

11 October 2018

The Manager
ASX Market Announcements
Australian Securities Exchange
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Electronic Lodgement

**Djerriwarrh Investments Limited
2018 Annual General Meeting – Presentation**

Dear Sir / Madam

The following presentation will be delivered to shareholders at the Company's Annual General Meeting to be held today.

Yours faithfully



Matthew Rowe
Company Secretary

Annual General Meeting 2018 Presentation

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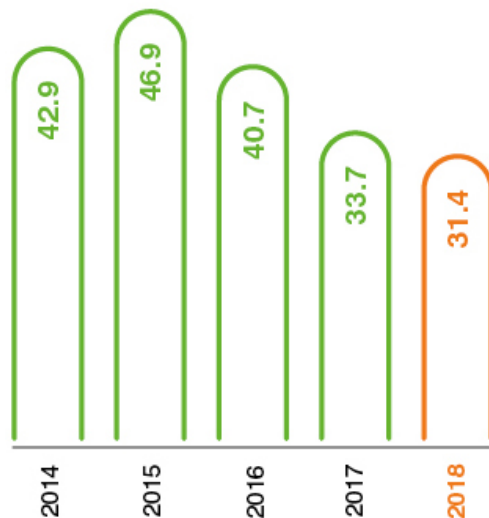
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Financial Results

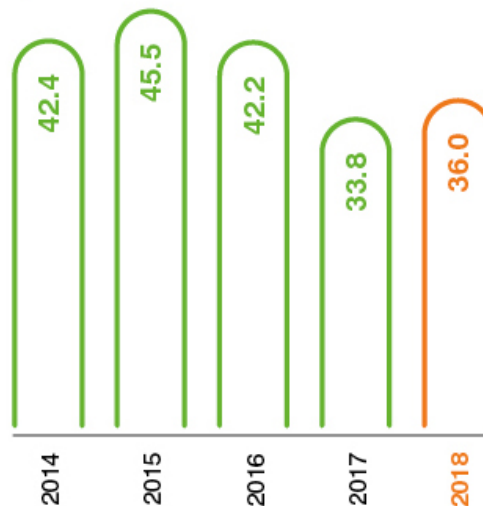


Financial Results

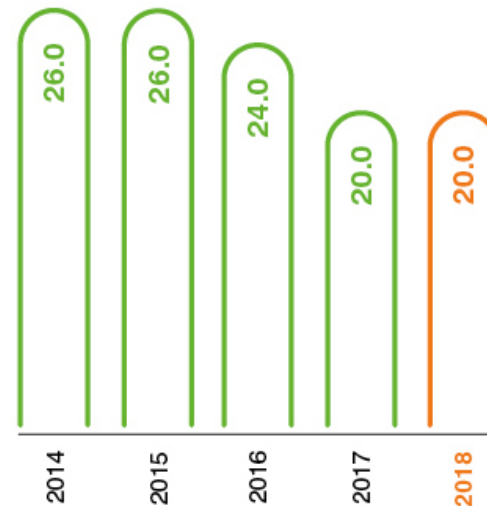
Net Profit After Tax (\$ Million)



Net Operating Result After Tax (\$ Million)



Dividends Per Share (Cents)



Management expense ratio of 0.44%

Ending refundability of franking credits

- We are again highlighting that the Labor Party has announced that if elected it will stop excess franking credits being refunded to some shareholders.
- This will impact individuals and super funds – in particular, self-managed super funds.
- If an investor does not have sufficient other taxable income, they will have to pay 30% tax on their dividends.
- An income of \$50,000 per year in dividends (including franking credits) will be reduced to \$35,000.
- Low income earners and individuals in retirement will be very hard hit.

Ending refundability of franking credits – our response

- Djerriwarrh has provided a template letter on its website for shareholders to write to their parliamentary representatives - **personal examples are likely to have the biggest impact on local members.**
- We have engaged through various industry groups to lobby on your behalf.
- Publicised through the media.
- Submission by Djerriwarrh to the house economics committee.

