



Djerriwarrh

AUSTRALIAN EQUITIES, ENHANCED YIELD

Half-Year Review to
31 December 2015

The investment goals of Djerriwarrh are:

- ▶ To provide attractive total returns including capital growth over the medium to long term.
- ▶ To pay an enhanced level of dividends.

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Djerriwarrh Investments is a listed investment company investing in Australian equities. For stocks where there is an options market, the Company often uses exchange traded options to enhance the income return to investors.

The Company aims to provide shareholders with attractive investment returns through access to a steady stream of fully franked dividends and enhancement of capital invested.

HALF-YEAR IN SUMMARY

PROFIT FOR THE HALF-YEAR

\$21.1m

▲ Up 6.7% from 2014

TOTAL 6 MONTH SHAREHOLDER RETURN

-5.0%

Share price plus dividend

NET OPERATING RESULT

\$25.6m

▲ Up 17.8% from 2014

MANAGEMENT EXPENSE RATIO

0.45% Annualised

0.42% in 2014

FULLY FRANKED INTERIM DIVIDEND

10¢ Per share

Unchanged

TOTAL PORTFOLIO

\$790.0m
Including cash at 31.12.15

\$863.5 million in 2014

TOTAL 6 MONTH PORTFOLIO RETURN

-4.1%

S&P/ASX 200 Index -0.5%

REVIEW OF OPERATIONS AND ACTIVITIES

Profit and Dividend

Profit for the half-year to 31 December 2015 was \$21.1 million, an increase of 6.7 per cent from \$19.8 million in the corresponding period last half-year.

The net operating result for the half-year was \$25.6 million, up 17.8 per cent from \$21.7 million in the previous corresponding period. In the opinion of Directors, this is a better measure of Djerriwarrh's performance in deriving ongoing investment, trading and options income from the Company's portfolios as it excludes the valuation impact of net unrealised losses on open option positions.

Heightened volatility over the period combined with the strategy of maintaining call option coverage at the upper end of the Company's indicative range in a falling

market has benefited the option income activity of Djerriwarrh, which in turn has lifted profit. Income from option activity and the trading portfolio was \$12.9 million, well ahead of the \$8.5 million generated last half-year.

Djerriwarrh's interim dividend has been maintained at 10 cents per share fully franked, the same as last year.

The Portfolio

The Australian equity market has seen a marked divergence over the past six months as larger companies in the S&P/ASX 200 Index have generally underperformed those outside of the top 50. The resource and energy sectors have also been particularly hard hit, with rapidly falling commodity prices.

Figure 1: Contrast in sector performance against the market

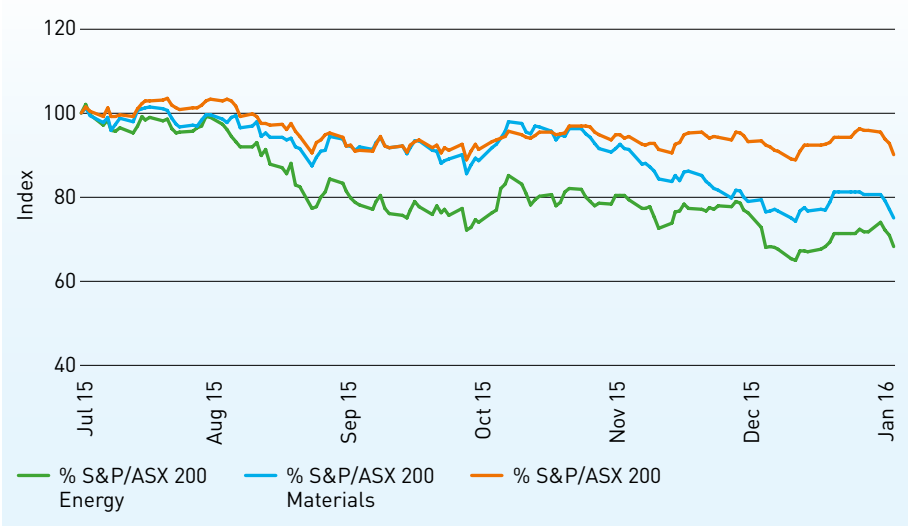
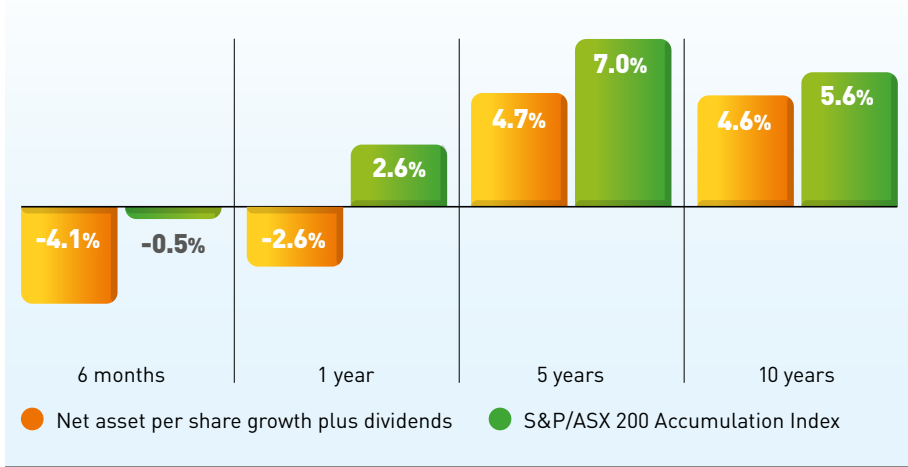


