



19 February 2021

The Manager
ASX Market Announcements
Australian Securities Exchange
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Electronic Lodgement

**Djerriwarrh Investments Limited
Half Year Review to 31 December 2020**

Dear Sir / Madam

Please find attached the Half Year Review to 31 December 2020 that is being sent to shareholders.

Yours faithfully

Matthew Rowe
Company Secretary

Release authorised by Matthew Rowe, Company Secretary



Half-Year Review
to 31 December
2020

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DJERRIWARRH INVESTMENTS LIMITED IS A LISTED INVESTMENT COMPANY INVESTING IN A DIVERSIFIED PORTFOLIO OF AUSTRALIAN AND NEW ZEALAND EQUITIES. FOR STOCKS WHERE THERE IS AN OPTIONS MARKET, THE COMPANY OFTEN USES EXCHANGE TRADED AND OVER-THE-COUNTER OPTIONS TO ENHANCE THE INCOME RETURN TO INVESTORS.

Half-Year in Summary

	2020	
Profit for the Half-Year	\$8.1m	\$24.1 million in 2019
Net Operating Result	\$11.8m	\$17.1 million in 2019
Fully Franked Interim Dividend	5.25¢ Per share	8.75 cents in 2019
Portfolio Dividend Yield Based on annualised interim dividend	5.0% Including franking*	S&P/ASX 200 Index Yield 3.8% (grossed up for franking*)
6 Month Total Portfolio Return	14.7% Including franking*	S&P/ASX 200 Index return including franking* 13.7%
6 Month Total Shareholder Return	24.1%	Share price plus dividend
Management Expense Ratio (Annualised)	0.34%	0.35% in 2019
Total Portfolio (Including Cash) at 31 December 2020	\$734.5m	\$803.3 million in 2019

* Assumes an investor can take full advantage of the franking credits.

About the Company

Djerriwarrh Investments Limited is a Listed Investment Company (LIC) investing in a diversified portfolio of Australian and New Zealand equities. For stocks where there is an options market, the Company often uses exchange traded and over-the-counter options to enhance the income return to investors.

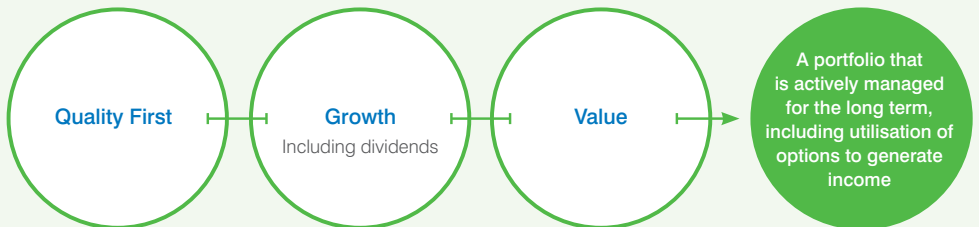
Investment Objectives

Djerriwarrh seeks to provide an enhanced level of fully franked income that is higher than what is available from the S&P/ASX 200 Index.

In this regard the primary investment goals are:

- to pay a higher level of fully franked dividend than is available from the market in general; and
- to provide attractive total return including capital growth over the medium to long term.

How Djerriwarrh Invests – What We Look For in Companies



Approach to Investing

The investment philosophy is built on taking a medium to long term view on holding positions in the portfolio with an emphasis on identifying quality companies that are likely to sustainably grow their earnings and dividends over this timeframe.

Quality in this context is an outcome of our assessment of the board and management as well as some key financial metrics such as return on capital employed, return on equity, the level of gearing in the balance sheet, margins and free cash flow. The structure of the industry and a company's competitive position in this industry are also an important indicator of quality.

As a long term investor, Environmental, Social and Governance (ESG) analysis is integrated into the Company's investment framework:

- Djerriwarrh will seek to invest in companies that have strong governance and risk management processes that include environmental and social risks.
- The remuneration structures proposed and used by the boards of the companies in which Djerriwarrh invests are assessed as we are seeking remuneration plans and outcomes that align with Djerriwarrh's (and Djerriwarrh's own investors') interests as long term shareholders.
- Djerriwarrh supports engagement with its investee companies on these issues, and will vote as shareholders accordingly.

Linked to the assessment of quality is the ability of companies to grow earnings over time, which ultimately should produce good dividend growth.

The view of value of a company is not just based on short term measures of the price earnings ratio and other valuation metrics; rather, value is assessed against our long term investment horizon. The final component of Djerriwarrh's ability to pay a higher yield is its approach to selling options over part of its investment and trading portfolios. This generates current income from the option premium Djerriwarrh receives for selling the options.

