

**\_WHITEFIELD**

# Quarterly Update

Issued August 2020



# While earnings fell last quarter, Whitefield expects to be able to maintain its own dividend for the half year to Sep

## Earnings

As anticipated in our recently released Annual Report, income in the quarter to June 2020 fell significantly from prior year levels, with dividends from the major banks, transport infrastructure, retail property, building and construction being cut, cancelled or deferred. The June quarter is likely to be one of the more heavily impacted quarters due to the nature of the companies normally paying dividends within that period.

Whitefield's revenue fell by 70% compared to the equivalent quarter in the prior year, slightly better than the ASX200 Industrials Index. Operating Profit after Tax for the 3 months to June 2020 amounted to \$811,255. After allowing for increases in share capital this translates to Earnings Per Ordinary Share of 0.5 cents (PY 4.3 cents).

Notwithstanding the large cuts or deferrals from the banking, transport, retail and construction sectors, approximately 40% of our investment holdings were able to deliver some growth in their distribution. Some growth was evident in distributions from ResMed, APA Group, Technology One, Amcor, AusNet Services, Brickworks and a selection of property trusts with limited retail exposure.

## Financial Summary

	3 Months to 30 Jun 20	3 Months to 30 Jun 19	% Change
Revenue <sup>1</sup>	1,566,815	5,144,927	(69.5%)
Profit <sup>1</sup> before Tax	974,751	4,577,118	(78.7%)
Income Tax Expense	(163,498)	(301,016)	(45.7%)
Profit <sup>1</sup> after Tax	811,255	4,276,102	(81.0%)
Earnings <sup>1,2</sup> Per Share	0.5cps	4.3cps	(87.7%)

<sup>1</sup> 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.

<sup>2</sup> Earnings Per Share reflects Net Profit After Tax and After Preference Share Dividends per Ordinary Share.

## Dividend Outlook<sup>a</sup>

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

Notwithstanding the downturn in income that is likely in the current year, Whitefield continues to expect that it will be able to maintain its own dividend to shareholders for the half year ending September 2020 at the same level as the prior year. Consistent with prior years, the dividends would be paid in December 2020 and would be fully franked.

<sup>a</sup> 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 2020

Net Asset Backing [NAB] (Post Deferred Tax)	\$402.7m
Ordinary Shares on Issue	92,763,876
Convertible Resettable Pref Shares (Face Value)	\$32.1m
Net Asset Backing per Share (Pre-Deferred Tax)	\$4.66
Net Asset Backing per Share (Post-Deferred Tax)	\$4.34
Share Price	\$4.46
(Discount)/Premium to NAB (Pre-Tax)	(4.3%)
(Discount)/Premium to NAB (Post-Tax)	2.8%

**WHITEFIELD**

A structured and disciplined investment strategy consistently applied over time.

## Portfolio Return

The investment portfolio generated a strong positive quarterly return of 12.0%, reflecting the significant rally in share markets from their lows at the end of March.

The portfolio has generated a return of (5.6%) over the rolling 12 months, which compares to the benchmark ASX200 Industrials Accumulation of (7.8%).

Whitefield's 1, 3, 5 and 20 year returns sit above the return of the benchmark index over the same time frames.

The quarter was characterised by a strong bounceback in the market values of COVID exposed companies and industries, and some easing in the COVID defensives. Stronger returning stocks within the portfolio over the quarter included Wesfarmers, Macquarie Group, the major banks, Goodman Group, Transurban, Charter Hall, James Hardie Industries, Aristocrat Leisure, Woolworths, Aurizon and Magellan Financial Group.

### INVESTMENT RETURNS

At 30 June 2020	One Qtr	One Yr	Five Yr pa
<b>Before Tax Returns</b>			
Investment Portfolio	12.1%	(5.6%)	5.1%
Benchmark [ASX200 Ind XJIAI]	13.9%	(7.8%)	4.9%
<b>After Tax Returns</b>			
Net Asset Backing (Pre-Def Tax)	12.2%	(7.3%)	3.9%
Net Asset Backing (Post-Def Tax)	8.9%	(4.8%)	4.2%
Share Price	8.5%	(4.4%)	4.0%

Quarter Ended 30 June 2020	Portfolio Weight	Weighted Contribution to Performance
<b>TOP 5 CONTRIBUTORS TO PERFORMANCE</b>		
Wesfarmers Limited	4.22%	1.12%
Commonwealth Bank of Australia	8.68%	1.00%
Macquarie Group Limited	2.67%	0.90%
Goodman Group	1.69%	0.41%
Transurban Group Limited	2.04%	0.40%
<b>TOP 5 DETRACTORS TO PERFORMANCE</b>		
CSL Limited	9.23%	(0.29%)
Insurance Australia Group Limited	0.95%	(0.08%)
Metcash Limited	0.20%	(0.08%)
Service Stream Limited	0.56%	(0.04%)
Inghams Group Limited	0.64%	(0.02%)

During the quarter adjustments to investment exposures included:

- Increasing exposure to stocks in the industrials sector
- Lessening underweight exposures to consumer discretionary, infrastructure and property
- Decreasing exposure to stocks in the healthcare, technology and consumer staple.

