Whitefield's 100th year – how a resilient investment has benefitted shareholders

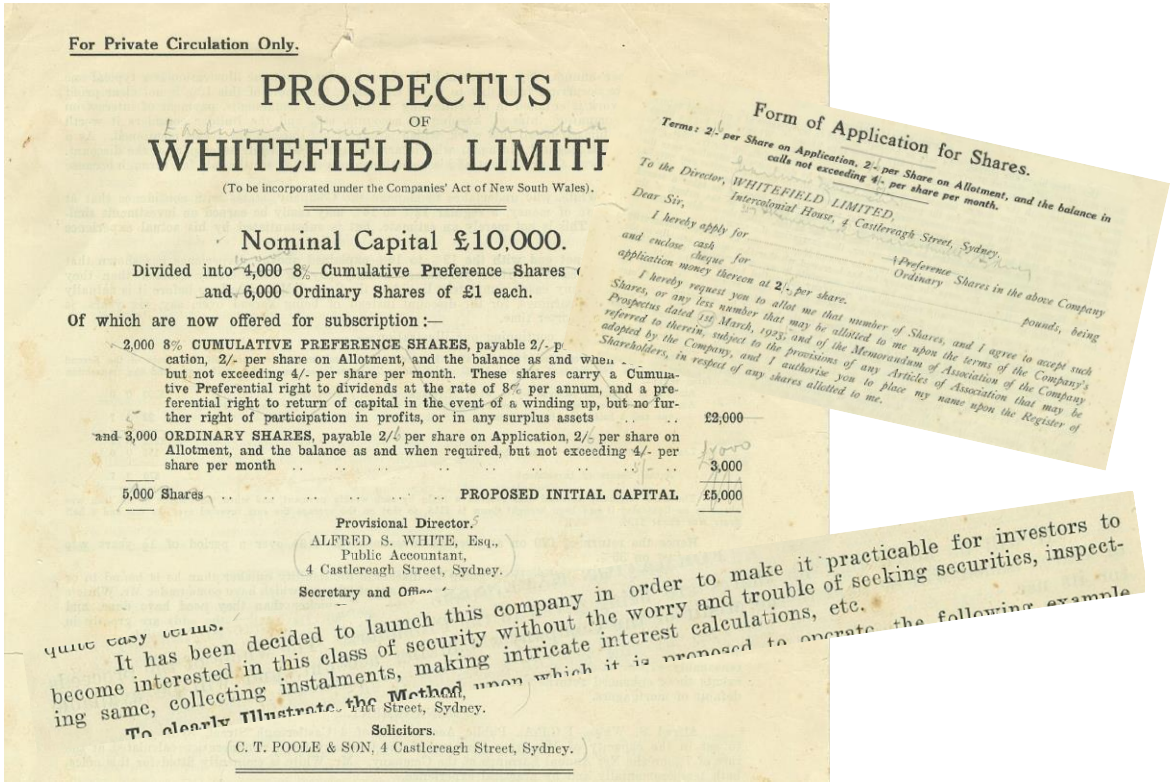
ASX listed investment company Whitefield [Whitefield Industrials Ltd ASX Code:WHF] is currently in its 100th year of operation. The company holds a diverse portfolio of ASX listed shares and is one of Australia's longest operating investment funds.

Creation March 1923

The founder of Whitefield was Alfred S.White, a socially-minded and entrepreneurial individual who by his mid-thirties had established and was managing a practice of professional accountants, a stock exchange listed lending company Australian Cash Orders, one of Australia's earliest workers compensation insurers Employers Mutual and was also running the financial operations of his family's milling and bakery business (the stock exchange listed Gartrell White – which ultimately became Tip Top Bakeries / George Weston Foods).

The 1920's were a period of strong economic growth and technological change. Mass production techniques, motorised transport, electrical appliances, telecommunications and a housing boom were changing society and driving economic activity.