The amount that the Company receives from selling options depends on a number of factors:

- level of volatility in share price anticipated for the underlying stock;
- level of the option exercise price and particularly how far it is from the current share price;
- time to expiry, i.e. how far the option has to run;
- level of interest rates: the lower interest rates are, other things being equal, the lower the option premium received; and
- the percentage of the portfolio over which we are prepared to sell options.

It is our preference for the options to either lapse at expiry or, prior to exercise, to seek to buy the options back and sell new options further out and preferably at a higher exercise price. From time to time, where the share price increases strongly, we do take decisions to allow the shares to be exercised when we have formed the view that it is in the shareholders' best interest to allow that to occur. Gains or losses on disposals of investments upon the exercise of such options, after applicable tax, are taken to the realised capital gains reserve. Any gains when taxed are available for distribution to shareholders as fully franked dividends. It should be noted option positions are monitored daily and the portfolio is managed to try and maintain an appropriate balance between capital growth and income generation.

Djerriwarrh also has access to lines of credit, which allows the Company to gear its balance sheet when appropriate investment returns are available to enhance shareholder returns. When it is appropriate, exposure to rising interest rates is also capped.

Review of Operations and Activities

Profit

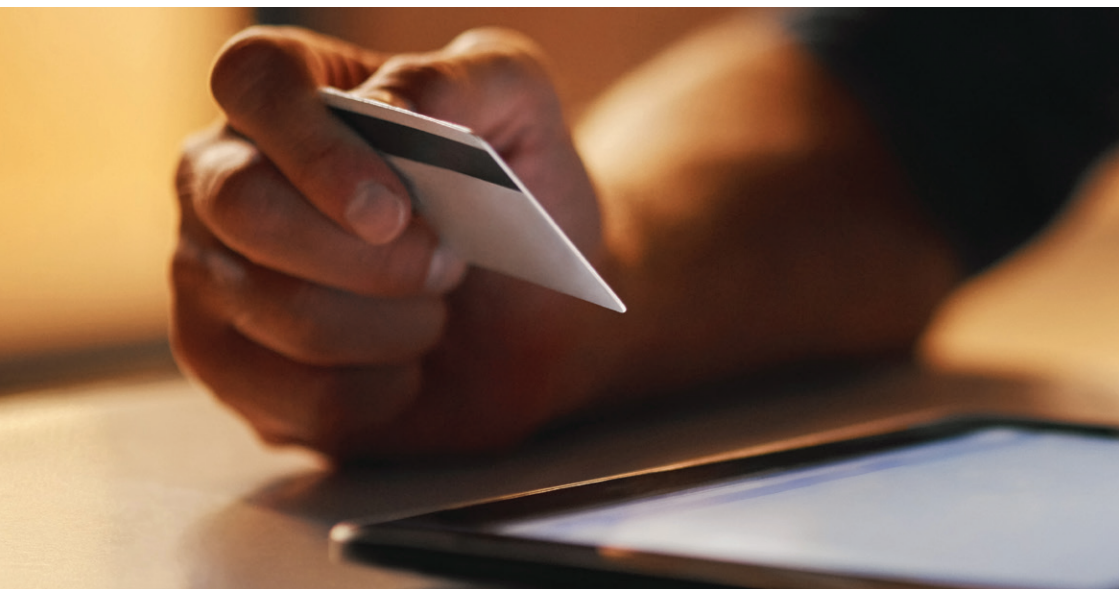
Economic conditions have been extremely challenging for many businesses as the COVID-19 pandemic negatively impacted many companies. The half-year profit was \$8.1 million, down from \$24.1 million in the corresponding period last year.

Key components of the result are:

- A significant decline in income from investments to \$9.6 million from \$17.9 million as companies suspended or reduced dividends through the period. The biggest reductions came from the major banks (because of APRA's directive to limit dividend payout ratios and difficult economic conditions) and BHP, whilst Sydney Airport was amongst a number of companies in the portfolio that did not pay a dividend during the half.

- Income from option activity was \$6.1 million, up from \$3.3 million.
- Recognition of losses in open option positions was \$3.6 million, down from the gain of \$7.0 million in the corresponding period last year. The significant increase in the market over the three months to 31 December 2020 has negatively impacted the value of these positions with losses arising when prices on the underlying stocks go up. The value of these losses will reduce over time as positions are either exercised or expire.

The net operating result (which excludes the valuation impact of open option positions and is therefore a better measure of the Company's income from its investment activities) was \$11.8 million, down from \$17.1 million in the prior corresponding period.



The Interim Dividend

The level of dividend declared each period is determined by taking into consideration the net operating result (which is made up of the dividends received from the companies that Djerriwarrh invests in, as well as the income generated from option strategies) and a prudent distribution of realised capital gains when available.