## Investment Exposures

### TOP TWENTY HOLDINGS

As at 30 June 2020

CSL Limited	9.23%
Commonwealth Bank of Australia	8.68%
Westpac Banking Corporation	4.38%
Wesfarmers Limited	4.22%
National Australia Bank Limited	4.15%
ANZ Banking Group Limited	3.83%
Woolworths Group Limited	3.48%
Macquarie Group Limited	2.67%
Telstra Corporation Limited	2.65%
Transurban Group	2.04%
Goodman Group	1.69%
Brambles Limited	1.67%
Coles Group Limited	1.46%
QBE Insurance Group Limited	1.46%
APA Group	1.43%
AGL Energy Limited	1.40%
Aurizon Holdings Limited	1.32%
ResMed Inc	1.31%
ASX Limited	1.17%
Aristocrat Leisure Limited	1.15%

### SECTOR BREAKDOWN

As at 30 June 2020

Commercial Banks	21.14%
Healthcare	14.54%
Financial Ex Banks	9.18%
Industrials	8.91%
Consumer Discretionary	7.95%
Consumer Staple	7.78%
Real Estate	7.73%
Communication Services	4.56%
Utilities	3.82%
Information Technology	3.21%
Materials	2.15%
Cash & Cash Equivalents	9.03%

## Market Outlook

The COVID19 pandemic continues to dominate the global economic outlook. With most countries having effected some form of lockdown, the initial viral spread in locked down countries was slowed during May and June.

The subsequent reopening of economies coupled with a very large percentage of the population being non-immune has since resulted in a predictable secondary upswell in COVID infections on a wider front.

It remains highly likely that a majority of countries will lurch between periods of containment and re-openings for some time as they grapple with the necessity of limiting hospitalisations and deaths. Other countries may find themselves unable or unwilling to prevent the viral spread.

This environment is likely to continue for some time until either a sufficiently successful vaccine is developed and promulgated on a wide enough front to be effective, until the natural prevalence of the virus results in a level of human immunity or until the virus itself mutates into a more benign form.

None of these outcomes is certain, and many – including development and rollout of a vaccine – may take an extended period to achieve – possibly some years.

### IMPORTANT INFORMATION

**General, Limited Commentary:** This document contains information about Whitefield and the markets in which it operates. The document is limited in scope and accordingly may not contain all the information necessary for an investor to make an investment decision. It is not a personal investment recommendation, it is not investment advice, and accordingly does not take account the specific situation, financial situation or particular needs of any individual investor. Before making an investment decision an individual should consider all other relevant information, including (but not limited to) information as to their specific circumstances and needs, the risks of investing, other investment alternatives and consider whether they should seek professional advice in forming their decision.

**Information regarding past performance** reflects the specific circumstances and decisions that transpired across the time frames shown. Past performance may not be indicative of the future and should not be relied upon as a guide or guarantee of future outcomes.

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From an economic perspective, it is both the passing of time and the level of disruption that are problematic. The longer disruption and containment continues, the more income will be lost, the more problematic debt levels will become and the greater the level of financial collapse that may result.

Fortunately the interest costs that are accruing for Governments, businesses and individuals alike are low at this time and this provides some degree of assistance for most economies.

Moving forward, governments are likely to refine their containment policies by encouraging methodologies that allow people to conduct business while still protecting those most vulnerable. It will be extremely important to target these dual objectives, as it is through this that an economy may survive across the extended period required to allow the population to progressively build immunity through vaccination or natural antibody development.

At a corporate level we continue to consider that being alert and flexible will be important attributes when investing in this environment. Whitefield continues to hold an above-normal level of cash with this in mind.

At the portfolio level the company's investment process steadily and consistently measures and assesses the likely success or failure of the many ASX companies within our investment universe. Our portfolio will continue to be adjusted towards those businesses capable of surviving in this environment and in any subsequent recovery, as that outlook develops.

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

Angus Gluskie  
Managing Director