Email: economics.reps@aph.gov.au

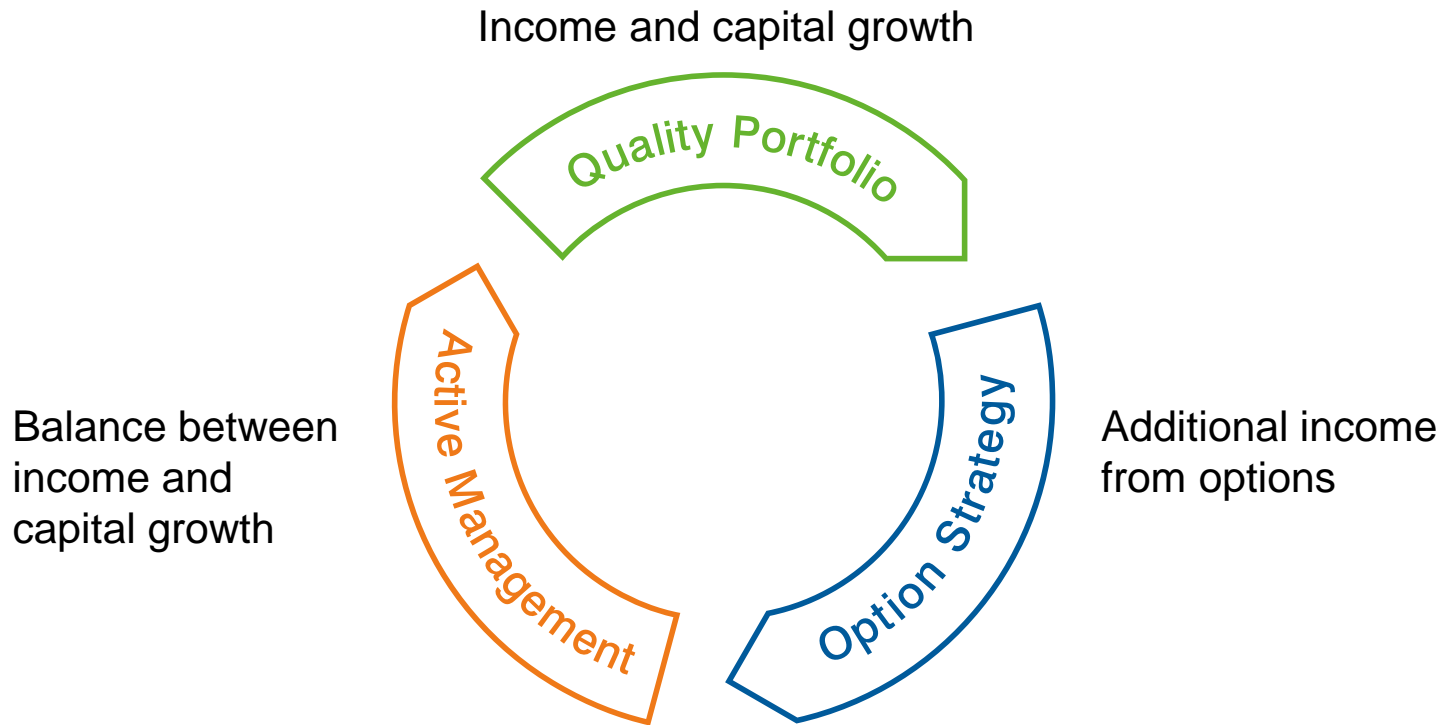
Mail: Committee Secretary
Standing Committee on Economics
PO Box 6021, Parliament House, Canberra ACT 2600

Company Objectives and Recent Performance

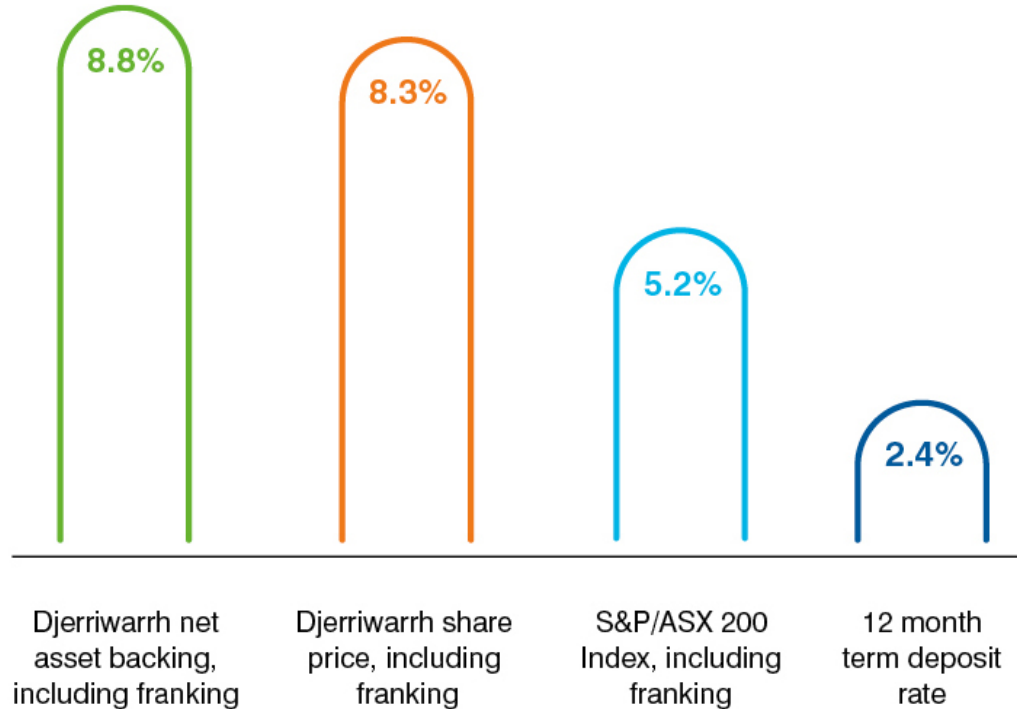


Annual General Meeting 2018

Djerriwarrh looks to construct a portfolio that provides an enhanced fully franked dividend as well capital growth over time