Figure 2: Portfolio performance to 31 December 2015



For Djerriwarrh, short term portfolio performance was reflective of the general bias the portfolio has to top 50 stocks; given this is where the options market is most active and the overweight position in energy stocks. Some of the better performing holdings by percentage return in the investment portfolio were CSL, Treasury Wine Estates, Veda Limited (which is under a takeover offer), Fisher & Paykel Healthcare and Macquarie Atlas Road Group.

Djerriwarrh's portfolio return for the six months to 31 December 2015 was negative 4.1 per cent, whereas the S&P/ASX 200 Accumulation Index return was negative 0.5 per cent.

Djerriwarrh seeks to provide an enhanced level of franking credits through its investment activities. For those investors

who can take full advantage of the franking credits, this adds significantly to investor returns (Figure 3 on page 4). As a long term investor, notwithstanding the recent under-performance to the index, it remains encouraging to see the 10 year performance, including franking of 7.7 per cent per annum, ahead of the index returns, including franking of 7.2 per cent per annum.

One of the objectives over the period was to look for opportunities in companies outside of the top 50. In this context Challenger, Mainfreight and Navitas were some of the new companies added to the portfolio. The existing position in Healthscope was also increased. In the larger company space Djerriwarrh participated in the Commonwealth Bank capital raising through the period as well as adding further to the Macquarie Bank holding in the portfolio.

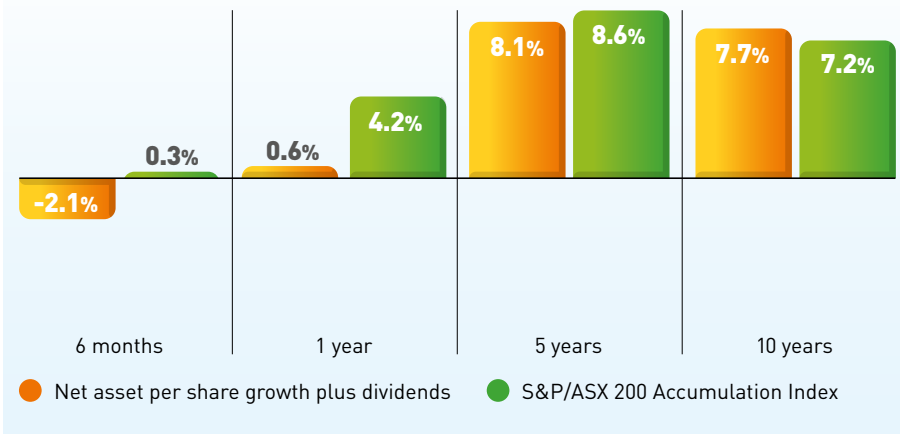
REVIEW OF OPERATIONS AND ACTIVITIES

continued

Brief descriptions of the largest of the new additions to the portfolio are outlined below:

- Challenger** focuses on providing Australians with financial security in retirement and operates through two divisions: life and funds management. The life division includes annuity and life insurance business carried out by Challenger Life Company Limited, which invests in assets providing long term income streams. The funds management division develops, distributes and manages investment products. This division also manages two listed funds and a number of unlisted fund mandates.
- Mainfreight** (listed on the NZX) is headquartered in Auckland, New Zealand, and specialises in ‘less than a container’ loads. It is engaged in freight logistics services and supply chain solutions. The company offers managed warehousing and international and domestic freight forwarding services. Its services include managed warehousing, domestic distribution, metro and wharf cartage and international air and sea freight operations across New Zealand, Australia, Europe, Asia and the United States.

