



WHITEFIELD QUARTERLY REPORT

NOVEMBER 2018

PERFORMANCE SUMMARY

At 30 September 2018

	Last Quarter %	One Year %	Three Years % ***	Five Years %***
Before Tax Returns				
Total Portfolio	1.814%	10.168%	9.704%	8.832%
Benchmark*	1.711%	10.629%	10.083%	8.857%
After Tax Returns				
Net Asset Backing (pre deferred tax)**1	1.699%	9.116%	8.922%	8.157%
Net Asset Backing (post deferred tax)**2	1.632%	8.601%	8.039%	7.420%
Share Price	3.744%	8.512%	8.462%	7.957%

* 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, including a provision for capital gains tax should the company's investments be realised in entirety.

FINANCIAL OUTCOMES

	6 Months to 30 Sep 18	6 Months to 30 Sep 17	% Change
Investment Revenue	\$10,951,152	\$10,778,779	1.60%
Profit Before Tax & Realised Gains	\$8,428,904	\$8,354,307	0.89%
Income Tax Benefit/(Expense)	(\$394,705)	(\$665,183)	
Profit After Tax before Realised Gains	\$8,034,199	\$7,689,124	4.49%
Earnings before Realised Gains Per Share	9.2cps	9.1cps	1.21%

RESULTS COMMENTARY

Whitefield reports an Operating Profit after Tax of \$8,034,199 for the half year ended 30 September 2018, an increase of 4.49% on the equivalent half in the prior year. After allowing for increases in share capital over the year, earnings per Ordinary Share increased by 1.21% to 9.2 cents.

Contributors to the result included:

- A breadth of distribution/dividend growth across the majority of holdings;
- A small number of stocks choosing to cut dividends;
- Slightly higher general operating expenses;
- A lower tax expense

Of our holdings that declared distributions in the half year, slightly more than 80% maintained or increased their distribution rate, reflecting a good breadth of underlying earnings growth. Stocks showing stronger growth included Magellan Financial, Metcash, Star Entertainment, Aurizon, CSL, Treasury Wine, Woolworths and TradeMe. Against this the half year also saw some cuts to dividends most notably in the Telecommunications sector (Telstra and TPG) and the financial sector (AMP).

Portfolio investment returns for the last quarter at 1.81% were ahead of the ASX200 Industrials Accumulation Index return of 1.71%, although were slightly below over the half year with the portfolio generating a return of 8.17% (compared to the ASX200 Industrials Accumulation Index at 8.48%). Returns over the rolling five year period sat at 8.83%, in line with the Index return of 8.86%.

Stronger returns for the half year came from CSL, Wesfarmers, Macquarie, ANZ, ResMed, Goodman Group, CIMIC, Woolworths, TPG and QBE, and at the smaller end of the portfolio from Mayne Pharma, Vocus, IRESS, IPH, Webjet, HT&E and APN Outdoor.

NET TANGIBLE ASSETS

At 30 September 2018

NTA (post-tax & preference shares)	\$409.4 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)	\$5.09
NTA per share (post-tax)	\$4.68
Share Price	\$4.71
(Discount)/Premium to NTA (pre-tax)	(7.47%)
(Discount)/Premium to NTA (post-tax)	0.64%

TOP 5 CONTRIBUTORS TO PERFORMANCE FOR THE QUARTER*

At 30 September 2018

	Portfolio Weight	Contribution
Telstra Corporation Limited	2.59%	0.580%
CSL Limited	6.67%	0.308%
Brambles Limited	1.07%	0.251%
CIMIC Group Limited	0.87%	0.190%
QBE Insurance Group Limited	1.13%	0.157%

TOP 5 DETRACTORS TO PERFORMANCE FOR THE QUARTER*

At 30 September 2018

	Portfolio Weight	Contribution
Westpac Banking Corporation	7.03%	(0.323%)
Insurance Australia Group Limited	1.62%	(0.225%)
Woolworths Group Limited	2.51%	(0.210%)
Aristocrat Leisure Limited	1.67%	(0.133%)
AGL Energy Limited	1.44%	(0.120%)

*Contribution = weighted contribution to investment performance

SECTOR BREAKDOWN

At 30 September 2018

	Excluding Cash	Including Cash
Commercial Banks	28.41%	28.20%
Financials Excluding Banks	11.51%	11.42%
Health Care	10.87%	10.79%
Consumer Staples	10.77%	10.69%
Industrials	8.75%	8.69%
Real Estate	8.73%	8.66%
Consumer Discretionary	5.24%	5.20%
Communication Services	4.88%	4.85%
Materials	4.78%	4.75%
Utilities	3.11%	3.09%
Information Technology	2.95%	2.92%
Cash & Cash Equivalents		0.74%