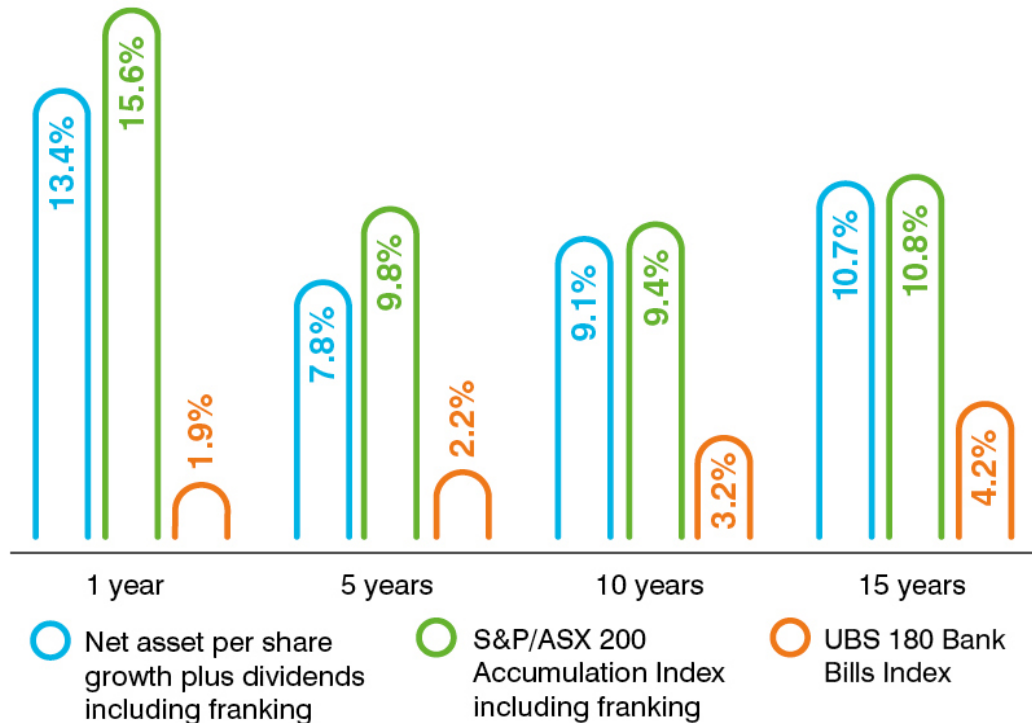


The outcome of this approach is a higher yield than the market...



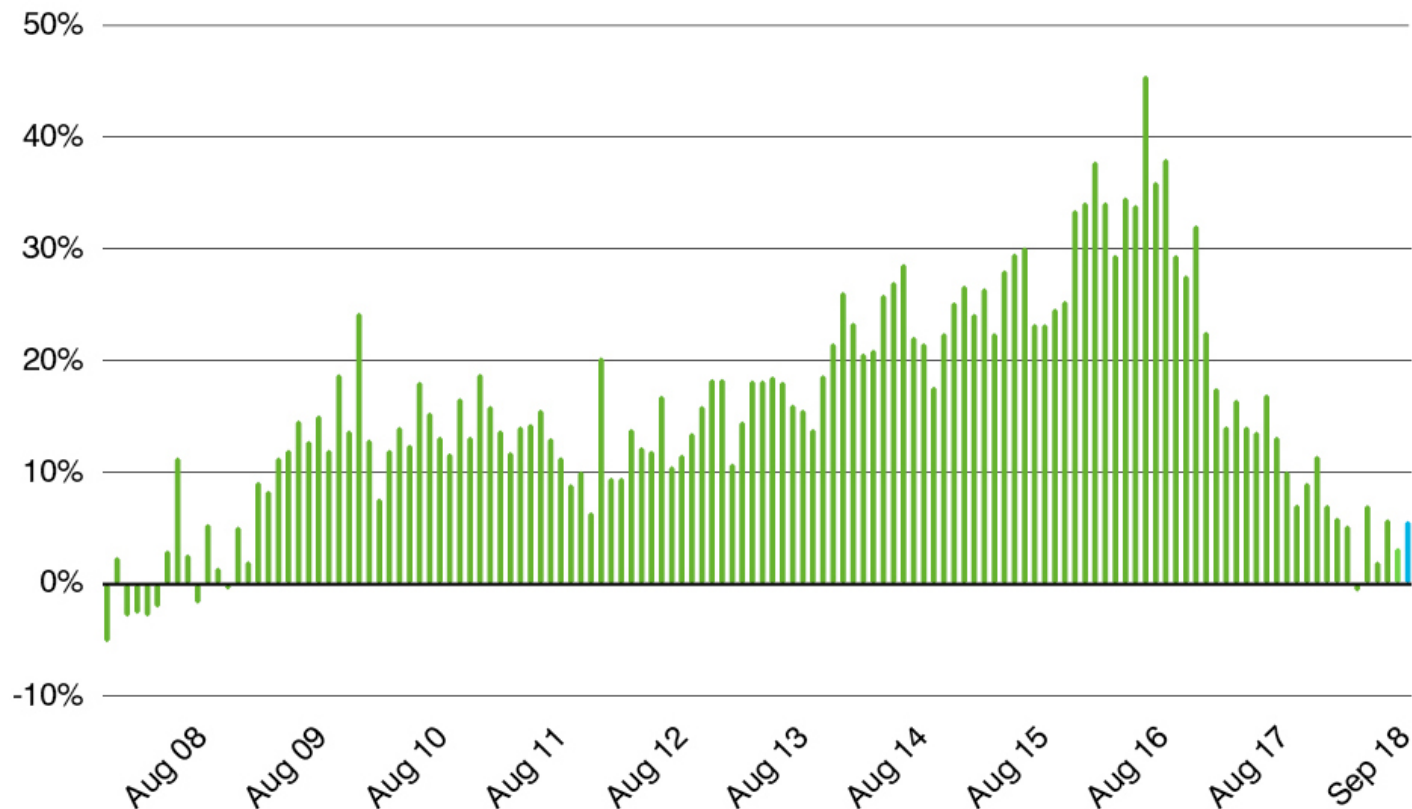
Note: Djerriwarrh yield based on 20 cent full year dividend. Assumes an investor can take full advantage of the franking credits. S&P/ASX 200 Index 80 per cent franked.