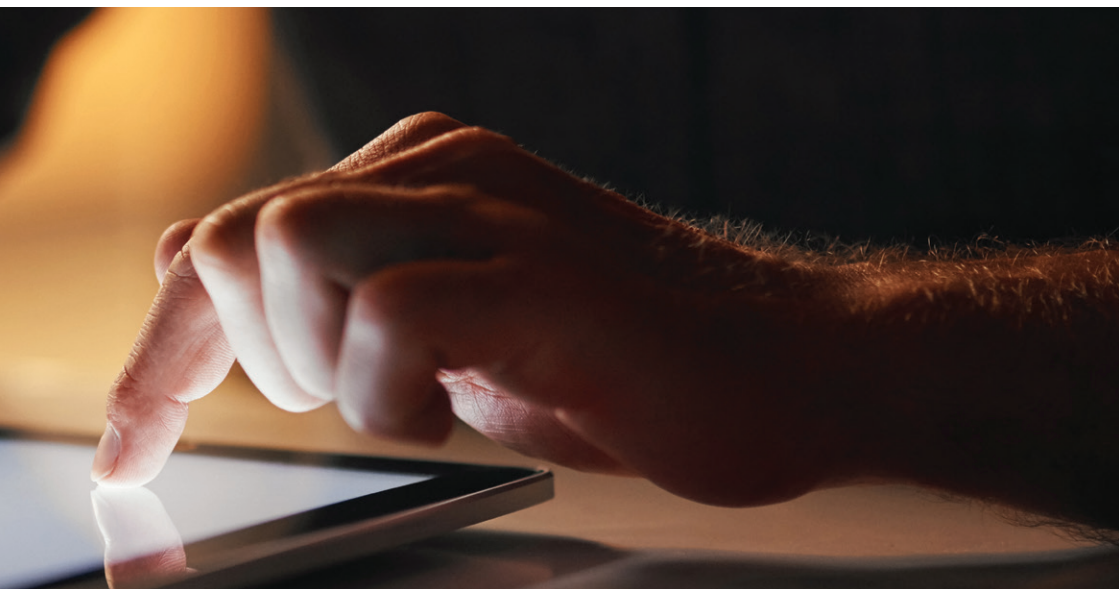
The net operating result per share for the six months to 31 December 2020 was 5.2 cents per share, down from 7.7 cents per share in the corresponding period last year.

As highlighted earlier, dividend income for the half-year was down significantly, as many companies suspended or reduced dividends through the period. There was an improvement in the amount of option income generated

compared with the corresponding period last year, as the Company took advantage of temporary spikes in volatility. However, the negative impact of very low interest rates on option income continues to be a headwind for this activity and is not expected to change in the foreseeable future.

There were no distributable realised capital gains generated during the half.

An interim dividend of 5.25 cents per share fully franked has been declared, down from 8.75 cents per share fully franked in the corresponding period last year, but in line with the final dividend declared in respect of the 2019/20 financial year. The dividend reinvestment plan and dividend substitution share plan were in operation with a 2.5 per cent discount.



Review of Operations and Activities

continued

The principle of targeting an enhanced yield above the ASX 200 Index remains a core investment objective of the Company, although there is likely to be some variation in the dividend amount declared from year to year depending on variables outlined earlier. Based on the annualised amount of the interim dividend, the dividend yield on our current asset backing would be 3.5 per cent and grossed up for franking credits would be 5.0 per cent (assuming a shareholder can take full advantage of the franking credits). Based on our share price of \$3.10 (at 31 December 2020), these figures would respectively be 3.4 per cent and 4.8 per cent grossed up for franking. Based on the net asset backing and including franking, this represents an enhanced yield of 1.2 per cent above the yield available from the S&P/ASX 200 Index. (Figure 1).

Market Comments

The Australian equity market has climbed significantly since the calendar year low point in March/April 2020. Significant fiscal stimulus

across the globe and further falls in interest rates appears to have provided the backdrop to a further recovery in markets despite the COVID-19 pandemic. The hope for effective vaccines toward the end of the calendar year also provided some optimism in the markets, despite further concerning outbreaks globally.

However, as a corollary of this strength in the market, volatility declined over the period and finished well down by calendar year end from the peak in March/April 2020 (Figure 2).

The increase in the Australian market has been driven by the information technology and materials sectors and more recently the recovery in bank and real estate stocks. For the banks, the stability in house prices is positive for the sector and so their bad and doubtful debt experience is likely to be concentrated at the smaller end of their small to medium-sized enterprise exposure, a better prospect than six to nine months ago.