In this environment A.S.White launched investment company Whitefield in March of 1923 to provide a convenient way for shareholders to have their capital productively invested and professionally and efficiently managed. With buoyant demand, the initial issue was quickly followed by a series of further capital raisings. Within a few years the company's issued capital had risen to over £300,000.



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PROSPECTUS

OF

WHITEFIELD LIMITE

(To be incorporated under the Companies' Act of New South Wales).

Nominal Capital £10,000.

Divided into 4,000 8% Cumulative Preference Shares
and 6,000 Ordinary Shares of £1 each.

Of which are now offered for subscription:—

2,000 8% CUMULATIVE PREFERENCE SHARES, payable 2/- p
cation, 2/- per share on Allotment, and the balance as and when
but not exceeding 4/- per share per month. These shares carry a Cumula-
tive Preferential right to dividends at the rate of 8% per annum, and a pre-
ferential right to return of capital in the event of a winding up, but no fur-
ther right of participation in profits, or in any surplus assets £2,000

and 3,000 ORDINARY SHARES, payable 2/- per share on Application, 2/- per share on
Allotment, and the balance as and when required, but not exceeding 4/- per
share per month 3,000

5,000 Shares .. .. PROPOSED INITIAL CAPITAL £5,000

Provisional Director.
ALFRED S. WHITE, Esq.,
Public Accountant,
4 Castlereagh Street, Sydney.

Secretary and Offic

quite easy terms.

It has been decided to launch this company in order to make it practicable for investors to become interested in this class of security without the worry and trouble of seeking securities, inspecting same, collecting instalments, making intricate interest calculations, etc.

To clearly Illustrate the Method upon which it is proposed to operate the following example

Fitt Street, Sydney.

Solicitors.
C. T. POOLE & SON, 4 Castlereagh Street, Sydney.

Form of Application for Shares.

Terms: 2/- per Share on Application, 2/- per Share on Allotment, and the balance in calls not exceeding 4/- per share per month.

To the Director, WHITEFIELD LIMITED,
Intercolonial House, 4 Castlereagh Street, Sydney.

Dear Sir,

I hereby apply for
and enclose cash
cheque for
application money thereon at 2/- per share.

I hereby request you to allot me that number of Shares, and I agree to accept such Shares, or any less number that may be allotted to me upon the terms of the Company's Prospectus dated 15th March, 1923, and of the Memorandum of Association of the Company referred to therein, subject to the provisions of any Articles of Association of the Company adopted by the Company, and I authorise you to place my name upon the Register of Shareholders, in respect of any shares allotted to me.

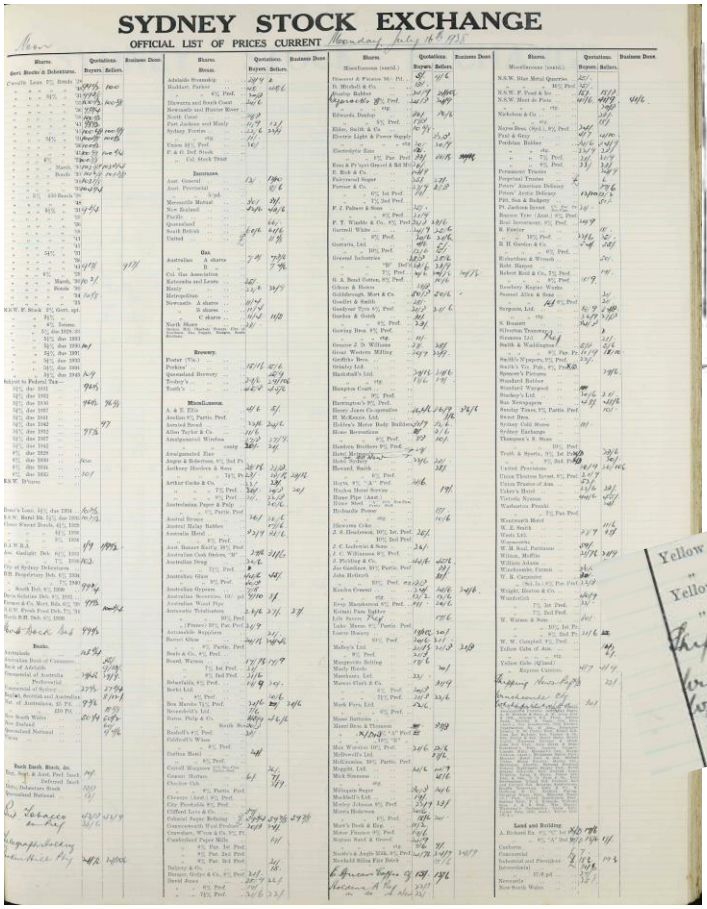
Preference
Ordinary Shares in the above Company

