

18 March 2019

The Manager
ASX Market Announcements
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Electronic Lodgement

**Djerriwarrh Investments Limited
Information Meetings Presentation**

Dear Sir or Madam,

Please find attached the presentation to be given at the Information Meetings being held in March 2019.

Yours faithfully



Matthew Rowe
Company Secretary



Shareholder Meetings
March 2019

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Company Objectives and Recent Financial Performance

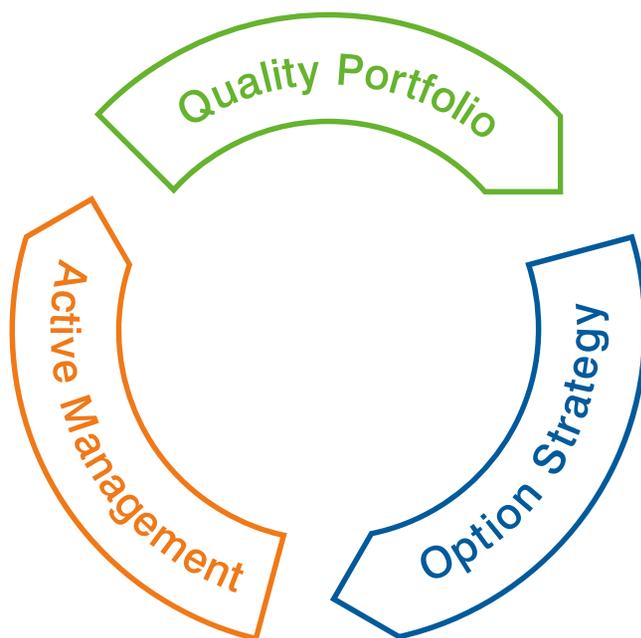


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Djerriwarrh looks to construct a portfolio that provides an enhanced fully franked dividend as well as capital growth over time

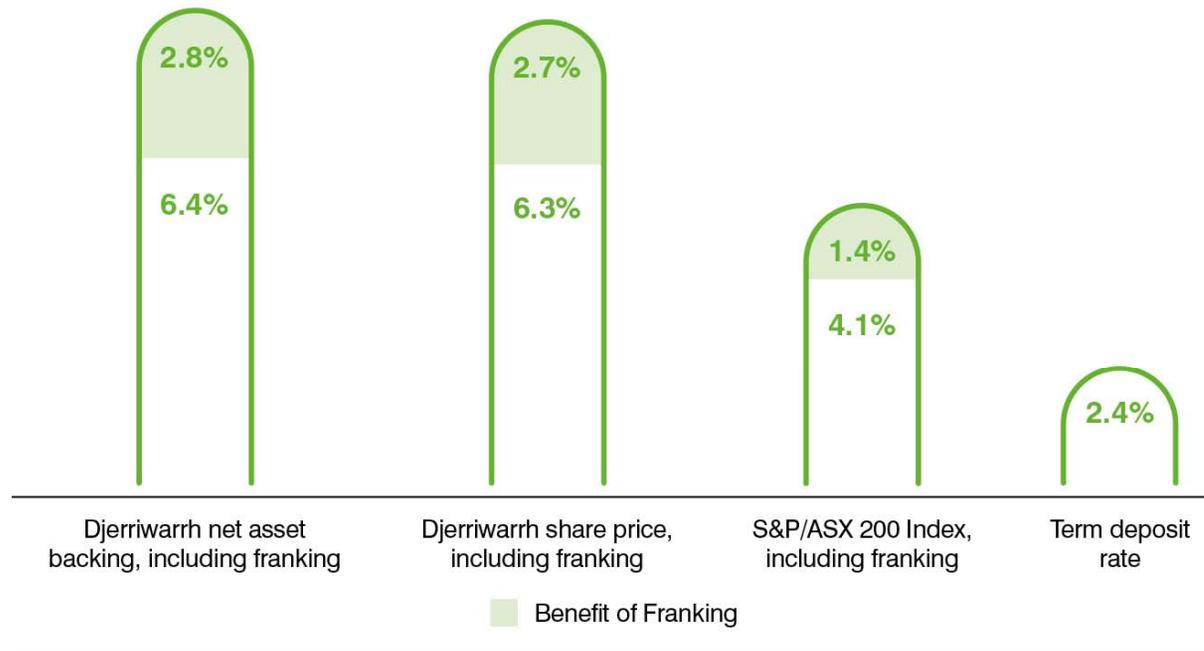
Income and capital growth



Balance between income and capital growth

Additional income from options

The outcome of this approach is a higher yield than the market, even before franking

