



# WHITEFIELD QUARTERLY REPORT

JULY 2018

## PERFORMANCE SUMMARY

At 30 June 2018

|  | Last Quarter % | One Year % | Three Years % *** | Five Years %*** |
|--|----------------|------------|-------------------|-----------------|
| <b>Before Tax Returns</b>                |                |            |                   |                 |
| Total Portfolio                          | 6.243%         | 7.428%     | 7.283%            | 10.454%         |
| Benchmark*                               | 6.655%         | 7.759%     | 7.699%            | 10.268%         |
| <b>After Tax Returns</b>                 |                |            |                   |                 |
| Net Asset Backing (pre deferred tax)**1  | 5.906%         | 5.824%     | 6.259%            | 9.884%          |
| Net Asset Backing (post deferred tax)**2 | 5.272%         | 6.283%     | 6.039%            | 8.638%          |
| Share Price                              | 0.678%         | 3.904%     | 4.443%            | 9.630%          |

\* ASX 200 All Industrials (XJIAI) \*\* Including Dividends \*\*\* Annualised

- Investment returns based on net asset backing (pre-tax) represent the investment return prior to any provision for deferred tax benefits or liabilities, but are after the payment of current tax at company rates on income and on realised capital gains.
- Investment returns based on net asset backing (post-tax) represent investment returns after provisions for deferred tax liabilities and benefits at the 30% tax rate, including a provision for capital gains tax should the company's investments be realised in entirety.

## FINANCIAL OUTCOMES

|  | 3 Months to 30 Jun 18 | 3 Months to 30 Jun 17 | % Change |
|--|-----------------------|-----------------------|----------|
| Investment Revenue                       | \$5,078,539           | \$4,858,338           | 4.5%     |
| Profit Before Tax & Realised Gains       | \$3,839,540           | \$3,630,317           | 5.8%     |
| Income Tax Benefit/(Expense)             | (\$348,245)           | (\$332,026)           | 4.9%     |
| Profit After Tax before Realised Gains   | \$3,491,295           | \$3,298,291           | 5.9%     |
| Earnings before Realised Gains Per Share | 4.0cps                | 4.0cps                | 0.0%     |

## RESULTS COMMENTARY

We are pleased to report that Whitefield generated a profit after tax of \$3,895,446 for the 1<sup>st</sup> quarter of the 2019 financial year. This outcome was 5.9% higher than the equivalent quarter in the prior year, representing 4.5% underlying revenue growth and a slightly better cost outcome. After allowing for movements in issued capital earnings per ordinary share were stable with the prior year at 4.0 cps.

Within the investment portfolio 82% of holdings declaring dividends and distributions in the quarter were able to maintain or increase their distribution. This proportion is consistent with growth in the prior year. More material increases came from Janus Henderson Group, Aristocrat, CIMIC, Macquarie Group, Sydney Airport and Transurban.

Investment returns were strongly positive for the quarter with the portfolio generating a return of 6.24% over this period. Notable contributors to this outcome were Aristocrat, APA Group, CSL, Macquarie Group, Wesfarmers, Charter Hall and Woolworths.

Returns for the S&P/ASX200 Industrials Accumulation Index at 6.65% were marginally stronger than Whitefield's, with the company's slightly higher exposure to Boral, Ramsay Healthcare, Brambles and Metcash being the differentiating factor over this 3 month period.

## NET TANGIBLE ASSETS

At 30 June 2018

|   |                 |
|---|-----------------|
| NTA (post-tax & preference shares)        | \$402.8 million |
| Ordinary Shares on Issue                  | 87,494,491      |
| 8% Cumulative Pref. Shares (Face Value)   | \$23,790        |
| Convertible Resetable Prefs. (Face Value) | \$40,000,000    |
| NTA per share (pre-tax)                   | \$5.01          |
| NTA per share (post-tax)                  | \$4.60          |
| Share Price                               | \$4.54          |
| (Discount)/Premium to NTA (pre-tax)       | (9.38%)         |
| (Discount)/Premium to NTA (post-tax)      | (1.30%)         |

## TOP 5 CONTRIBUTORS TO PERFORMANCE FOR THE QUARTER\*

At 30 June 2018

|                           | Portfolio Weight | Contribution |
|---------------------------|------------------|--------------|
| CSL Limited               | 6.54%            | 1.170%       |
| Wesfarmers Limited        | 4.66%            | 0.714%       |
| Macquarie Group Limited   | 2.96%            | 0.589%       |
| Woolworths Group Limited  | 3.53%            | 0.514%       |
| ANZ Banking Group Limited | 6.46%            | 0.495%       |

## TOP 5 DETRACTORS TO PERFORMANCE FOR THE QUARTER\*

At 30 June 2018

|                             | Portfolio Weight | Contribution |
|-----------------------------|------------------|--------------|
| Telstra Corporation Limited | 2.36%            | (0.463%)     |
| AMP Limited                 | 0.79%            | (0.416%)     |
| Boral Limited               | 0.57%            | (0.160%)     |
| Brambles Limited            | 1.07%            | (0.135%)     |
| Metcash Limited             | 0.46%            | (0.108%)     |