CHANGES TO INVESTMENT EXPOSURES

Adjustments to portfolio exposures during the quarter included:

- Increasing exposure to Suncorp, Qantas, Medibank, Lend Lease, Goodman, APN Outdoor, Aristocrat and AGL
- Decreasing exposure to Amcor, Woolworths, Scentre Group, Mirvac and Flight Centre
- Introduction of new overweight and underweight exposures relating to the mid-cap stocks held within the portfolio

DIVIDENDS

Whitefield has declared the following fully franked dividends, with a payment date of 12th December 2018 and a record date of 26th November 2018:

- 9.75 cents per Ordinary Share (prior year 8.75 cents)
- 350 cents per Convertible Resettable Preference Share [WHFPB]
- 4.00 cents per 8% Preference Share

As noted in the Earnings and Dividend update released to market during September, Whitefield expects its Ordinary Share earnings and dividends to be well-supported during 2019 and into 2020 as the result of the reset of the WHFPBs coupled with existing earnings and realised capital gains.

Accordingly, Whitefield reiterates its current expectation that it will increase its final dividend payable in June 2019 to at least 10 cents per ordinary share. This expectation of company earnings and dividends is subject to there being no material or abnormal deterioration in economic and market conditions.

WHFPB RESET ON 30 NOVEMBER

Whitefield's convertible resettable preference shares [WHFPB] reach their first reset date on 30 November 2018. The reset WHFPB terms include:

- A dividend yield of 5.75% x (1-Tax Rate)
- Next Reset Date of 30 Nov 2021
- Conversion Discount of 2.00%

Securityholders who have elected to convert their WHFPBs into WHF Ordinary Shares will receive advice of the conversion shortly after 30 November. Securityholders continuing to hold the WHFPB will continue to receive regular dividends at each half year.

OUTLOOK

The Australian economy is currently being driven by a mix of both positive and negative influences with the result that the near-term outlook is less clear than it has been.

On the positive side population growth, employment and a low Australian dollar are supportive of economic activity. Against this rising global interest rates and low wages growth are stifling the consumer and softening housing and construction activity. The prospect of potential changes to the Australian tax landscape is likely to add a further level of uncertainty for investors in 2019, with the ALP proposing to prohibit franking credit refunds, prohibit negative gearing on shares and property, cut the CGT discount in half and tax certain private Trust distributions at company rates.

We consider many of these tax proposals to be poorly conceived, particularly the proposed prohibition on franking credit refunds. Whitefield, and others in the LIC industry, have been actively working to assist politicians and the public to understand why this proposed policy may be problematic and inequitable.

The global economic outlook remains mildly positive however risks to this outlook have been rising. Protectionist policies, trade disputes and the increasingly tight labour market in the US are likely to result in higher rates of inflation, and this prospect is a notable driver for rising global interest rates. We would consider that there is some potential for investment markets to be more volatile than normal in 2019 as the investment community digests the implications of a higher interest rate environment.

While this near-term outlook appears mixed, we continue to see strength in the medium and longer term prospects for the Australian industrial economy from the country's position as a high population growth, higher affluence country coupled with the steadily growing demand from Australia's primary trading partners for Australian-sourced consumer goods and services.

ANGUS GLUSKIE
CHIEF EXECUTIVE OFFICER



QUARTER ENDED 30 SEPTEMBER 2018

At 30 September 2018

	%	Value \$'000
Commonwealth Bank Of Australia	8.86%	43,001
Westpac Banking Corporation	7.03%	34,098
CSL Limited	6.67%	32,343
ANZ Banking Group Limited	6.02%	29,194
National Australia Bank Limited	5.84%	28,317
Wesfarmers Limited	4.65%	22,559
Macquarie Group Limited	2.94%	14,277
Telstra Corporation Limited	2.59%	12,553
Woolworths Group Limited	2.51%	12,200
Transurban Group	1.68%	8,165
Aristocrat Leisure Limited	1.67%	8,099
Insurance Australia Group Limited	1.62%	7,849
Suncorp Group Limited	1.61%	7,827
AGL Energy Limited	1.44%	6,975
Computershare Limited	1.24%	6,006
Amcor Limited	1.22%	5,905
Qantas Airways Limited	1.21%	5,891
Goodman Group	1.18%	5,707
Sydney Airport	1.15%	5,590
QBE Insurance Group Limited	1.13%	5,470
Cash & Cash Equivalents	0.74%	3,610