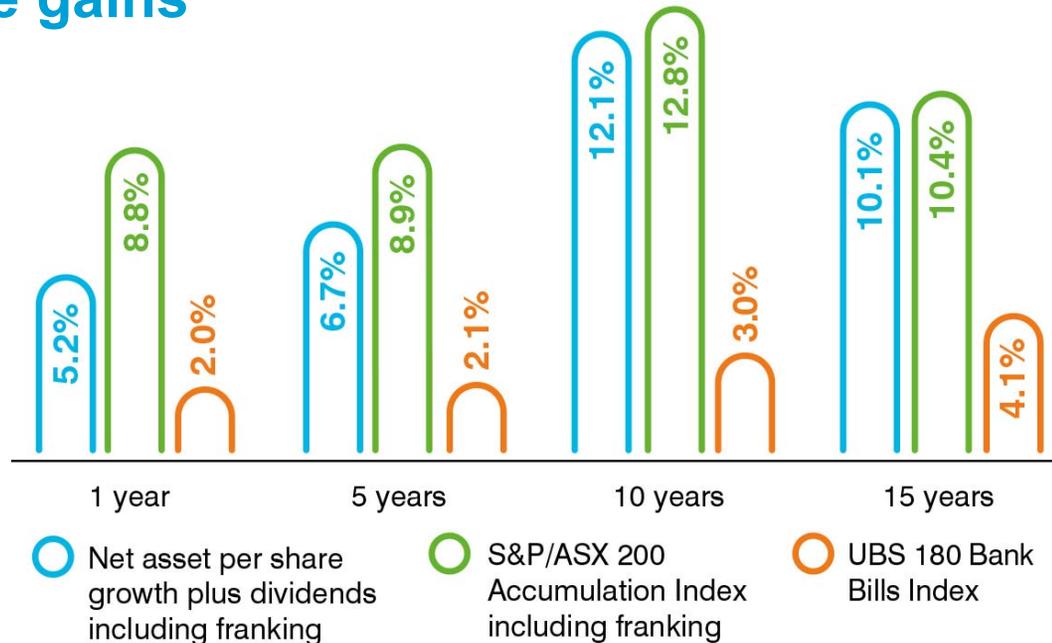


Note: Djerriwarrh yield based on 20 cent full year dividend. Assumes an investor can take full advantage of the franking credits. S&P/ASX 200 Index 80 per cent franked. Figures are as at 28 February 2019.

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But typically with less capital growth, as options can limit some of the gains



* Assumes an investor can take full advantage of the franking credits.
Past performance is not indicative of future performance.