Figure 3: Portfolio performance including grossed up franking benefit to 31 December 2015



Note: Djerrirwarrh’s net asset per share growth plus dividend series is calculated after management fees, income tax and capital gains tax on realised sales of investments. It should be noted that index returns for the market do not include management expenses and tax.

The franking benefit assumes an investor can take full advantage of the franking credits.

- Navitas is a global education provider that offers a wide range of educational services through three major divisions to students and professionals, including university programs, creative media education, professional education, English language training and settlement services.

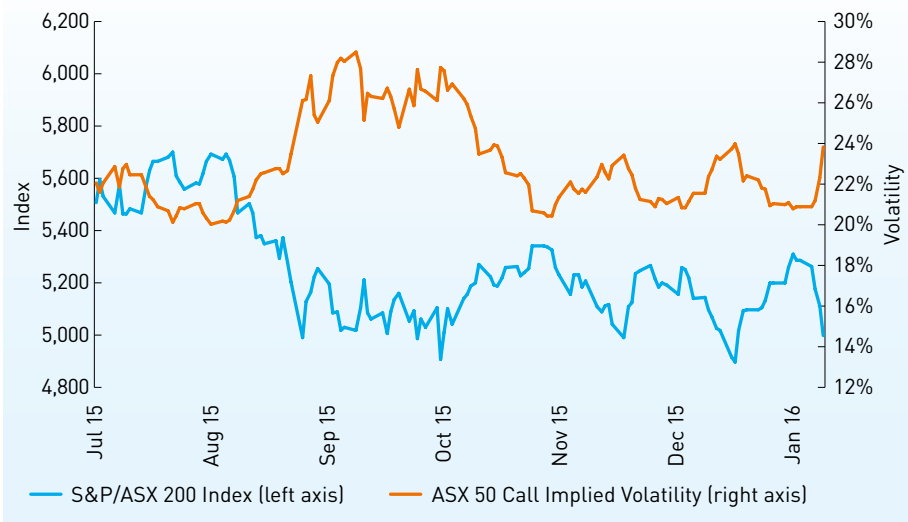
Given the general fall in the market over the half-year there were few call options exercised, although Asciano (under a takeover offer), Sydney Airport and Sonic Healthcare were the exceptions. Other sales included a lightening in the exposure in the commodities sector (BHP and Santos being the largest of these), the sale of some of the holding in Woolworths early in the half-year and the complete disposal of Twenty-First Century Fox.

Option Activity

Through the six month period where the market produced lacklustre capital returns and volatility was generally high (Figure 4), option coverage was at the upper end of the Company's indicative range through the period. As mentioned previously this meant income generated from option premium was greater than last half, although it also meant very few call option exercises occurred.

In the resources and energy sector, which remains under considerable pressure, the strategy was to continue to write call options against falling stock prices to maximise income return by taking advantage of the elevated premiums on offer. For these stocks, option coverage was generally higher than other stocks in the portfolio.

Figure 4: S&P/ASX 200 Index vs market volatility



REVIEW OF OPERATIONS AND ACTIVITIES

continued

The continued addition of selected mid and small sized companies in the portfolio has also meant Djerriwarrh has remained active in using 'over the counter options' as a means of generating additional income return from these holdings. This has been an effective strategy in balancing the trade-off between capital growth and income with these potentially higher growth stocks.

