

**\_WHITEFIELD**

# Quarterly Update

Issued November 2020



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# In an abnormal half-year, Whitefield has sought to provide consistency of dividend income to our shareholders

## Earnings

Whitefield reports a net profit after tax for the half-year to September 2020 of \$3,877,416. This outcome is materially lower than the equivalent six months in the prior year, and reflects the widespread dividend cuts and cancellations across listed companies as the result of the COVID19 pandemic.

This result equates to Earnings Per Ordinary Share of 3.43 cents, a decrease of 65% from the prior equivalent period.

While the investment income fall was sizeable, Whitefield's portfolio generated a higher level of income than the benchmark index over the period, notwithstanding our higher cash holdings.

Stability or growth in income was evident in our holdings of Coles Group, Wesfarmers, JB Hi-Fi, Magellan Group, Pro-Medicus, Austal, Fisher & Paykel Healthcare, Aurizon, APA Group, Technology One and Resmed.

Larger cuts in dividends came from Macquarie Group, the major banks, Transurban, Stockland, GPT, Mirvac, Coca Cola Amatil, QBE, Suncorp, Medibank Private, Inghams Group, Treasury Wine and Woolworths.

## Financial Summary

	6 Months to 30 Sep 20	6 Months to 30 Sep 19	% Change
Revenue <sup>1</sup>	5,355,990	11,324,345	(52.7%)
Profit <sup>1</sup> before Tax	4,152,647	10,122,392	(59.0%)
Income Tax Expense	(275,231)	(395,067)	(30.3%)
Profit <sup>1</sup> after Tax	3,877,416	9,727,325	(60.1%)
Earnings <sup>1,2</sup> Per Share	3.43cps	9.87cps	(65.3%)

<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.

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

Whitefield has declared interim dividends on Ordinary, WHFPA and WHFPB shares, payable on 11th December 2020. The Ordinary dividend will amount to 10.25 cents per Ordinary share. These dividends will be fully franked, with 10% attributable to LIC discount capital gains.

The company also expects to be able to maintain its Ordinary dividend at this level for its full year dividend following its financial year ending March 2021.

<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 Sep 2020

Net Asset Backing [NAB] (Post Deferred Tax)	\$413.9m
Ordinary Shares on Issue	95,990,668
Convertible Resettable Pref Shares (Face Value)	\$32.1m
Net Asset Backing per Share (Pre-Deferred Tax)	\$4.59
Net Asset Backing per Share (Post-Deferred Tax)	\$4.31
Share Price	\$4.60
(Discount)/Premium to NAB (Pre-Tax)	0.22%
(Discount)/Premium to NAB (Post-Tax)	6.73%

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A structured and disciplined investment strategy consistently applied over time.

## Portfolio Return

The investment portfolio generated a half year return of 10.96%, reflecting the strong rebound in market values from the lows experienced early in the pandemic at our year-end of 31 March 2020.

Portfolio returns for the six months were lower than the benchmark ASX200 Industrials Index, reflecting our higher cash holdings across this period. This positioning, coupled with stock selection, however provided a material benefit compared to the market across the rolling 12 months with the company's 1 year return being 2.2% better than benchmark over that time frame.

Stronger returns for the six months came from investments in Afterpay, Wesfarmers, Macquarie Group, Goodman Group, Charter Hall Group, Next DC, Xero, JB Hi-Fi, Aristocrat, Premier Investments, James Hardie Industries, Super Retail, Sonic Healthcare, Transurban, Commonwealth Bank and National Aust Bank.

Against this, total returns were lower from IAG, CSL, AGL, Telstra, A2 Milk, Treasury Wines, Suncorp, Resmed and Cimic amongst others.

### INVESTMENT RETURNS

At 30 September 2020	One Qtr	One Yr	Five Yr pa
<b>Before Tax Returns</b>			
Investment Portfolio	(1.0%)	(9.5%)	5.9%
Benchmark [ASX200 Ind XJIAI]	(0.5%)	(11.7%)	5.9%
<b>After Tax Returns</b>			
Net Asset Backing (Pre-Def Tax)	(1.3%)	(11.5%)	4.9%
Net Asset Backing (Post-Def Tax)	(0.6%)	(8.1 %)	4.9%
Share Price	3.1%	(3.9%)	6.3%

Quarter Ended	Portfolio Weight	Weighted Contribution to Performance
30 September 2020		