Half-year financial summary – 31 December 2018

Profit for the Half-Year

\$23.8m

Up 100% from 2017

Fully Franked Interim Dividend

10¢

Per Share
Unchanged

Net Operating Result

\$19.6m

Up 19.6% from 2017

Management Expense Ratio

0.36% Annualised

0.38% in 2017

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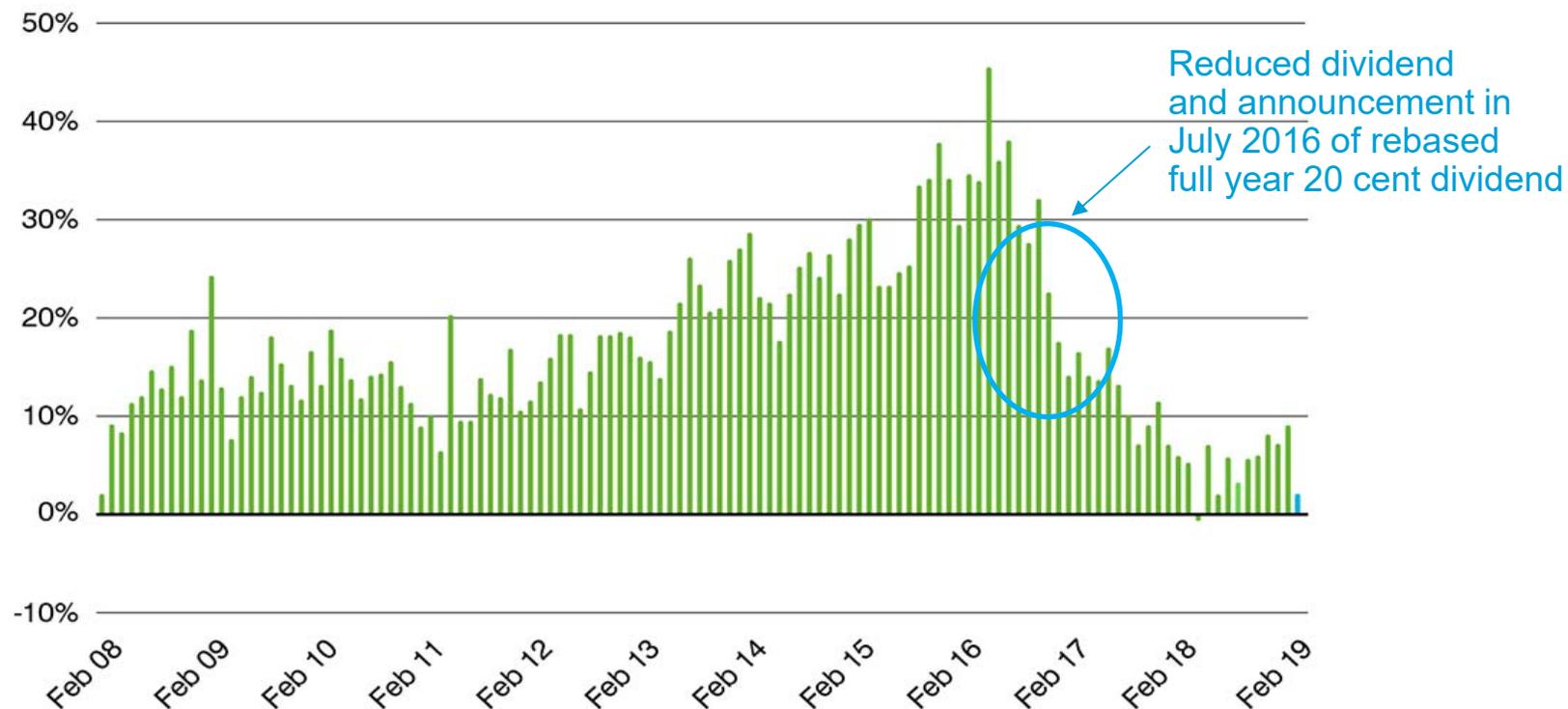
Major components of income – Half-year to 31 December 2018

	Half-Year 2018 \$'000	Half-Year 2017 \$'000
Dividends and distributions	19,196 ⁽¹⁾	17,339
Income from options written portfolio	5,129 ⁽²⁾	2,648

(1) Demerger of Coles from Wesfarmers produced an accounting demerger dividend and there was an uplift in income from holdings in BHP and Sydney Airport.

(2) Fall in market in December led to an increase in realised gains on open option positions.

Share price premium to net asset backing – a 3% at end February



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Ending refundability of franking credits – we continue to act on shareholders behalf

- Djerriwarrh has provided a template letter on its website for shareholders to write to their parliamentary representatives.
- We have engaged through various industry groups to lobby on your behalf.
- Publicised where appropriate through the media.
- Submission by Djerriwarrh to the House Economics Committee.
- Extensive survey of shareholders so we can better understand the issue about the impact on shareholders.
- Looking at further strategies to try and influence policy makers.

Shareholder survey refundability of franking credits – your response

- A strong response with 2,338 replies received.
- 91% of respondents negatively impacted and dependent on franking credit refunds.
- 95% of respondents retired or approaching retirement.

