



WHITEFIELD QUARTERLY REPORT

AUGUST 2019

PERFORMANCE SUMMARY

At 30 June 2019

	Last Quarter %	One Year %	Three Years % ***	Five Years %***
Before Tax Returns				
Total Portfolio	8.166%	9.844%	9.491%	8.619%
Benchmark*	8.703%	10.451%	10.261%	8.939%
After Tax Returns				
Net Asset Backing (pre deferred tax)**1	8.405%	8.877%	8.504%	7.772%
Net Asset Backing (post deferred tax)**2	6.649 %	8.211%	7.889 %	7.251%
Share Price	11.813%	11.807%	9.900%	7.351%

* 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 19	3 Months to 30 Jun 18	% Change
Investment Revenue	\$5,144,927	\$5,077,290	1.3%
Profit Before Tax & Realised Gains	\$4,577,118	\$4,539,540	0.8%
Income Tax Benefit/(Expense)	(\$301,016)	(\$348,245)	
Preference Share Dividend Expense	(\$324,346)	(\$700,952)	
Profit After Tax and Pref Share Costs	\$3,951,756	\$3,490,343	13.2%
Earnings before Realised Gains Per Share	4.3cps	4.0cps	7.5%

RESULTS COMMENTARY

Whitefield generated a Profit after Tax and Preference share costs of \$3,951,756 for the first quarter of the financial year, an increase of 13.2% on the equivalent period in the prior year. After allowing for changes in the issued capital of the company, this represented earnings per ordinary share of 4.3 cents, an increase of 7.5% over the prior year.

Within this outcome the company experienced a moderate slowing of income growth, however this was more than offset by a decrease in preference share costs following the reset of the company's Resetable Preference shares during November 2018.

Dividend increases were evident from a good breadth of the company's investments including CIMIC, Macquarie Group, Aristocrat, Resmed, Transurban, Orica, ALS and the BWP Trust. Less favourably, we saw cuts in distributions from a number of entities including Incitec Pivot, Bank of Queensland, Dexus and the National Aust Bank.

In addition to the company's operating income, Whitefield generated an upwards revaluation of its investment portfolio of \$33,938,424 during the quarter.

The company's investment portfolio generated an investment return of 8.2% for the quarter. While this was a strong outcome in absolute terms, the return was slightly below that of the ASX200 Industrials Accumulation Index. The difference reflects the company's holding of cash ahead of the payment of our June dividend, coupled with small variations in outcome from our investment holdings as compared to the index.

NET TANGIBLE ASSETS

At 30 June 2019

NTA (post-tax & preference shares)	\$439.3 million
Ordinary Shares on Issue	92,114,289
8% Cumulative Pref. Shares (Face Value)	\$23,790
Convertible Resetable Prefs. (Face Value)	\$32,138,600
NTA per share (pre-tax)	\$5.23
NTA per share (post-tax)	\$4.77
Share Price	\$4.86
(Discount)/Premium to NTA (pre-tax)	(7.07%)
(Discount)/Premium to NTA (post-tax)	1.89%

TOP 5 CONTRIBUTORS TO PERFORMANCE FOR THE QUARTER*

At 30 June 2019

	Portfolio Weight	Contribution
Commonwealth Bank of Australia	9.67%	1.506%
Westpac Banking Corporation	6.25%	0.801%
CSL Limited	6.93%	0.673%
ANZ Banking Group Limited	5.82%	0.662%
National Australia Bank Limited	5.19%	0.458%

TOP 5 DETRACTORS TO PERFORMANCE FOR THE QUARTER*

At 30 June 2019

	Portfolio Weight	Contribution
Scentre Group	1.30%	(0.118%)
AGL Energy Limited	1.07%	(0.092%)
Computershare Limited	1.14%	(0.070%)
GUD Holdings Limited	0.34%	(0.067%)
Domino's Pizza Enterprises Ltd	0.58%	(0.064%)

