Quarterly Update

Issued August 2022

Whitefield's income continued to grow strongly across the first quarter of the 22/23 financial year

Earnings

Whitefield reports a Net Profit after Tax of $3.655m for the first quarter ended 30 June 2022, an increase of 18% 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 9.4% to 3.14 cents.

The uplift in earnings is reflective of the relatively buoyant economic conditions that have been experienced in Australia over the 21/22 period, as COVID restrictions have eased, with employment strong and interest rates at abnormally low levels.

These conditions translated into moderate underlying earnings and dividend growth for many of our investment holdings.

Notable dividend growth was evident in our holdings of Incitec Pivot, Orica, Aristocrat, NAB, Resmed, Transurban, ALS Ltd, Amcor, Stockland, Elders, Premier Investments, ARB and Bank of Queensland.

Financial Summary

	3 Months to 30 Jun 22	3 Months to 30 Jun 21	% Change
Revenue[1]	4,788,835	4,061,514	17.9%
Profit[1] before Tax	3,904,884	3,328,370	17.3%
Income Tax Expense	(249,477)	(234,229)	6.5%
Profit[1] after Tax	3,655,407	3,094,141	18.1%
Earnings[1,2] Per Share	3.1cps	2.9cps	9.4%

[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 again expects that it will maintain its own ordinary share dividend for the half year ending September 2022 at 10.25 cents. Consistent with prior years, the dividends are expected to be paid in December 2022 and be fully franked.

[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 2022 [b]	
Net Asset Backing [NAB] (Post Deferred Tax)	$500.5m
Ordinary Shares on Issue	111,308,503
Convertible Resettable Pref Shares (Face Value)	$25.0m
Net Asset Backing per Share (Pre-Deferred Tax)	$4.83
Net Asset Backing per Share (Post-Deferred Tax)	$4.50
Share Price	$5.01
(Discount)/Premium to NAB (Pre-Tax)	3.7%
(Discount)/Premium to NAB (Post-Tax)	11.4%

[b] Asset Backing Releases after this date are made available on the company's website or ASX Announcements

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A structured and disciplined investment strategy consistently applied over time.

Portfolio Return

The investment portfolio generated a return of (10.9%) for the quarter, ahead of the ASX200 Industrials Index benchmark return of (11.2%).

While returns exceeded the benchmark for this period, the negative outright return reflected the weakness across Australian and global share markets in a period characterised by rising interest rates and the Russian-Ukraine conflict.

Returns for the company's portfolio over the last 3 years amount to 2.4%pa (ASX200 Industrials benchmark 2.2%).

Stronger returns in the period came from holdings in Atlas Arteria, Amcor, Ramsay Healthcare, APA, Brambles, Transurban, NIB Holdings, Graincorp and Steadfast.

Businesses within the technology and business services sectors were the poorer performers in this environment, and Whitefield benefitted relative to the benchmark index as a result of its underweight exposure to selected stocks in these sectors.

INVESTMENT RETURNS

At 30 June 2022	One Qtr	One Yr	Three Yr pa
Before Tax Returns			
Investment Portfolio	(10.9%)	(9.4%)	2.4%
Benchmark [ASX200 Ind XJIAI]	(11.2%)	(9.2%)	2.2%
After Tax & Cost Returns			
Net Asset Backing (Pre-Def Tax)	(13.2%)	(12.0%)	0.7%
Net Asset Backing (Post-Def Tax)	(10.5%)	(7.9%)	1.7%
Share Price	(8.9%)	(17.7%)	4.3%

CONTRIBUTION TO RETURN

Quarter Ended 30 June 2022	Portfolio Weight	Weighted Contribution to Performance
Top 5 Contributors		
CSL Limited	9.14%	1.33%
Transurban Group Limited	3.14%	0.68%
Woolworths Group Limited	3.16%	0.42%
Incitec Pivot Limited	0.82%	0.38%
Amcor PLC	1.11%	0.37%
Top 5 Detractors		
Tabcorp Holdings Limited	0.14%	(0.64%)
Block Inc.	0.24%	(0.57%)
Wesfarmers Limited	3.13%	(0.38%)
Macquarie Group Limited	3.98%	(0.33%)
Goodman Group	2.11%	(0.25%)

Investment Exposures

At quarter-end the company maintained overweight exposures to consumer staples, agriculture, infrastructure and banking sectors.