But typically with less capital growth, as options can limit some of the gains - returns to 30 September 2018



Assumes an investor can take full advantage of franking credits.

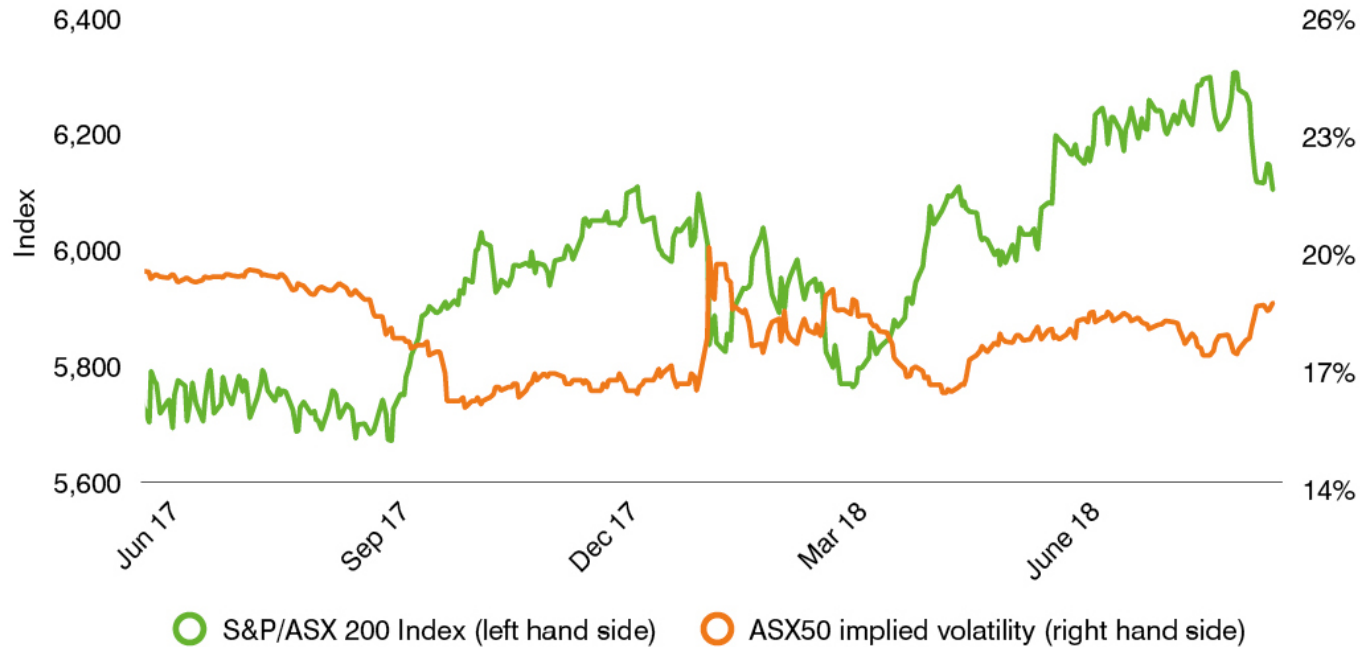
Share Price premium to Net Asset Backing is 5%