\*Contribution = weighted contribution to investment performance

## SECTOR BREAKDOWN

At 30 June 2018

|                            | Excluding Cash | Including Cash |
|----------------------------|----------------|----------------|
| Commercial Banks           | 29.37%         | 29.36%         |
| Health Care                | 11.78%         | 11.77%         |
| Consumer Staple            | 11.36%         | 11.34%         |
| Financials Excluding Banks | 10.70%         | 10.69%         |
| Industrials                | 9.01%          | 9.00%          |
| Real Estate                | 8.71%          | 8.70%          |
| Consumer Discretionary     | 5.28%          | 5.27%          |
| Materials                  | 4.83%          | 4.82%          |
| Information Technology     | 3.37%          | 3.36%          |
| Telecommunication Services | 2.81%          | 2.80%          |
| Utilities                  | 2.78%          | 2.78%          |
| Cash & Cash Equivalents    |                | 0.11%          |

## CHANGES TO INVESTMENT EXPOSURES

Adjustments to portfolio exposures during the quarter included:

- Increasing exposure to Computershare, CSL and Wesfarmers
- Reducing exposure to AGL, Tabcorp, Orica, AMP, Metcash, Boral and Vicinity Centres

## DIVIDEND

As mentioned in the Chairman's address to shareholders at the company's recent AGM the portfolio's underlying income growth over recent years, the average long term level of realised gains and the upcoming reset date for Whitefield's Convertible Resetable Preference Shares are factors likely to support the Company in considering increases to its ordinary share dividends across 2019 (and subject to there being no materially adverse or abnormal changes in investment markets).

## CONVERTIBLE RESETTABLE PREFERENCE SHARES (WHFPB)

The company's convertible resettable preference shares will reach their reset date on 30 November 2018. Whitefield will be notifying all WHFPB holders of the alternatives available to them and any required actions over upcoming months. Materials are expected to be issued by mid-September.

## OUTLOOK

The outlook for the Australian economy is increasingly mixed, with both positive and negative influences currently evident.

On the positive side employment and population growth have remained firm, the soft Australian dollar is supportive of domestic production and export industries, infrastructure development works are extremely robust and activity in the oil and mining sectors has been benefitting from solid demand from Asia and an elevated oil price.

Against this, the low outright level of interest rates continues to impact retiree spending and weakening house prices are prompting increased consumer caution and ultimately may translate into a slowing in housing construction and potentially some uplift in bad debts for the financial sector.

At an international level a continued recovery in Europe, more favourable monetary policy in China and strength in US economic activity are all broadly favourable.

Notwithstanding these positives investment markets are likely to be increasingly concerned over the potential for interest rates to rise from current levels and the unproductive introduction of global trade barriers in the United States.

In addition to the increased interest burden for borrowers, a rise in global interest rate expectations would necessitate the re-pricing of rate-sensitive investment assets to lower levels. Increases in trade tariffs would have the impact of increasing costs for consumers and lowering the aggregate level of international trade and activity.

While we have some concerns as to this (currently) mixed bag of more and less favourable influences on markets, we continue to be encouraged by the far more persistent and long lasting growth in Australia's population coupled with Australia's relative affluence. These latter factors are likely to remain as powerful contributors to activity in many sectors of the Australian industrial economy for an extended period.

We will look forward to reporting to shareholders on our half year results following the financial half year completion on 30 September.

**ANGUS GLUSKIE**  
CHIEF EXECUTIVE OFFICER



# WHITEFIELD QUARTERLY REPORT

QUARTER ENDED 30 JUNE 2018

## TOP 20 HOLDINGS

At 30 June 2018

|                                   | %     | Value \$'000 |
|-----------------------------------|-------|--------------|
| Commonwealth Bank Of Australia    | 9.11% | 43,428       |
| Westpac Banking Corporation       | 7.52% | 35,833       |
| CSL Limited                       | 6.54% | 31,170       |
| ANZ Banking Group Limited         | 6.46% | 30,784       |
| National Australia Bank Limited   | 5.57% | 26,516       |
| Wesfarmers Limited                | 4.66% | 22,183       |
| Woolworths Group Limited          | 3.53% | 16,820       |
| Macquarie Group Limited           | 2.96% | 14,101       |
| Telstra Corporation Limited       | 2.36% | 11,229       |
| Insurance Australia Group Limited | 1.97% | 9,384        |
| Scentre Group                     | 1.77% | 8,423        |
| Amcor Limited                     | 1.69% | 8,033        |
| Aristocrat Leisure Limited        | 1.49% | 7,094        |
| Transurban Group                  | 1.34% | 6,392        |
| Sonic Healthcare Limited          | 1.31% | 6,233        |
| Sydney Airport                    | 1.22% | 5,809        |
| ResMed Inc                        | 1.21% | 5,768        |
| AGL Energy Limited                | 1.12% | 5,339        |
| Brambles Limited                  | 1.07% | 5,082        |
| Computershare Limited             | 1.07% | 5,076        |
| Cash & Cash Equivalents           | 0.11% | 504          |