The Market and Portfolio



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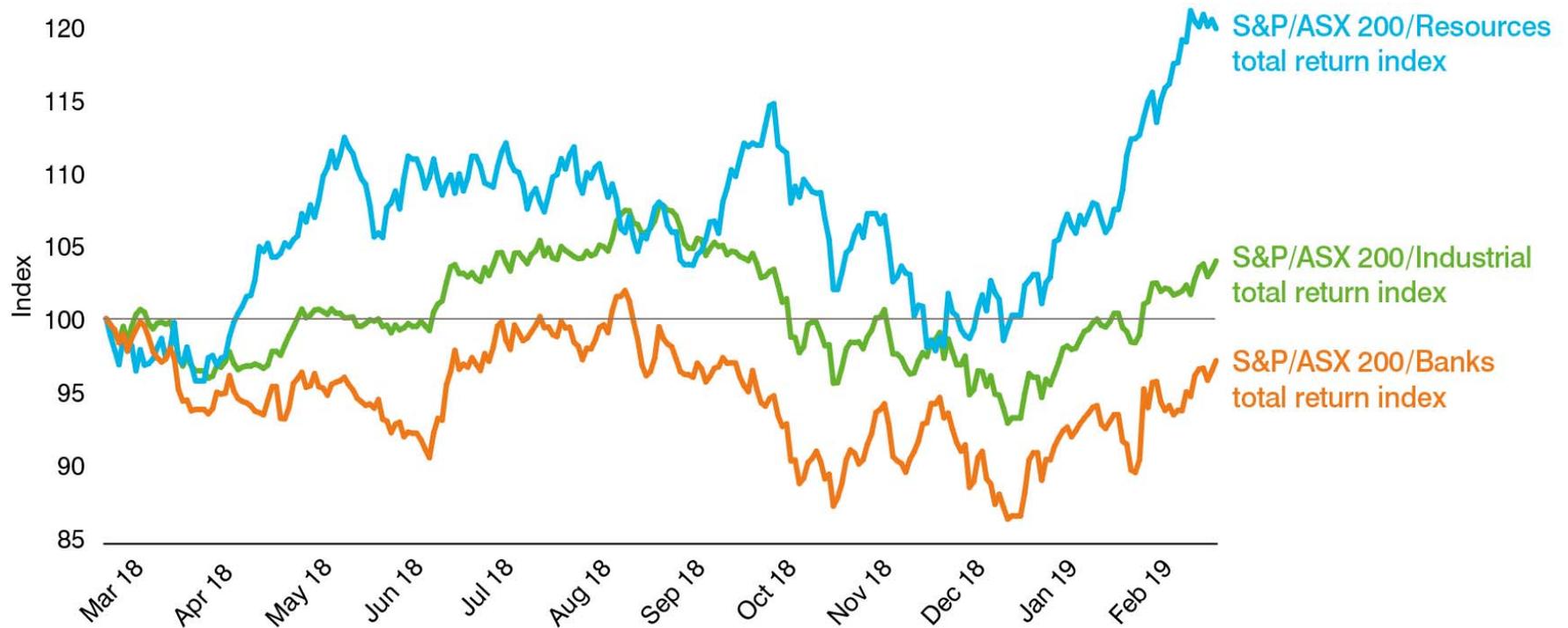


The fall in the market toward the end of the calendar year and lift in volatility provided an opportunity to adjust call option positions



Source: FactSet

With resources very strong well ahead of industrials and banks



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As the market has risen more recently, option coverage has been lifted



In constructing a diversified portfolio the investment process considers



Portfolio characteristics

	Djerriwarrh	S&P/ASX 200
No of holdings	67	200
Price earnings (times)	17.4	16.3
Price to sales (times)	2.1	1.9
Dividend yield (%)	4.5 (6.4ff)	4.3 (5.8ff)
ROE	15.9	17.1

Recent adjustments to the portfolio

- Continue to focus on quality investments with solid, growing dividend yields.
- Repositioned the portfolio, including further additions to key holdings.
- Sold positions in some smaller companies where either concerns about the original investment case have arisen, or alternatively valuation has become full.
- Added a small number of new companies to the portfolio.

Major purchases

BHP

Sydney Airport 

WOOLWORTHS GROUP



Goodman ⁺

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 **Djerriwarrh**
AUSTRALIAN EQUITIES, ENHANCED YIELD

Major sales

Exercise of call options



Complete disposals



Reduced positions

Rio Tinto

Buy back

Perpetual 



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Djerriwarrh resources: focus on quality assets

Mining investment has slowed considerably with miners focused on profits and balance sheet.