Figure 1: Dividend Yield of Djerriwarrh Against Market Rates at 31 December 2020

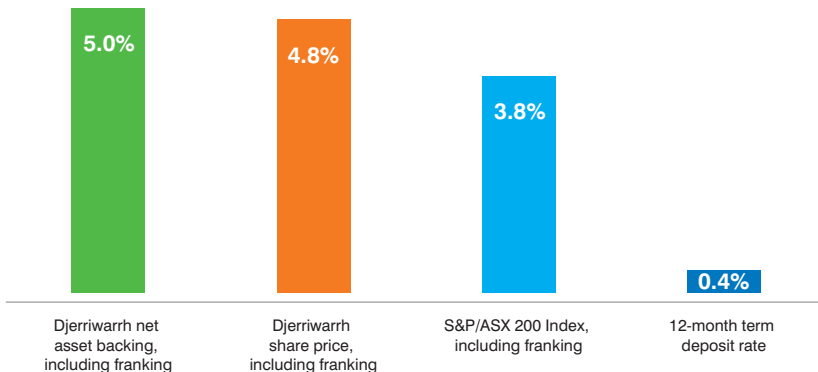
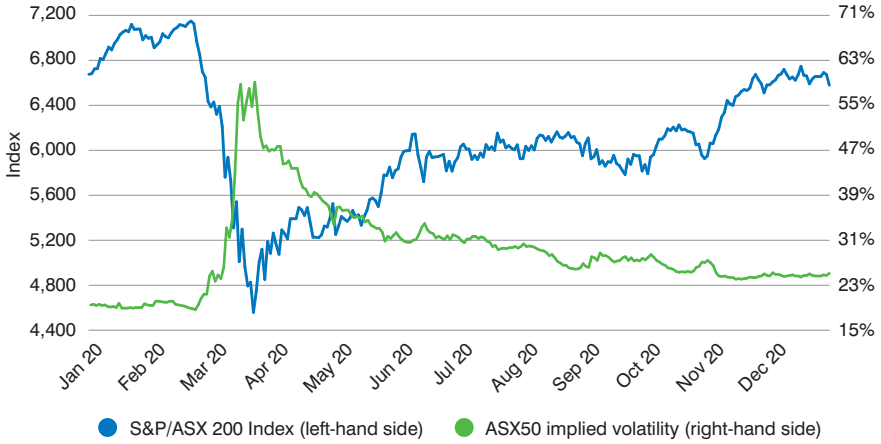
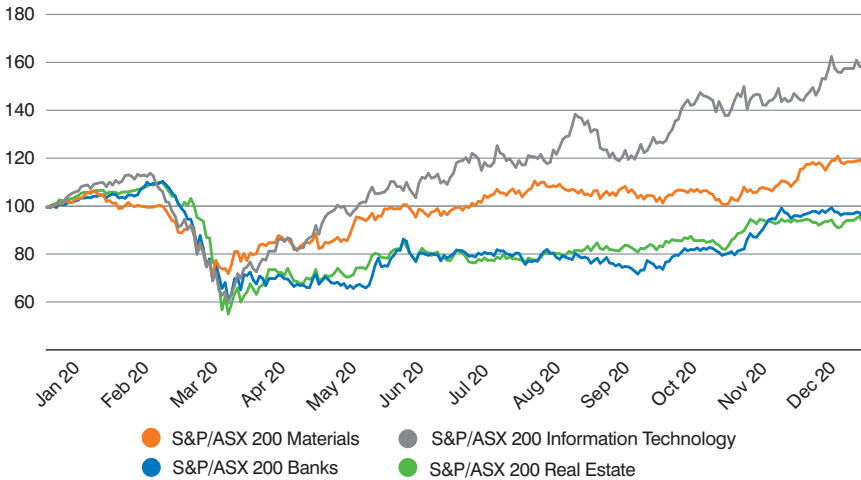


Figure 2: Performance of S&P/ASX 200 Index and the Impact on Market Volatility



Source: FactSet

Figure 3: Selected Sector Changes for the 12 Months to 31 December 2020



Source: FactSet

Review of Operations and Activities

continued

Portfolio Returns

To deliver a more appropriate balance of income and capital growth from the portfolio in the rising market, option coverage was kept at the lower end of the typical range of 30 per cent to 40 per cent during the six-month period (Figure 4). As a result, sales arising from option exercises were lower than in previous periods ensuring the portfolio benefited more from the capital growth in selected holdings. This adjustment to the strategy meant the portfolio produced satisfactory growth whilst also generating satisfactory income from option activities to help enhance the dividend yield above the Index.

As a result, Djerriwarrh's total portfolio return, including franking, for the six months to 31 December 2020 was 14.7 per cent, ahead of the S&P/ASX 200 Accumulation Index return, including franking, of 13.7 per cent.

The more significant contributors (including dividends and option income) to Djerriwarrh's portfolio performance over the six-month period were BHP, Mainfreight, Commonwealth Bank, National Australia Bank and Macquarie Group.

For the year to 31 December 2020, the total portfolio return, including franking, was negative 2.1 per cent. The S&P/ASX 200 Accumulation Index, including franking, was positive 2.4 per cent over the same period.