*Contribution = weighted contribution to investment performance

SECTOR BREAKDOWN

At 30 June 2019

	Excluding Cash	Including Cash
Commercial Banks	27.71%	27.62%
Financials Excluding Banks	11.39%	11.35%
Health Care	11.11%	11.07%
Industrials	10.72%	10.69%
Real Estate	9.20%	9.17%
Consumer Discretionary	8.22%	8.19%
Consumer Staples	7.14%	7.11%
Communication Services	4.72%	4.71%
Materials	3.52%	3.50%
Information Technology	3.46%	3.45%
Utilities	2.81%	2.80%
Cash & Cash Equivalents		0.34%

CHANGES TO INVESTMENT EXPOSURES

Adjustments to portfolio exposures during the quarter included:

- Increasing exposure to Industrials, Consumer Discretionary and Property Developers; and
- Reducing exposure to Consumer Staples, Technology and Asset Owners (Property Investment and Infrastructure).

OUTLOOK

Australian business conditions remain mildly positive across the government, healthcare, financial, business services, infrastructure, industrial and mining sectors.

In contrast to these positives the economy also faces some meaningful headwinds:

- the discretionary retail sector continues to soften as a result of the uptake in online shopping, and the perennial decline of out-of-fashion brands in favour of more novel offerings;
- multi-dwelling residential construction is materially lower than its prior bullish levels;
- retiree incomes continue to be undermined as a direct consequence of low interest rates;
- consumers and businesses are struggling with the high asset prices and high debt levels that are the by-product of ultra-low interest rates;
- the continuing trade dispute between the US and China is disrupting business activity and planning.

A resolution of the US-China dispute would certainly be viewed favourably by global investment markets – if that can be achieved. The problems created by ultra-low interest rates however are likely to be a more persistent issue.

It should be evident to policy-makers that ultra-low interest rate policy has failed to boost growth in economies where it has been used, and in many cases it has exacerbated the underlying problem. Lowering rates only assists economic growth if it flows into greater consumption and increased business investment. The current ultra-low rate policy is instead inflating asset prices and debt levels, raising consumer caution and in turn lowering incomes and consumer spending and eroding business confidence.

Strategically, a better approach may be to implement fiscal policies that encourage wage growth while concurrently (but slowly) raising interest rates. This combination would boost retiree incomes, lower debt levels, decrease consumer caution, and increase consumer spending while protecting asset prices.

The Government's July 2019 tax cuts represent an initial constructive step in improving consumer incomes and we would strongly endorse additional initiatives to support and foster wage growth, particularly if this can be accompanied by monetary policies that prevent undue asset price inflation.

As we move through the remainder of the 2019 calendar year and into 2020 Whitefield's investment team will continue to orient our portfolio towards those stocks and sectors we consider are more capable of sustaining and growing their earnings in manner that is constructive for shareholders.

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

ANGUS GLUSKIE
MANAGING DIRECTOR



QUARTER ENDED 30 JUNE 2019

TOP 20 HOLDINGS

At 30 June 2019

	%	Value \$'000
Commonwealth Bank Of Australia	9.67%	49,176
CSL Limited	6.93%	35,233
Westpac Banking Corporation	6.25%	31,759
ANZ Banking Group Limited	5.82%	29,570
National Australia Bank Limited	5.19%	26,411
Wesfarmers Limited	3.40%	17,310
Woolworths Group Limited	3.11%	15,806
Telstra Corporation Limited	3.11%	15,796
Macquarie Group Limited	2.83%	14,371
Transurban Group	2.74%	13,922
Goodman Group	1.72%	8,724
Aristocrat Leisure Limited	1.56%	7,914
Insurance Australia Group Limited	1.51%	7,661
Amcor Limited	1.49%	7,596
Brambles Limited	1.46%	7,409
Medibank Private Limited	1.42%	7,244
Aurizon Holdings Limited	1.41%	7,168
Scentre Group	1.30%	6,633
Sydney Airport	1.30%	6,601
Suncorp Group Limited	1.24%	6,323
Cash & Cash Equivalents	0.34%	1,716