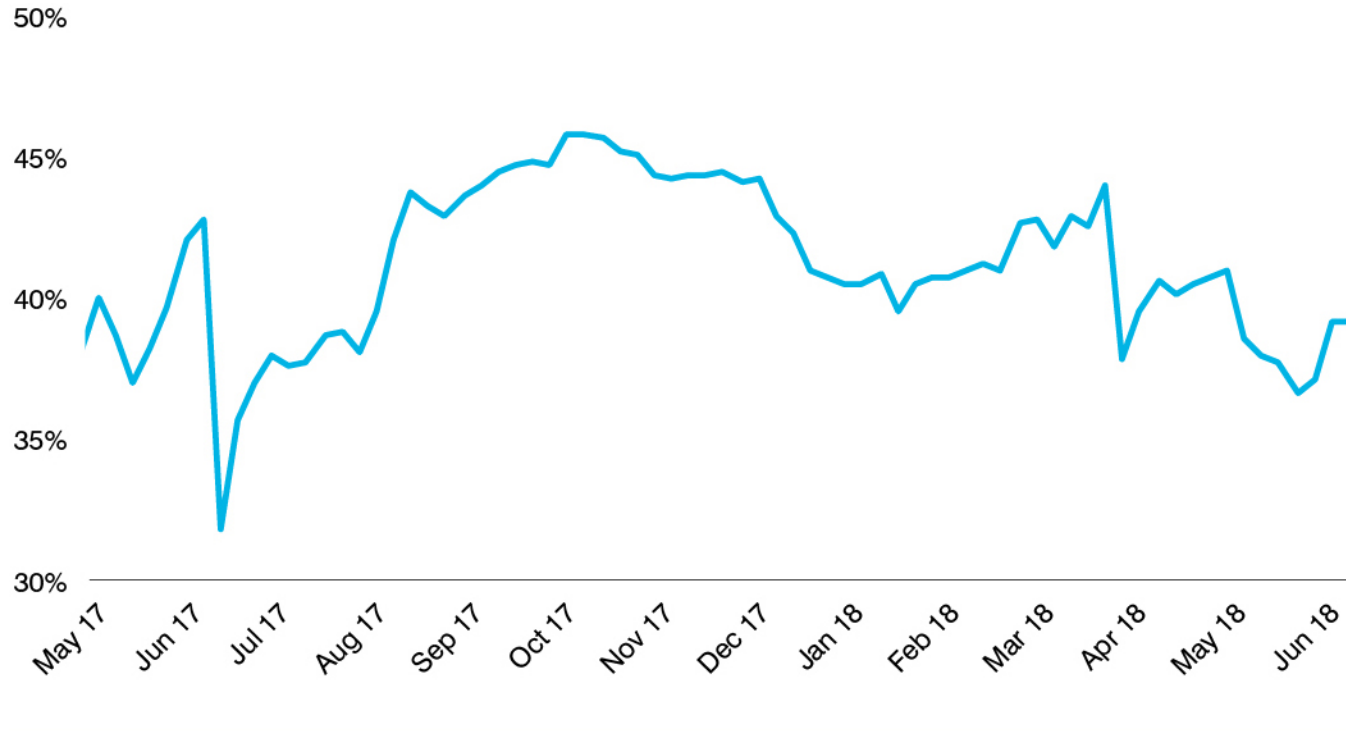
The Market and Portfolio



The market has been strong although more recently we have seen some lift in option market volatility



In strong markets Djerriwarrh looked to keep option coverage at the higher end of the typical range.



How the Portfolio is structured – for example

- Quality growth including higher dividends over time – lower option coverage.



- Higher yield with opportunities for income enhancement through call options – higher option coverage.



- Cyclical turn arounds/undervalued assets.



Market moves as well as purchases/sales have changed the profile of the Portfolio – top 10 holdings 30 September 2018

Rank	Company	% of Portfolio	Major Changes – % as at Sept. 2017	
1	Commonwealth Bank of Australia*	7.6%	↓	8.2%
2	Westpac Banking Corporation*	7.2%	↓	9.0%
3	BHP Billiton*	7.1%	↑	6.5%
4	National Australia Bank*	4.9%		
5	Australia and New Zealand Banking Group*	4.8%		
6	CSL*	3.7%		
7	Macquarie Group*	3.4%	↑	2.0%
8	Woolworths Group*	3.0%	↑	1.7%
9	Brambles*	2.4%		
10	Transurban Group*	2.2%	↑	1.5%

* Options were outstanding against part of holding.