Portfolio Adjustments

Activity in the portfolio continued to concentrate on high-quality companies as evidenced by the further investment in CSL, ASX, Woolworths and Transurban during the six-month period. In particular, as the market shifted its focus to 'value' opportunities following the generally strong increase in the overall market, the share prices of these better-quality companies which began to weaken provided Djerriwarrh with some good long term buying opportunities.

Mirvac Group, Pinnacle Investments and Equity Trustees were new additions to the portfolio, given the balance of income and growth that they offer. In addition, companies with more of a bias toward growth, Fineos Corporation and ResMed, were also new to the portfolio during the six-month period.

Major sales for the six-month period included a lightening of the bank position in the portfolio through the trimming of holdings in ANZ Banking Group and National Australia Bank. Goodman Group and Macquarie Group were also trimmed as a result of the exercise of call options given it was in our view uneconomic to try and move them to higher exercise prices given the strong rise in their respective share prices. The position in South32 was exited given Djerriwarrh is fully invested and there were other opportunities to deploy these funds.

There are currently 50 holdings in the portfolio, in line with the number at the end of the corresponding period last year.

Figure 4: Portfolio Option Coverage

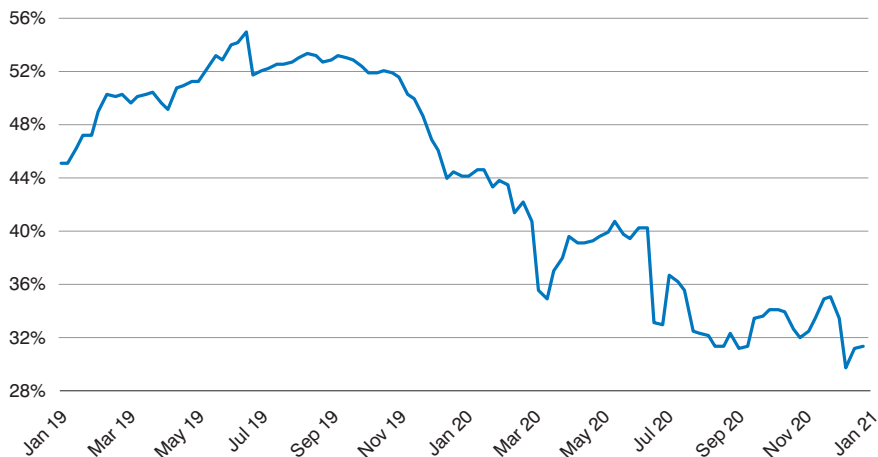
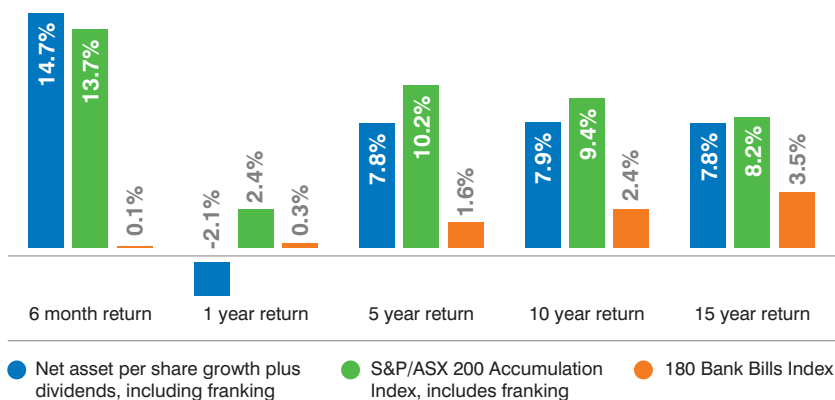


Figure 5: Portfolio Performance to 31 December 2020 – Per Annum Returns (Other than Six Months)* Including the Benefit of Franking Credits



* Assumes an investor can take full advantage of the franking credits.

Note: Djerriwarrh's portfolio return is calculated after costs. It should be noted that the Index returns do not include costs.

Review of Operations and Activities

continued

Share Price

Share price return over the half was 24.1 per cent, as the price moved from a 6 per cent discount to net asset backing to a 3 per cent premium to the net asset backing of \$3.01 per share over the six months to 31 December 2020. The Djerriwarrh share price has tended to trade on the dividend yield rather than on the value of the net asset backing (Figure 6), particularly as interest rates have remained low.