### TOP 5 CONTRIBUTORS TO PERFORMANCE

Goodman Group	1.97%	0.36%
Afterpay Limited	1.07%	0.26%
Charter Hall Group	0.79%	0.21%
Aristocrat Leisure Limited	1.29%	0.21%
James Hardie Industries PLC	0.99%	0.16%

### TOP 5 DETRACTORS TO PERFORMANCE

Commonwealth Bank of Australia	7.80%	(0.62%)
Westpac Banking Corporation	4.11%	(0.30%)
ANZ Banking Group Ltd	3.30%	(0.25%)
A2 Milk Company Ltd.	0.70%	(0.24%)
Insurance Australia Group Limited	0.68%	(0.23%)

During the quarter adjustments to investment exposures included:

- Increasing exposure to the consumer staple, consumer discretionary, healthcare, property investment, diversified financial and technology sectors
- Lessening our overweight exposures to the general industrial and insurance sectors
- Decreasing exposure to Property Development and Infrastructure

## Investment Exposures

### TOP TWENTY HOLDINGS

As at 30 September 2020

CSL Limited	8.81%
Commonwealth Bank of Australia	7.80%
Westpac Banking Corporation	4.11%
Wesfarmers Limited	3.95%
National Australia Bank Limited	3.84%
Woolworths Group Limited	3.51%
ANZ Banking Group Limited	3.30%
Macquarie Group Limited	2.66%
Telstra Corporation Limited	2.24%
Transurban Group	2.24%
Coles Group Limited	1.98%
Goodman Group	1.97%
Aristocrat Leisure Limited	1.29%
APA Group	1.25%
Brambles Limited	1.22%
ASX Limited	1.09%
Sonic Healthcare Limited	1.09%
Afterpay Limited	1.07%
ResMed Inc.	1.03%
James Hardie Industries PLC	0.99%

### SECTOR BREAKDOWN

As at 30 September 2020

Commercial Banks	19.11%
Health Care	14.18%
Consumer Discretionary	8.94%
Financials	8.87%
Real Estate	7.84%
Industrials	7.78%
Consumer Staples	7.67%
Communication Services	5.18%
Information Technology	3.53%
Materials	2.54%
Utilities	2.44%
Cash & Cash Equivalents	11.91%

## Market Outlook

The COVID pandemic continues to dominate the outlook for global investment markets.

To date we have been surprised and encouraged by the continuation of most economic activities in the face of containment strategies. In addition, Australia has done particularly well relative to other countries in controlling the pandemic risk.

Most recently, the emergence of positive vaccine trial results has been welcomed by markets since quarter-end and moves the global battle to control the pandemic into a new phase.

This development, while positive, is likely to usher in a period of further market volatility.

There will be further newsflow on both the Pfizer vaccine and others, and this news may be incrementally positive or negative. Further data will be needed to clarify the vaccine efficacy, its longevity of effect and its effectiveness against more or less severe cases.

Governments will need to develop methodologies to implement a vaccine rollout and a progressive restart of constrained activities, yet must do so without allowing the virus to continue spreading. Navigating this pathway successfully may take some time and the chosen

### IMPORTANT INFORMATION

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courses of action are likely to be the subject of dispute. Businesses and individuals may be more eager to abandon containment strategies than health professionals and cautious governments.

At the same time, the unpredictability of the virus should not be forgotten. The mutation of the virus into more or less aggressive or merely different strains could quickly frustrate the effectiveness of any one vaccine.

Over the period of a vaccine rollout and a return to more normalised activity Government financial support to business will be progressively withdrawn and bond yields will rise from their extremely depressed levels.

These developments will also complicate the decisions of central banks who most recently have been espousing the unproductive policies of quantitative easing and ultra low interest rates. While reducing the interest burden for borrowers has been of assistance, these problematic policies have had the perverse effect of inflating asset prices, increasing risk and reducing investor income returns – all of which discourage (rather than encourage) investment and economic activity.

While conditions may remain volatile, the positive news of vaccine development represents a notable reduction in risk, improves the outlook for a range of economic sectors and improves the outlook for dividends and distributions for many ASX listed entities.

Whitefield has been investing a proportion of its available cash into equities as this has occurred and expects to see benefits from this in the growth of our own income across the second half of the year.

We will look forward to reporting to investors on our progress as the financial year proceeds.

Angus Gluskie  
Managing Director