During the quarter adjustments to investment exposures included:

- Increasing exposure to stocks in the consumer staples, infrastructure, agriculture and healthcare sectors.
- Decreasing exposure to stocks in the consumer discretionary, insurance and diversified financials sectors

TOP TWENTY HOLDINGS

As at 30 June 2022	
COMMONWEALTH BANK OF AUSTRALIA	10.9%
CSL LIMITED	9.1%
NATIONAL AUSTRALIA BANK LIMITED	6.4%
WESTPAC BANKING CORPORATION	5.0%
ANZ BANKING GROUP LIMITED	4.5%
MACQUARIE GROUP LIMITED	4.0%
WOOLWORTHS GROUP LIMITED	3.2%
TRANSURBAN GROUP	3.1%
WESFARMERS LIMITED	3.1%
TELSTRA CORPORATION LIMITED	3.0%
GOODMAN GROUP	2.1%
COLES GROUP LIMITED	1.8%
ARISTOCRAT LEISURE PLC	1.4%
QBE INSURANCE GROUP LIMITED	1.2%
BRAMBLES LIMITED	1.2%
AMCOR PLC	1.1%
SONIC HELATHCARE LIMITED	1.1%
RESMED INC	1.0%
COMPUTERSHARE LIMITED	1.0%
RAMSAY HEALTH CARE LIMITED	1.0%

SECTOR BREAKDOWN

As at 30 June 2022	
Financials	37.7%
Health Care	13.9%
Industrials	8.4%
Real Estate	8.4%
Consumer Staples	8.0%
Consumer Discretionary	7.7%
Communication Services	5.1%
Materials	4.0%
Information Technology	3.6%
Utilities	2.1%
Cash & Cash Equivalents	1.2%

Market Outlook

Economic conditions are changing far more rapidly than they have for many years. This pace of change, coupled with the diverse and unpredictable nature of the drivers of change are creating challenges for investors, governments and central banks around the world.

On the one hand economic conditions have been relatively robust in Australia and much of the developed world in the first half of 2022. COVID restrictions have eased, travel and trade have increased, employment and consumer spending has been exceptionally strong.

However concurrent with this firming of demand, the supply of raw materials and manufactured goods and the availability of labour has been materially disrupted.

The Russian-Ukraine conflict has limited the supply of oil, gas, grain and iron ore. Northern hemisphere droughts and southern hemisphere floods have adversely impacted food production. Late stage COVID lockdowns have slowed goods production in China. Mining and energy businesses have shrunk production or been discouraged from expanding production as a result of strategies to combat climate change.

These shortages have seen the prices of raw materials escalate dramatically. Coupled with tight labour markets and rising wages the costs of producing goods and delivering services have risen rapidly, and this is now evident in reported measures of inflation.

Australian inflation now sits above 5% and is expected to reach over 7%. US inflation is above 9%. European inflation is higher again in countries more heavily affected by rising energy costs.

Central banks had until late 2021 been holding interest rates at 50 year lows and been running quantitative easing strategies – actions which reduced retirement incomes and excessively inflated asset prices, house prices and consequently rental costs.

As we move into 2022 central banks are now having to reverse that excessively loose policy and raise official interest rates. It is notable that they are only at the very start of this process.

Looking forward, while some of the drivers of recent inflation will lessen, many of the other drivers of disruption and higher prices may take years to resolve. In addition, there is a strong propensity for inflationary pressures to reverberate for many sequential years.

This persistency of inflation is a natural consequence of both wage earners and businesses chasing higher earnings to offset rising costs and higher interest bills.

While this rising inflation and rising rate environment can be confronting for investment markets, it is also the mechanism that may be necessary to achieve a more sustainable balance between interest rates, asset values, debt levels and investment yields.

These conditions will also provide both opportunities and risks for investors. We believe businesses with stronger financials and competitive positions will be better able to adjust their operating models to cope with price pressures. Businesses that can capture and maintain an inflating profit stream may experience periods of very strong nominal earnings growth.

As we move into the second quarter of our financial year, we will look forward to reporting to shareholders on our progress through our monthly asset backing releases and subsequent quarterly report post our half year end at 30 September.

Adjustment to Name

We are also pleased to note that following approval by shareholders at the company's AGM, the company's name will become Whitefield Industrials Ltd.

This change seeks to highlight that the company invests solely in the Industrial segment of the market (being all industries other than Resources). This investment approach provides investors with a broad exposure to the Australian economy, an emphasis on sustainable, non-extractive industries and a 60% lower carbon emissions intensity than the ASX200.

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