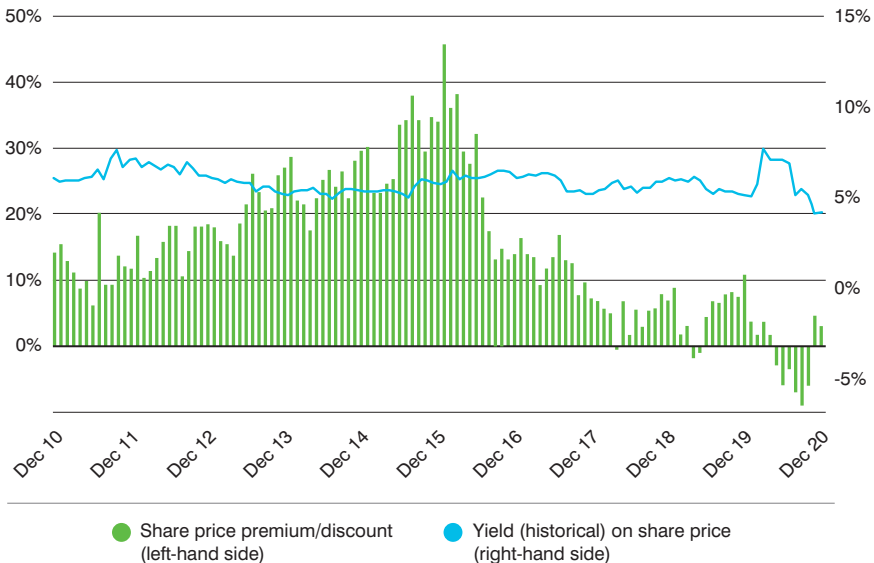
The share price return for the 12 months to 31 December 2020 was negative 11.4 per cent, as the share price adjusted to the previous decline in Djerriwarrh's dividend with the premium falling over the period.

Moving Forward

The ongoing strength of the market has continued to surprise with very low interest rates appearing to drive valuations and share prices back toward pre COVID-19 levels. Government stimulus across the globe has provided further support to economies during the pandemic.

As we move into the second half of the financial year, despite interest rates staying very low, the gradual withdrawal of fiscal support in Australia is likely to test the underlying strength of domestic economic conditions and company earnings over the remainder of this financial year and into next.

Figure 6: Share Price Premium/Discount to Net Asset Backing



In addition, ongoing geopolitical tensions with China and the COVID-19 environment going forward are very likely to challenge the market from time to time.

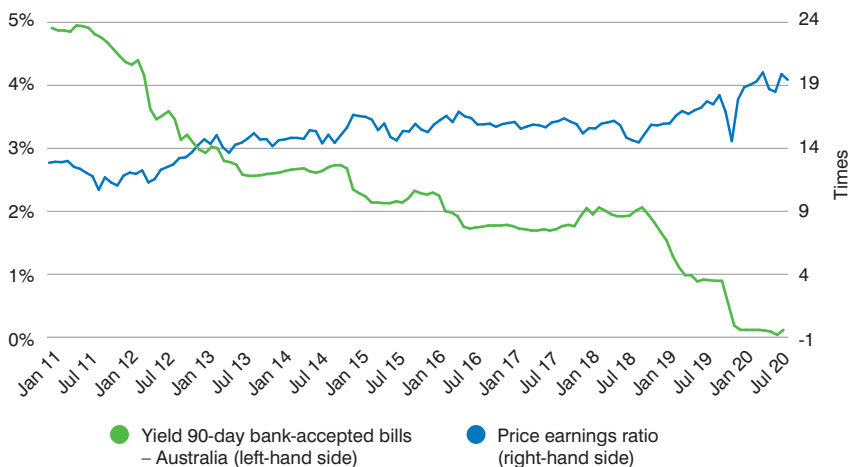
Any uplift in volatility from these conditions may provide some benefit to option income from the Company's activities, although underlying dividend income from most companies is likely to remain below pre-COVID-19 levels for some time.

Importantly, irrespective of short-term concerns, we believe Djerriwarrh's portfolio is well placed across high-quality companies that have been selected to satisfy the long-term income and growth objectives of the Company.

Share Purchase Plan

At 31 December 2020, Djerriwarrh was fully invested. To provide additional funds for the portfolio a share purchase plan (SPP) has been announced. Details were sent to shareholders on 25 January 2021 and the SPP offer is due to close on 22 February 2021.

Figure 7: Price Earnings Ratio (PE) of the S&P/ASX 200 Index Versus Interest Rates in Australia



Source: FactSet

Top 20 Investments

As at 31 December 2020

Includes investments held in both the investment and trading portfolios.