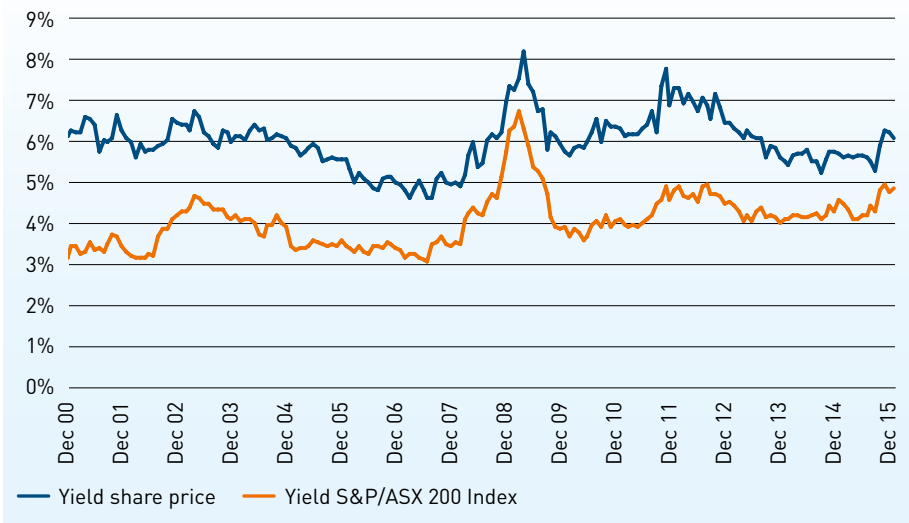
Yield and Share Price

Figure 5 highlights the relative dividend yield on Djerriwarrh shares (which are fully franked) in comparison to the dividend yield on the S&P/ASX 200 Leaders Index (which is only 80 per cent franked) since the Company was listed.

It should be noted these yields do not take into account the additional franking benefits available to investors.

Further, the attractiveness of Djerriwarrh's relatively high fully franked dividend yield in a low interest rate environment has, in our view, kept the share price trading at a substantial premium above net asset backing. At 31 December 2015, the premium was over 30 per cent. Figure 6 highlights the long term pattern.

Figure 5: Relative dividend yield of Djerriwarrh and the market



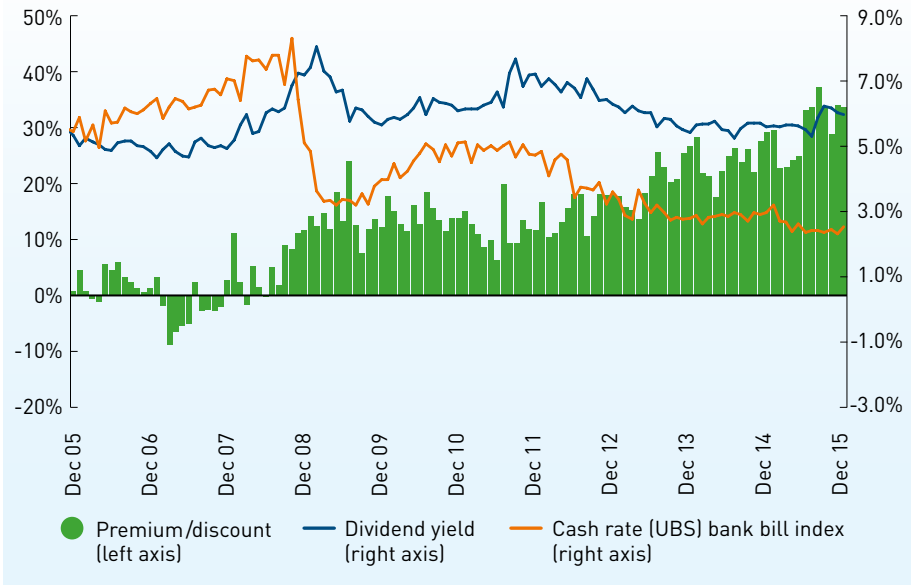
Outlook

As we move into the second half of the financial year elevated volatility is likely to remain a key feature of the market as it grapples with concerns about the nature and magnitude of global growth, in particular the Chinese economy, the ongoing impact of low commodity prices and the outlook for the domestic growth, which at this point is still uneven.

The effect of continued low interest rates and the decline in the Australian dollar could have an offsetting impact on these factors, but the extent of this is not yet clear.

High option coverage as a starting position for the portfolio should assist with the generation of income, which is one of the main objectives of the Company's investment activities. In addition, the upcoming reporting period for Australian companies will also provide an insight into how they are coping with present economic conditions and, importantly for Djerriwarrh, the outlook for dividends going forward.

Figure 6: Share price premium/discount to net asset backing





TOP 20 INVESTMENTS

As at 31 December 2015

Includes investments held in both the investment and trading portfolios.