- Tier 1, long-life, low cost assets.
- Long term demand:
 - Iron ore, coking coal (Steel production) – no need for new supply
 - Copper – need more supply
 - Aluminium – light weight metal, solid demand
- Brazilian tailings dam.
- Advantageous long term investments and assets.



Portfolio holdings: BHP, RIO, AWC, S32

Importantly the large resource companies have changed their approach

'Old'

BHP

RioTinto

Under 'old' increasing commodity prices:

- Large acquisitions
- Geared balance sheets
- Progressive dividend policy (low dividends)
- Shareholder outcomes were not optimal

'New'

BHP

RioTinto

Under 'new' increasing commodity prices:

- Sale of non-core businesses
- Value over volume
- Dividend policy aligned with profits (higher dividends)
- Strong balance sheets
- Off market buy backs
- Shareholder outcomes top of mind

Major moves upward in top 20 from February 2018

7th Largest holding



Buying, good yield (5.0%), quality long term assets, industry leadership, international exposure

New to top 20 – 10th Largest holding



Buying, good yield (5.1%), quality long term assets, monopoly infrastructure

11th Largest holding



Buying, good yield (5.7%), quality long term assets, good industry economics

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Major moves upward in top 20 from February 2018 (continued)

12th Largest holding

Transurban

Rights issue, good yield (4.7%), expanding Sydney network, quality long term assets

New to top 20 –
17th Largest holding

atlasArteria

Buying, good yield (4.3%), quality long term international assets

New to top 20 –
18th Largest holding

SUNCORP 

Buying, good yield (4.9%), strong domestic market structure

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AUSTRALIAN EQUITIES, ENHANCED YIELD

Featured holding – Sonic Healthcare 20th largest holding

Share Price (\$)

28

26

24

22

20

Mar 18

Jun 18

Sep 18

Dec 18

Mar 19

Source: FactSet

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What we like:

- Medical leadership in pathology.
- Continued investment in people, systems.
- World scale operations:
 - No. 1 company in Australia
 - US hospital market opening up
 - German consolidation potential
 - Public to private opportunities in the UK
- Solid, growing dividend yield.

Top 10 holdings* 28 February 2019

Rank	Company	% of Portfolio	Major Changes – Percentage Feb 2018	
1	Commonwealth Bank of Australia	8.4%		
2	Westpac Banking Corporation	7.3%		
3	BHP	7.3%		
4	National Australia Bank	5.3%		
5	Australia and New Zealand Banking Group	5.1%		
6	CSL	3.8%	↓	4.8%
7	Macquarie Group	3.6%	↑	2.3%
8	Woolworths Group	3.2%		
9	Brambles	2.7%		
10	Sydney Airport	2.5%		Outside of top 20

*All have call options outstanding against part of the portfolio.

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Next 10 holdings* 28 February 2019

Rank	Company	% of Portfolio		Major Changes – Percentage Feb 2018
11	Woodside Petroleum	2.5%	↑	1.7%
12	Transurban Group	2.5%	↑	1.5%
13	Ancor	2.2%		
14	Oil Search	2.0%		
15	Telstra Corporation	2.0%	↓	2.5%
16	James Hardie Industries	1.9%		
17	Atlas Arteria	1.7%		Outside of top 20
18	Suncorp Group	1.5%		Outside of top 20
19	Rio Tinto	1.5%		
20	Sonic Healthcare	1.4%		Outside of top 20

*All have call options outstanding against part of the portfolio.

Shareholder Meetings March 2019



A photograph of a business meeting. In the foreground, a person's hands are visible, one holding a black pen and the other pointing at a tablet computer. The tablet displays a line graph. In the background, another person is partially visible, and there are various business charts, including a pie chart and a bar chart, on a desk. A laptop and a glass of water are also present. The scene is brightly lit, suggesting an office environment.

Going Forward

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Moving forward over the remainder of the year

- Continue to focus on quality investments with solid, growing dividend yields.
- Recent company reporting season showed some encouraging signs for dividends.
- Continue to scrutinise current holdings that may not meet our dividend objectives.
- Any move to higher interest rates in the US likely to mean greater volatility for the Australian market.
- Recent market strength has seen stock exercises increase, providing cash to invest, subject to opportunities.
- Reflecting market strength call option coverage at the upper end of the range.



Djerriwarrh

AUSTRALIAN EQUITIES, ENHANCED YIELD