Valued at Closing Prices at 31 December 2020

		Total Value \$ Million	% of the Portfolio
1	BHP Group*	56.6	7.7
2	CSL	49.9	6.8
3	Commonwealth Bank of Australia*	48.6	6.6
4	Westpac Banking Corporation*	37.3	5.1
5	Transurban Group*	36.4	5.0
6	Woolworths*	33.7	4.6
7	Macquarie Group*	32.6	4.5
8	National Australia Bank*	24.8	3.4
9	Telstra Corporation*	23.4	3.2
10	Wesfarmers*	20.9	2.9
11	Australia and New Zealand Banking Group*	20.0	2.7
12	ASX Limited	19.6	2.7
13	Sydney Airport*	19.1	2.6
14	Mainfreight	17.8	2.4
15	Amcor*	16.9	2.3
16	Goodman Group*	15.7	2.1
17	Rio Tinto*	14.8	2.0
18	Woodside Petroleum*	14.4	2.0
19	Mirrabooka Investments	13.7	1.9
20	Insurance Australia Group	13.6	1.9
Total		529.8	

As a percentage of total portfolio value (excludes cash)

72.4%

* Indicates options were written against part of the holding.

Income Statement

For the Half-Year Ended 31 December 2020

	Half-Year 2020 \$'000	Half-Year 2019 \$'000
Dividends and distributions	9,582	17,888
Revenue from deposits and bank bills	2	40
Total revenue	9,584	17,928
Net gains/(losses) on trading portfolio	(44)	230
Income from options written portfolio	6,088	3,284
Income from operating activities	15,628	21,442
Finance costs	(1,077)	(1,511)
Administration expenses	(1,175)	(1,439)
Operating result before income tax	13,376	18,492
Income tax	(1,622)	(1,386)
Net operating result	11,754	17,106
Net capital gains/(losses) on investments		
Net gains/(losses) on open options positions	(5,213)	10,036
Tax on above	1,564	(3,011)
	(3,649)	7,025
Profit for the half-year	8,105	24,131
	Cents	Cents
Net operating result per share	5.23	7.66
Profit for the half-year per share	3.61	10.81

Balance Sheet

As at 31 December 2020

	31 Dec 2020 \$'000	30 June 2020 \$'000
Current assets		
Cash	2,844	1,463
Receivables	1,119	2,198
Trading portfolio	759	-
Tax refund	-	329
Total current assets	4,722	3,990
Non-current assets		
Investment portfolio	745,166	690,424
Deferred tax assets – investment portfolio	6,091	31,282
Deferred tax assets	6,341	867
Shares in associate	1,092	622
Total non-current assets	758,690	723,195
Total assets	763,412	727,185
Current liabilities		
Payables	117	181
Tax payable	180	-
Borrowings – bank debt	65,000	78,000
Interest rate hedging contracts	207	476
Options written portfolio	14,259	11,683
Total current liabilities	79,763	90,340
Non-current liabilities		
Deferred tax liabilities – investment portfolio	-	-
Total non-current liabilities	-	-
Total liabilities	79,763	90,340
Net assets	683,649	636,845
Shareholders' equity		
Share capital	654,067	652,854
Revaluation reserve	41,245	(20,539)
Realised capital gains reserve – taxable	(8,224)	451
Realised capital gains reserve – non-taxable	(63,958)	(59,775)
Interest-rate hedging reserve	(207)	(476)
Retained profits	60,726	64,330
Total shareholders' equity	683,649	636,845

Summarised Statement of Changes in Equity

For the Half-Year Ended 31 December 2020

	Half-Year 2020 \$'000	Half-Year 2019 \$'000
Total equity at the beginning of the half-year	636,845	729,618
Dividends paid	(11,709)	(22,270)
Shares issued (net of costs)	1,213	2,687
Total transactions with shareholders	(10,496)	(19,583)
Profit for the half-year	8,105	24,131
Revaluation of investment portfolio	70,399	(3,603)
Provision for tax on revaluation	(21,473)	766
Revaluation of investment portfolio (after tax)	48,926	(2,837)
Net movement in fair value for interest rate swaps	269	138
Total comprehensive income for the half-year	57,300	21,432
Realised gains/(losses) on securities sold	(16,576)	2,030
Tax on realised gains/(losses) on securities sold	3,718	(3,163)
Net realised gains/(losses) on securities sold	(12,858)	(1,133)
Transfer from revaluation reserve to realised gains reserve	12,858	1,133
Total equity at the end of the half-year	683,649	731,467

A full set of Djerriwarrh's interim accounts are available on the Company's website.

Holdings of Securities

As at 31 December 2020

Details of the Company's portfolios are given below. The list should not be used to evaluate portfolio performance or to determine the net asset backing per share (which is advised to the Australian Stock Exchange each month and recorded on the toll free telephone service at 1800 780 784).

Individual holdings in the portfolios may change significantly during the course of the year. In addition, holdings may be subject to call options or sale commitments by which they may be sold at a price significantly different from the market price prevailing at the time of the exercise or sale. Unless otherwise stated, the securities in this list are fully paid ordinary shares, trust units, stapled securities or convertible notes.