pounds, being

Early Trade and Listing on Sydney Stock Exchange

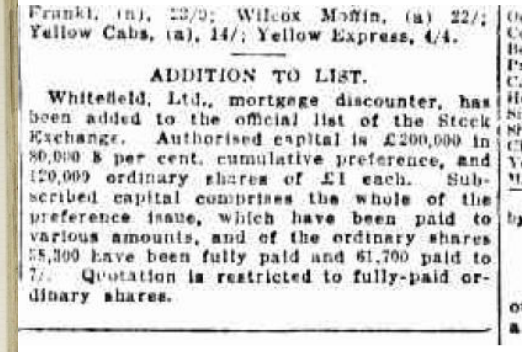
Whitefield's initial share issue was undertaken through a network of stockbrokers - a 2.5% broking fee being noted in the Prospectus. Once issued, the shares were initially traded in over-the-counter secondary markets via the stockbroking community.

As the size of the Company grew and the volume of trade increased, the Company arranged to have its shares admitted to official listing on the Sydney Stock Exchange in June 1928. The first bid for an ordinary share was recorded in the Noon listing of stock exchange prices on 16 July 1928.



SYDNEY STOCK EXCHANGE

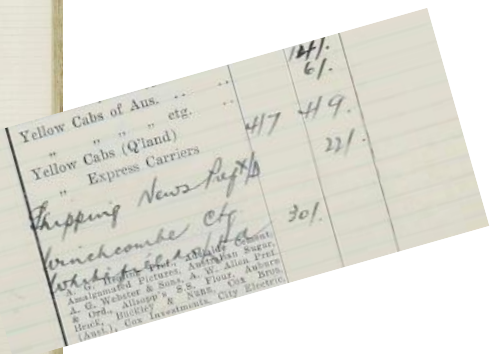
OFFICIAL LIST OF PRICES CURRENT



Frankl. (n), 23/9; Wilcox Mowin. (a) 22/; Yellow Cabs, (a), 14/; Yellow Express, 4/4.

ADDITION TO LIST.

Whitefield, Ltd., mortgage discounter, has been added to the official list of the Stock Exchange. Authorised capital is £200,000 in 80,000 8 per cent. cumulative preference, and 120,000 ordinary shares of £1 each. Subscribed capital comprises the whole of the preference issue, which have been paid to various amounts, and of the ordinary shares 55,300 have been fully paid and 61,700 paid to 7/. Quotation is restricted to fully-paid ordinary shares.



Yellow Cabs of Aus. .. ..
" " " etc.
Yellow Cabs (Q'land)
Express Carriers
" Shipping News Pty Ltd
Turnbull & Co.
Whitfield Ltd.

Early Investment – From Mortgages to Australian Shares by 1944

With consumer spending on housing and household goods driving much economic activity in the 1920's, Whitefield's early investments were in the financing of mortgages, autos and consumer goods. The latter activities being undertaken through companies ultimately merged into Whitefield - being Motor Discounts Ltd founded 1924 (auto finance) and Sylvatone Ltd founded 1925 (gramophone and consumer finance).