Market moves as well as purchases/sales have changed the profile of the Portfolio – next 10 holdings 30 September 2018

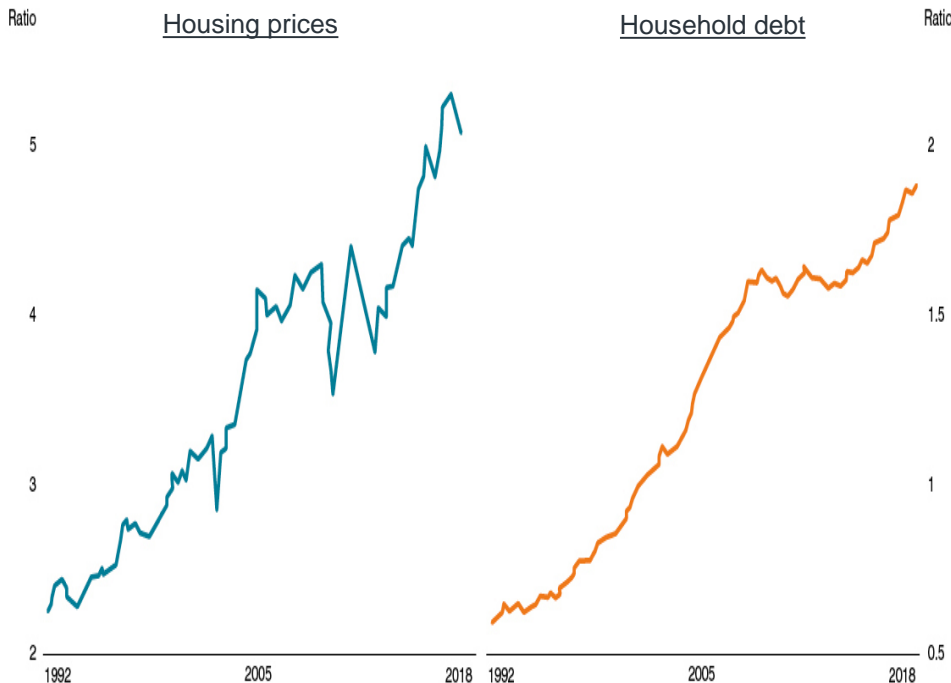
Rank	Company	% of Portfolio		Major Changes – % as at Sept. 2017
11	Sydney Airport*	2.1%		Outside of top 20
12	Rio Tinto*	2.1%	↓	2.6%
13	Oil Search*	2.1%		
14	Amcor*	1.9%	↑	1.5%
15	Woodside Petroleum*	1.9%		
16	James Hardie Industries*	1.9%		
17	Telstra*	1.9%	↓	3.2%
18	Mirrabooka Investments	1.4%		
19	Challenger*	1.4%		Outside of top 20
20	Atlas Arteria*	1.3%		New to the Portfolio

* Options were outstanding against part of holding.

Australian Banks – growth in household debt has been a major tailwind

Housing Prices and Household Debt

Ratio to annual household disposable income

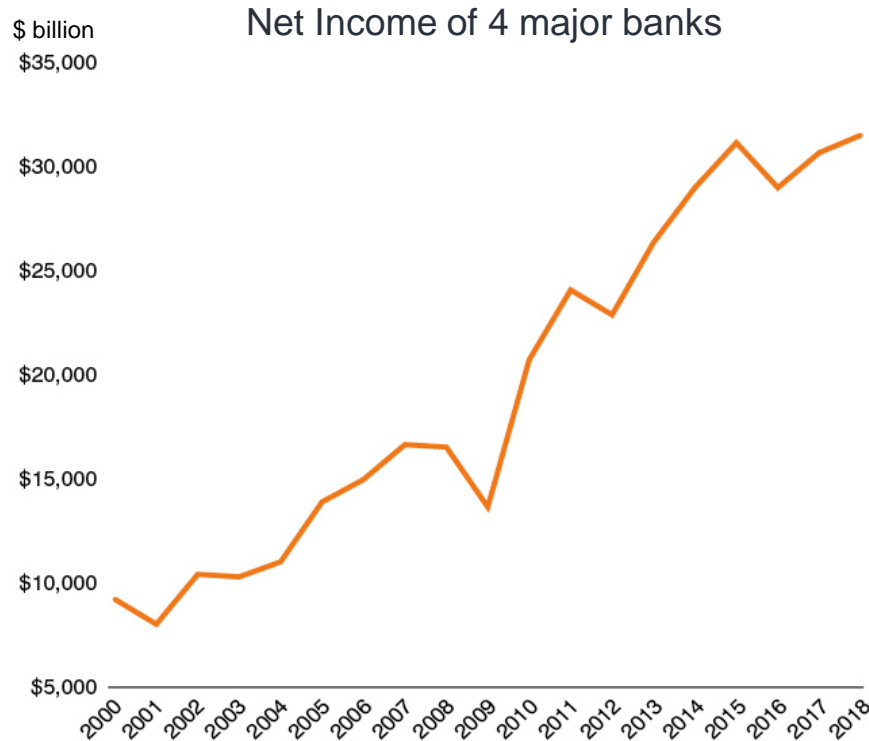


Sources: ABS; APM; APRA; Core Logic; RBA.

Upward trend in housing prices driven by increased household debt:

- Growing population, with immigration a key component.
- Supportive commodity cycle.
- Unbroken record of economic growth.
- Low interest rates post GFC.
- Easier credit standards.

Australian Banks – Net Income growth has been strong on the back of these trends however going forward.....