Valued at closing prices at 31 December 2015

	Total Value \$ Million	% of Portfolio
1 Commonwealth Bank of Australia*	71.9	9.1
2 Westpac Banking Corporation*	60.8	7.7
3 National Australia Bank*	53.8	6.8
4 Australia & New Zealand Banking Group*	46.9	5.9
5 Telstra Corporation*	40.5	5.1
6 BHP Billiton*	40.2	5.1
7 CSL*	29.3	3.7
8 Oil Search*	25.9	3.3
9 Wesfarmers*	23.6	3.0
10 Brambles*	20.0	2.5
11 Rio Tinto*	18.2	2.3
12 Woodside Petroleum*	18.1	2.3
13 QBE Insurance Group*	14.6	1.8
14 AMP*	13.5	1.7
15 Woolworths*	12.4	1.6
16 Suncorp Group*	12.2	1.5
17 Mirrabooka Investments	11.6	1.5
18 Incitec Pivot*	11.4	1.4
19 Seek*	10.7	1.4
20 Qube Holdings*	9.9	1.3
Total	545.6	

As percentage of total portfolio value (excludes cash)

69.1%

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

INCOME STATEMENT

For the half-year ended 31 December 2015

	Half-Year 2015 \$'000	Half-Year 2014 \$'000
Dividends and distributions	20,574	19,057
Revenue from deposits and bank bills	115	660
Other revenue	29	-
Total revenue	20,718	19,717
Net gains on trading portfolio	1,799	374
Income from options written portfolio	11,076	8,091
Income from operating activities	33,593	28,182
Finance costs	(2,829)	(2,448)
Administration expenses	(1,822)	(1,867)
Operating result before income tax	28,942	23,867
Income tax	(3,388)	(2,174)
Net operating result	25,554	21,693
Net capital gains/(losses) on investments		
Net losses on open options positions	(6,308)	(2,692)
Tax credit on above	1,900	808
	(4,408)	(1,884)
Profit for the half-year	21,146	19,809
	Cents	Cents
Net operating result per share	11.69	9.92
Profit for the half-year per share	9.67	9.06

BALANCE SHEET

As at 31 December 2015

	31 Dec 2015 \$'000	30 June 2015 \$'000
Current assets		
Cash	619	41,967
Receivables	1,075	6,683
Trading portfolio	-	-
Total current assets	1,694	48,650
Non-current assets		
Investment portfolio	800,165	827,351
Deferred tax assets	889	-
Deferred tax assets – investment portfolio	13,265	-
Shares in associate	1,071	965
Total non-current assets	815,390	828,316
Total assets	817,084	876,966
Current liabilities		
Payables	1,002	11,918
Tax payable	3,228	12,820
Borrowings – bank debt	86,500	75,000
Interest rate hedging contracts	571	1,421
Options written portfolio	10,816	6,100
Total current liabilities	102,117	107,259
Non-current liabilities		
Deferred tax liabilities	-	1,109
Deferred tax liabilities – investment portfolio	-	3,796
Total non-current liabilities	-	4,905
Total liabilities	102,117	112,164
Net assets	714,967	764,802
Shareholders' equity		
Share capital	634,225	634,225
Revaluation reserve	15,643	50,126
Realised capital gains reserve	8,412	26,132
Retained profits	57,258	55,740
Interest rate hedging reserve	(571)	(1,421)
Total shareholders' equity	714,967	764,802

SUMMARISED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2015

	Half-Year 2015 \$'000	Half-Year 2014 \$'000
Total equity at the beginning of the half-year	764,802	799,143
Dividends paid	(34,974)	(34,974)
Total transactions with shareholders	(34,974)	(34,974)
Profit for the half-year	21,146	19,809
Revaluation of investment portfolio	(52,496)	(20,693)
Provision for tax on revaluation	15,639	6,056
Revaluation of investment portfolio (after tax)	(36,857)	(14,637)
Net movement in fair value for interest rate swaps	850	86
Total comprehensive income for the half-year	(14,861)	5,258
Realised gains/(losses) on securities sold	(1,017)	15,757
Tax expense on realised gains/(losses) on securities sold	(1,402)	(8,689)
Net realised gains/(losses) on securities sold	(2,419)	7,068
Transfer from revaluation reserve to realised gains reserve	2,419	(7,068)
Total equity at the end of the half-year	714,967	769,427

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

HOLDINGS OF SECURITIES

As at 31 December 2015

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 Securities 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 or stapled securities.