The consumer spending boom of the 1920's however quickly faded into the consumer frugality of the Great Depression and subsequent war years, constraining the opportunities for investment Whitefield had initially sought. Growth for the company was further limited by the Government's requirement that it redirect increasing amounts of capital into war bonds.

Over the same period technological development continued at a rapid pace and the opportunities for economic growth were increasingly evident in a multitude of business sectors - manufacturing, engineering and business services. Australia's state-based stock exchanges were also enhancing their operating structure and had agreed upon uniform listing and broking rules.

With the broad objective of being a vehicle for sustainable wealth creation Whitefield resolved in 1944 to re-orient its capital and strategy to investment in stock exchange listed businesses, and this quickly became its sole area of operation.

Benefits of a diverse exposure to the broad Australian economy

The expanding investment in listed shares was a by-product of the emerging financial landscape. It also reflected management's belief in the benefits of investment diversity in controlling risk, the financial rationale of being exposed to growth in profits from business and the functionality of listed stock markets in facilitating public investment across a wide spread of listed entities.

This emphasis on economic diversity is a large contributor to the durability of Whitefield, while still preserving its ability to generate strength of investment outcome. Whitefield held over 300 separate stocks in its portfolio in the 1950s and holds around 160 stocks today.

In contrast many other investment funds have come and gone over those 100 years, in many cases the product of overexposure to risky investment concepts in the search for unsustainably high returns.

Integrity, Efficiency, Careful Consideration & Co-Investment

Behind the broad company objectives of Whitefield sits a strong belief in the merits of integrity, efficiency and careful thought, important qualities for any business and particularly important qualities in investment.

In addition to embracing these attributes philosophically and implementing them in practice, all senior executives have also been significant investors in Whitefield - from the founder in 1923 to the current management.

Consistency, Longevity and a Long Term Mindset

Some part of Whitefield's longevity can also be ascribed to its legal structure as a listed investment company.

While investors in Whitefield may sell their shares to others on the stock exchange at any time, shareholders also recognise that they are making a commitment of their capital to a closed-end long term investment vehicle, while seeking to benefit from this durability of structure.

The committed capital of investors has provided the financial stability required to invest, sustain and enhance investment teams and processes over time. Good investment teams and outcomes do not suddenly appear by accident. Whitefield has had five individuals in the role of either Chair or Chief Executive over 100 years, the tenure of each (across the combined roles) being between 30 and 50 years.

The committed capital of investors has also encouraged management to prioritise the generation of sustainably good long term results over less-sustainable short term outcomes.

Durability of the investment entity has further benefitted shareholders by maximising the benefits of compounding and minimising the costs, disruption and uncertainty that they would otherwise be incurred if they were repeatedly having to move from one short-lived investment fund to another.

Whitefield not only has many investors who have owned shares in the company for decades, it still has investors today whose shares were issued to their families in 1923.

What has changed over 100 years

Most notably, at a technical level there has been steady incremental change in the tools of trade adopted by investment managers including Whitefield.

With manual mathematical calculations and hand written records, investment management through to the 1970's relied on financial understanding, research and convenient investment rules-of-thumb (such as value ratios).

The advent of computerisation in the 1980s and 1990s allowed indexes, spreadsheet driven modelling and more complex financial calculations to be overlaid into the investment assessment and portfolio structuring process.

Most recently the digital age has enabled the rapid transmission and assessment of data electronically – providing quick access to vast amounts of past and present data, enabling calculations, modelling, comparisons and testing to be performed in ways that were not possible in prior decades.

Whitefield's commitment to the incremental enhancement of its process has been an important contributor to durability. There are always better ways to achieve an objective – and it is important that businesses go to the trouble of identifying and implementing constructive change. With regard to the most recent technological advances in funds management, Whitefield has been an early adopter of digital technologies, and has developed and utilised for over a decade a predominantly quantitative investment framework to streamline the processes of gathering data, modelling, backtesting and structuring portfolios and exposures.