Source: FactSet

Credit growth likely to be more subdued:

- Lower income growth.
- Tighter lending standards
 - APRA
 - Hayne Royal Commission
 - Slowing foreign investment in housing

Impact on Bank Sector

- Lower balance sheet growth.
- Higher regulatory costs.
- Slowing housing market can be healthy.
- Banks will look to drive further costs out.
- Benign profit growth but dividends stable.

Featured Holdings – Macquarie Group

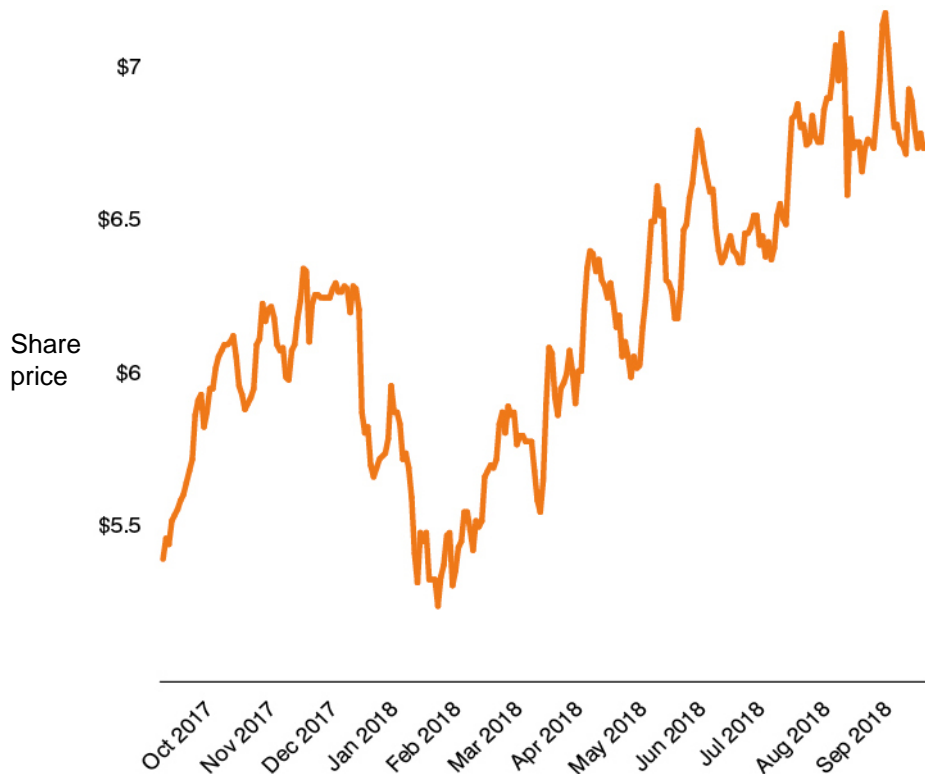


Source: FactSet.

What we like:

- Owner driver culture.
- Infrastructure exposure.
 - Energy (renewable)
 - Emerging markets
 - GDP/ population growth
- Technology exposure.

Featured Holdings – Atlas Arteria



Source: FactSet.

What we like:

- Attractive toll road assets - Autoroutes Paris-Rhin- Rhone and Dulles Greenway in the US.
- Very strong cash flow growth over the next 4 to 5 years.
- Internalisation of management - reduction in base running cost and no performance fees.
- Balance sheet is more conservatively geared than peers (although it has a shorter concession life).
- Good dividend growth expected.

Featured Holdings – Woolworths

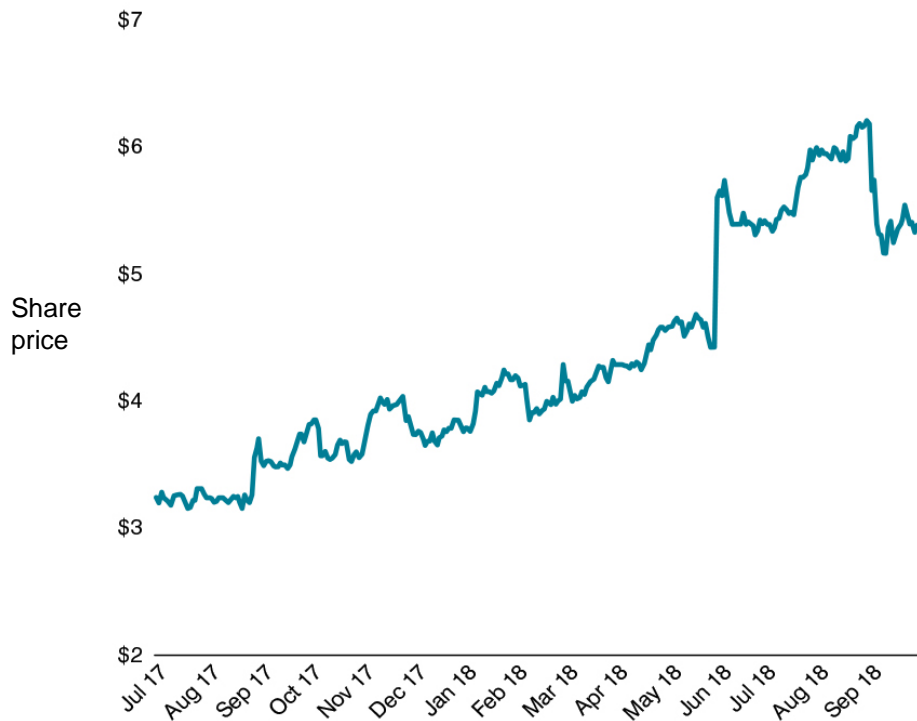


Source: FactSet.