Code	Company Name	Number Held '000	Market Value \$'000
AIA*	Auckland International Airport	844	5,980
ALQ*	ALS	207	1,993
ALX*	Atlas Arteria	1,634	10,554
AMC*	Amcor	1,108	16,879
AMH	AMCIL	10,599	11,500
AMP	AMP	602	939
ANZ*	Australia and New Zealand Banking Group	910	20,042
APA*	APA Group	1,196	11,519
ARB	ARB Corporation	216	6,640
ASX	ASX	273	19,620
AWC*	Alumina	2,760	4,871
BHP*	BHP Group	1,400	56,558
BWP*	BWP Trust	1,275	5,500
BXB*	Brambles	1,283	13,539
CAR*	Carsales.com	295	5,883

Code	Company Name	Number Held '000	Market Value \$'000
CBA*	Commonwealth Bank of Australia	626	48,633
COL*	Coles Group	379	6,725
CPU*	Computershare	194	2,695
CSL	CSL	176	49,925
EQT	EQT Holdings	230	6,090
FCL	Fineos Corporation	971	3,591
GMG*	Goodman Group	835	15,682
IAG	Insurance Australia Group	2,884	13,554
IRE*	IRESS	972	10,234
IVC*	InvoCare	444	5,076
JHX*	James Hardie Industries	280	10,095
MFT	Mainfreight (NZX listed)	275	17,834
MGR*	Mirvac Group	3,170	8,325
MIR	Mirrabooka Investments	4,215	13,698
MQG*	Macquarie Group	242	32,563
NAB*	National Australia Bank	1,130	24,847
ORG*	Origin Energy	1,318	6,231
ORI*	Orica	238	3,611
OSH*	Oil Search	3,364	12,406
PNI	Pinnacle Investments	213	1,510
QUB*	Qube Holdings	824	2,302
REH*	Reece	598	8,743
RHC*	Ramsay Health Care	187	11,571
RIO*	Rio Tinto	135	14,800
RMD	ResMed	266	7,230

Holdings of Securities

As at 31 December 2020 continued

Code	Company Name	Number Held '000	Market Value \$'000
RWC*	Reliance Worldwide Corporation	435	1,760
SEK*	Seek	427	10,766
SHL*	Sonic Healthcare	124	3,962
SYD*	Sydney Airport	3,028	19,071
TCL*	Transurban Group	2,670	36,450
TLS*	Telstra Corporation	7,875	23,429
WBC*	Westpac Banking Corporation	1,945	37,263
WES*	Wesfarmers	428	20,897
WOW*	Woolworths Group	859	33,720
WPL*	Woodside Petroleum	656	14,360
Total			731,666

* Indicates that options were outstanding against part or all of the holding.

Major Transactions in the Investment Portfolio

Acquisitions	Cost (\$'000)
CSL	20,095
ASX	18,113
Woolworths Group	11,993
Mirvac Group	7,024
Transurban Group	7,009

Sales	Proceeds (\$'000)
Australia and New Zealand Banking Group	12,369
National Australia Bank	11,239
Goodman Group [#]	7,895
South32 (complete sale)	6,011
Macquarie Group [#]	5,885

[#] Sales as result of the exercise of call options.

New Companies Added to the Investment Portfolio

Mirvac Group

ResMed

EQT Holdings

Fineos Corporation

Pinnacle Investment Management

Company Particulars

Djerriwarrh Investments Limited

ABN 38 006 862 693

Directors

John Paterson, Chairman

R Mark Freeman, Managing Director

Robert J Edgar AM

Kathryn J Fagg AO

Graham B Goldsmith AO

Alice JM Williams

Karen J Wood

Company Secretaries

Matthew J Rowe

Andrew JB Porter

Auditor

PricewaterhouseCoopers

Chartered Accountants

Country of Incorporation

Australia

Registered Office and Mailing Address

Level 21, 101 Collins Street

Melbourne Victoria 3000

Contact Details

Telephone (03) 9650 9911

Facsimile (03) 9650 9100

Email invest@djerrri.com.au

Internet djerrri.com.au

For enquiries regarding net asset backing (as advised each month to the Australian Securities Exchange)

Telephone 1800 780 784 (toll free)

Shareholder Information

Share Registrar

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street
Abbotsford Victoria 3067

DJW Shareholder

Enquiry Lines 1300 653 915
+61 3 9415 4190
(from overseas)

Facsimile (03) 9473 2500

Internet investorcentre.com/contact

For all enquiries about shareholdings and related matters, please contact the share registrar as above.

Securities Exchange Code

DJW Ordinary shares

Shareholder Meeting

Note the shareholder meetings which are usually held in March in various capital cities have been replaced by a webinar/telephone briefing to be held on 23 March 2021 at 10.00am.

Registration details for the webinar and dial-in phone number for teleconference participants have been provided in a separate invitation letter/email to shareholders.