A further intriguing point of contrast over the last 100 years relates to regulation.

Whitefield's 1923 Prospectus ran to 4 pages and provided a concise summary of key information.

In contrast, a Prospectus for a newly listed company today will usually run to over 100 pages and must often be accompanied by further disclosure documents from distributors and advisers. Which structure better protects the investor? The concise summary of material information capable of being read and understood by all investors, or

reams of well-intentioned print conceived to provide every possible protection – but far too copious to be read by any?

How Whitefield's investors have benefitted

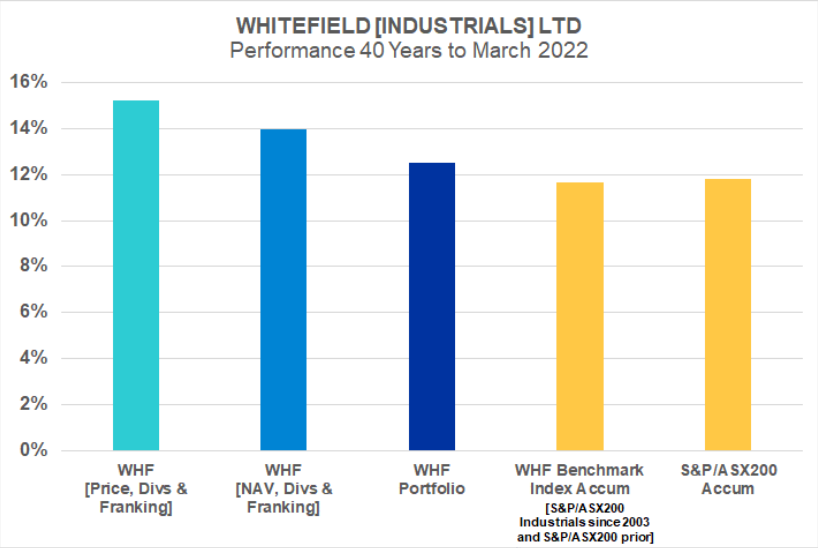
While it is not possible to exactly quantify investment return all the way back to 1923, it is instructive to note that there are many Whitefield shareholders who have held shares directly, or through earlier generations of their families, through a large part of the company's 100 years operation.

These investors will have benefitted from steady investment in, and a broad exposure to the unique period of Australian industrialisation and economic development 1923-2000's, with returns delivered to them in a regular stream of dividends and growth in the underlying capital value of their shares.

Over the last 50 years records show that an investment of $10,000 in Whitefield ordinary shares in 1970 would at the start of the company's 100th year have been worth over $3,000,000 (assuming the reinvestment of dividends and after the payment of all expenses and company tax).

Looking at the 40-year period over which current indexes and equivalent company data are available, the company's investment portfolio generated a return of 12.5%pa (compared to the S&P/ASX200 Accumulation of 11.8%. If we include the benefit of franking (and measure after all costs) the company's return over the same 40-year period was 14.0%pa.

The company has also maintained or increased its dividend in every year since the introduction of the dividend imputation system in the late 1980s.



A closing note: the benefits of persistence in the light of economic and share market volatility

In October 1937, after the worst years of the Great Depression, the company's founder A.S.White gave his eldest daughter 1,000 £1 Ordinary Shares in Whitefield for her 21st birthday. With the stock market having collapsed the market value of the shares at that time was negligible.

His letter to her on her birthday states "You will at least be able to keep the [share] certificate as a souvenir …even if the shares themselves are never worth more than the paper they are written on…However if matters continue to improve as they have done of late there is a possibility … of dividends being paid…sometime before you die and they should then be worth a substantial sum if the not the full £1…"

For his daughter and the many other investors in Whitefield those £1 shares indeed proved to be a good investment, delivering a stream of dividend income and growth in capital value decade after decade for a further 85 years to today. Investors and the company's management now look forward to seeing the business continue to deliver solid outcomes for many years into the future as well.