What we like:

- 'New' management with clear strategy.
- Progress on turnaround:
 - Australian supermarkets regained market leadership
 - IT Investment
 - Exit Masters
 - Simplify BigW
- Next phase: Ongoing investment opportunities.
- From here, maintain focus.
- Stable profit and dividend growth.

Featured Holdings – Reliance Worldwide



Source: FactSet.

What we like:

- Category leader in Push to Connect plumbing fittings market.
- Innovative company with R&D focus.
- Multiple growth drivers in North American and European markets.
- Self funding, cash generative business model.
- Strong balance sheet.
- Participated in rights issue.



Closing Comments

Recent Company Reporting Season

- CBA, bank sector: struggling for earnings growth.
- Healthcare: very strong earnings growth but on high P/E's (Hospitals the exception).
- Resources: very strong cash generation, returning capital to shareholders.
- Energy sector: rising cash flows, strong oil price, new major projects moving forward.
- Telco's: evolving sector, NBN, competition, TPG/Vodafone merger.
- Industrials: Offshore earnings driving growth.
- Technology: Exhibiting strong growth but very expensive P/E's.

Last 10 years and next 10 years?

	Last 10 years	Coming 10 years?
Interest Rates	Falling	Rising
Wage Pressure	Benign	Rising
Transport Costs	Benign	Rising (US trucks, etc)
Excess Capacity (Industrial, other)	High	Reducing
US Corporate Profit Margins	Rising	Potential peak
Investor Focus	Earnings growth	Valuation
Corporate's use of capital	Buybacks	Investing
Price earnings multiple	Rising	Falling?
Inflation	Benign	Rising?

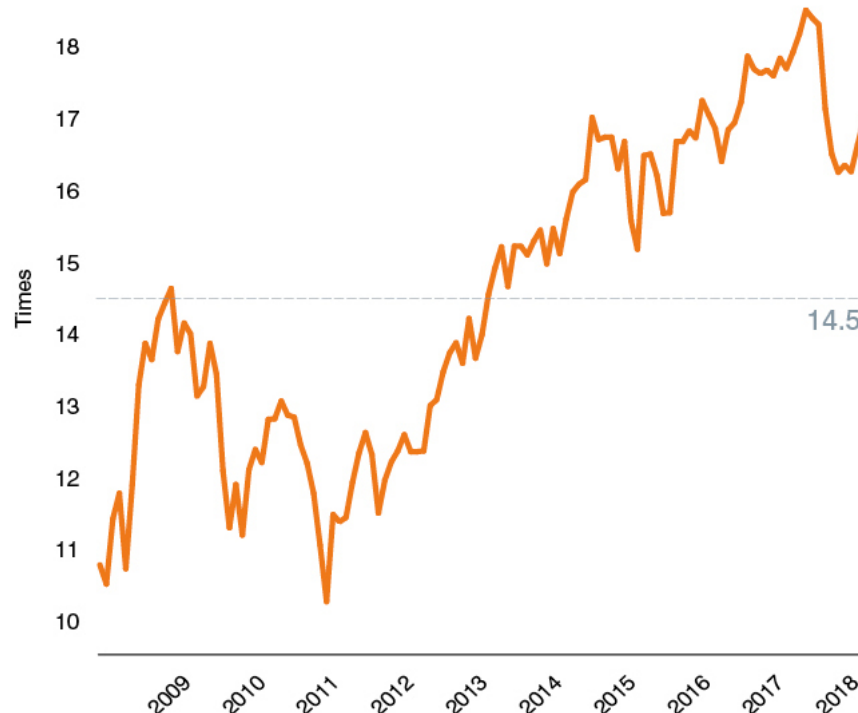
Valuations in the Australian Market Versus the US

Australia – S&P/ASX 200



Source: FactSet.

United States – S&P 500



Source: FactSet.

Moving forward

- Australian market will be heavily influenced by trends in the US
- US growth is strong with rates rising.
- Geopolitical tensions remain, including trade which may amplify market volatility.
- Growth in China remains very important for the Australian economy.
- A market with higher volatility typically provides a better environment for Djerriwarrh's option activities.

The economy in Australia has been heavily influenced by population growth

- Two thirds of all real GDP growth over the last 10 years has been generated by population growth.
- Infrastructure congestion and political pressures are leading to lower immigration which will ultimately be reflected in lower real GDP growth in coming years.

