were generated across a large percentage of the investment portfolio. Notable increases came from Macquarie Group, Soul Pattinson, Transurban, Aristocrat, ALS, the major banks, Premier Investments, Virgin UK, Orica and Nufarm.

Financial Summary

	3 Months to 30 Jun 23	3 Months to 30 Jun 22	% Change
Revenue[1]	5,615,927	4,788,835	17.3%
Profit[1] before Tax	4,844,939	3,904,884	24.1%
Income Tax Expense	(377,987)	(249,477)	51.5%
Profit[1] after Tax	4,466,952	3,655,407	22.2%
Earnings[1,2] Per Share	3.7cps	3.1cps	17.8%

[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.

Dividend Outlook[a]

Whitefield expects that it will maintain its own ordinary share dividend for the half year ending September 2023 at 10.25 cents. Consistent with prior years, the dividends are expected to be paid in December 2023 and be fully franked.

The continuing growth in Earnings Per Share generated by the Company's investment holdings will increasingly position the company to consider increases in its own dividends to shareholders in future years.

[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 2023 [b]	
Net Asset Backing [NAB] (Post Deferred Tax)	$550.3m
Ordinary Shares on Issue	116,604,963
Convertible Resettable Pref Shares (Face Value)	$25.0m
Net Asset Backing per Share (Pre-Deferred Tax)	$5.12
Net Asset Backing per Share (Post-Deferred Tax)	$4.72
Share Price	$5.15
(Discount)/Premium to NAB (Pre-Tax)	0.6%
(Discount)/Premium to NAB (Post-Tax)	9.1%

[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 return of 2.0% for the quarter and 11.2% across a rolling one year period.

Declines in headline inflation from their highs in the prior year, coupled with the consequent lowering of pressure on the Reserve Bank to raise interest rates have contributed to an uplift in future equity market earnings expectations and values over both the quarter and 12 months.

Performance relative to benchmark was constrained over the rolling 12 months with the oscillating inflation and interest rate outlook producing uneven and rapidly changing outcomes across many stocks and sectors.

Stronger returns in the period came from holdings in AGL, Xero, James Hardie, Wisetech, IAG, Aurizon, Suncorp, Megaport, Telix, Life360, HMC Capital, Blackmores and Pinnacle Investment Management.

Softer outcomes were visible in the consumer and healthcare sectors including Treasury Wines, Endeavour Group, Lovisa, Premier Investments, Vicinty Centres, Ramsay Healthcare, Imugene and CSL

INVESTMENT RETURNS

At 30 June 2023	One Qtr	One Yr	Ten Yr pa
Before Tax Returns			
Investment Portfolio	2.0%	11.2%	8.0%
Benchmark [ASX200 Ind XJIAI]	2.2%	11.8%	7.9%
After Tax & Cost Returns			
Net Asset Backing (Pre-Def Tax)	1.8%	10.3%	7.2%
Net Asset Backing (Post-Def Tax)	1.7%	9.7%	6.8%
Share Price	2.6%	7.0%	8.2%

CONTRIBUTION TO RETURN

Quarter Ended 30 June 2023	Portfolio Weight	Weighted Contribution to Performance
Top 5 Contributors		
ANZ Group Holdings Limited	4.4%	0.3%
Xero Limited	1.0%	0.2%
James Hardie Industries PLC	1.0%	0.2%
Commonwealth Bank of Australia	10.4%	0.2%
Wisetech Global Ltd	1.1%	0.2%
Top 5 Detractors		
National Australia Bank	5.0%	(0.1%)
Ramsay Health Care Limited	0.6%	(0.1%)
Treasury Wine Estates Limited	0.5%	(0.1%)
IDP Education Ltd	0.3%	(0.1%)
Amcor PLC	0.4%	(0.1%)

Investment Exposures

At quarter-end the company maintained overweight exposures to consumer staples, technology, property development, insurance and agriculture sectors.

During the quarter adjustments to investment exposures included:

- Increasing exposure to stocks in the consumer staples, infrastructure, healthcare and insurance sectors.
- Decreasing exposure to stocks in the consumer discretionary, general industrial and banking sectors

TOP TWENTY HOLDINGS

As at 30 June 2023	
COMMONWEALTH BANK OF AUSTRALIA	10.4%
CSL LIMITED	8.7%
NATIONAL AUSTRALIA BANK LIMITED	5.0%
WESTPAC BANKING CORPORATION	4.6%
ANZ BANKING GROUP LIMITED	4.4%
MACQUARIE GROUP LIMITED	4.0%
WESFARMERS LIMITED	3.4%
WOOLWORTHS GROUP LIMITED	3.4%
TELSTRA CORPORATION LIMITED	3.3%
TRANSURBAN GROUP	2.6%
GOODMAN GROUP	2.4%
COLES GROUP LIMITED	1.7%
ARISTOCRAT LEISURE LIMITED	1.6%
QBE INSURANCE GROUP LIMITED	1.5%
BRAMBLES LIMITED	1.2%
SUNCORP GROUP LIMITED	1.1%
SONIC HEALTHCARE LIMITED	1.1%
WISETECH GLOBAL LIMITED	1.1%
XERO LIMITED	1.0%
COCHLEAR LIMITED	1.0%

SECTOR BREAKDOWN

As at 30 June 2023	
Financials	37.1%
Health Care	13.4%
Industrials	9.3%
Real Estate	8.9%
Consumer Discretionary	8.4%
Consumer Staples	7.4%
Communication Services	5.6%
Information Technology	3.7%
Materials	2.8%
Utilities	2.2%
Cash & Cash Equivalents	1.2%

Market Outlook

Australian and global business activity has remained resilient compared to market expectations over the first six months of 2023, notwithstanding the economic challenges posed by the rising cost of living for many households.

Increasing energy costs, rising food prices, higher interest rates and high rents are all contributing to a notably larger cost burden for consumers. This pressure is likely to intensify over the remainder of the year and to translate into lower spending on consumer discretionary items.

While these influences are already visible in recent consumer spending data, currently strong employment and a growing prevalence of wage rises are – at least in part - providing an offset.

Government activity, healthcare and education services, strong housing demand, robust mining and agriculture volumes and international tourism are collectively contributing to strong levels of employment.

At the same time, recent wage negotiations have displayed a trend toward robust wage increases over multiple future years – a development that will spread from employer to employer and industry to industry.

Looking forward the economy is likely to be characterised by the uneven ebb and flow of periodic wage rises, the cycling of rising labour costs into higher goods and services prices, and the application of these wage increases to meet those rising interest costs and costs of living.

In this environment central banks and governments face the policy dilemma of balancing their desire to control inflation against the necessity of also supporting the consumer and encouraging growth. Governments will favour the latter side of this equation – allowing moderate levels of wage growth over multiple years to rebalance consumer spending power to already high house prices and the growing costs of living.

From an investment perspective it will be increasingly important to hold exposure to assets and businesses capable of delivering earnings that inflate over time. The growth within the Australian Equities asset class over the period of the 1970's-1990's provides some insight into the importance of business income growth for investors in a period of higher inflation.

We continue to hold the view that businesses with generally stronger competitive advantages, strong industry positions or revenue models that capture inflation will be the more likely beneficiaries of this environment.

Whitefield looks forward to reporting further on our results over upcoming quarters as we move through the 2024 financial year.

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