Code	Company Name	Number Held '000	Market Value \$'000
AGL*	AGL Energy	554	9,735
AIO	Asciano	234	2,041
ALQ*	ALS	767	2,884
AMC*	Amcor	513	6,877
AMH	Amcil	10,599	9,486
AMP*	AMP	2,342	13,531
ANZ*	Australia & New Zealand Banking Group	1,689	46,886
APA*	APA Group	546	4,683
ASX*	ASX	144	6,045
AWC	Alumina	3,718	4,294
AZJ*	Aurizon Holdings	1,105	4,816

HOLDINGS OF SECURITIES *continued*

As at 31 December 2015

Code	Company Name	Number Held '000	Market Value \$'000
BHP*	BHP Billiton	2,296	40,179
BLD*	Boral	603	3,518
BXB*	Brambles	1,766	20,040
CAR*	Carsales.com	190	2,116
CBA*	Commonwealth Bank of Australia	858	71,941
CCL*	Coca-Cola Amatil	695	6,407
CGF*	Challenger	471	4,014
CGL	The Citadel Group	250	1,233
CPU*	Computershare	262	2,938
CSL*	CSL	288	29,300
CSV	CSG	625	1,125
CTX*	Caltex Australia	200	7,333
CVO*	Cover-More Group	2,800	6,132
FLT*	Flight Centre Travel Group	100	3,929
FPH*	Fisher & Paykel Healthcare	301	2,343
HSO*	Healthscope	3,638	9,612
HXL#	Hexima	280	0

Code	Company Name	Number Held '000	Market Value \$'000
IAG*	Insurance Australia Group	1,487	8,131
IDX	Integral Diagnostics	1,245	2,060
ILU*	Iluka Resources	380	2,272
IPL*	Incitec Pivot	2,931	11,417
JHC*	Japara Healthcare	2,020	6,281
JHX*	James Hardie Industries	554	9,525
MFT	Mainfreight	300	4,335
MIR	Mirrabooka Investments	4,506	11,626
MPL*	Medibank Private	550	1,152
MQA*	Macquarie Atlas Roads Group	300	1,195
MQG*	Macquarie Group	66	5,432
MTU*	M2 Group	100	1,064
NAB*	National Australia Bank	1,793	53,795
NVT*	Navitas	750	3,463
ORG*	Origin Energy	912	4,268
ORI*	Orica	509	7,827
OSH*	Oil Search	3,907	25,882

HOLDINGS OF SECURITIES *continued*

As at 31 December 2015

Code	Company Name	Number Held '000	Market Value \$'000
PPCG	Peet Ltd 9.5% Convertible Notes	26	2,600
PPT*	Perpetual	97	4,353
QBE*	QBE Insurance Group	1,165	14,568
QUB*	Qube Holdings	4,231	9,884
REC	Recall Holdings	281	1,956
REG	Regis Healthcare	100	584
RHC*	Ramsay Health Care	50	3,335
RIO*	Rio Tinto	408	18,158
RMD*	ResMed	765	5,666
S32*	South32	4,096	4,318
SCG*	Scentre Group	1,740	7,132
SEK*	Seek	725	10,716
SGM*	Sims Metal	710	5,043
SHL*	Sonic Healthcare	375	6,693

Code	Company Name	Number Held '000	Market Value \$'000
STO*	Santos	1,087	3,908
SUN*	Suncorp Group	1,010	12,228
SYD*	Sydney Airport	399	2,514
TCL*	Transurban Group	943	9,731
TLS*	Telstra Corporation	7,253	40,508
TPM*	TPG Telecom	475	4,627
TWE*	Treasury Wine Estates	671	5,037
VCX*	Vicinity Centres	2,100	5,832
VED	Veda Group	1,155	3,234
WBC*	Westpac Banking Corporation	1,831	60,820
WES*	Wesfarmers	573	23,597
WFD*	Westfield Corporation	910	8,638
WOW*	Woolworths	511	12,409
WPL*	Woodside Petroleum	632	18,094
Total			789,349

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

Unlisted security.

MAJOR TRANSACTIONS IN THE INVESTMENT PORTFOLIO

Acquisitions	Cost \$'000
Healthscope	4,982
Challenger*	4,191
Mainfreight*	4,135
Commonwealth Bank (includes participation in the 1 for 23 rights issues at \$71.50 per share)	3,630
Macquarie Group	3,172
Navitas*	3,130

* New stock in the portfolio.

Sales	Proceeds \$'000
Asciano [#]	10,093
Twenty-First Century Fox (complete sale of holding)	9,796
BHP Billiton	3,460
Woolworths	2,967
Sydney Airport [#]	2,475
Sonic Healthcare [#]	2,318
Santos	2,052

Sales or partial sales as result of the exercise of call options.

COMPANY PARTICULARS

Djerriwarrh Investments Limited (DJW)
ABN 38 006 862 693

Directors

John Paterson, Chairman
Ross E Barker, Managing Director
Robert J Edgar
Kathryn J Fagg
Graham B Goldsmith
Andrew F Guy
Graham J Kraehe AO
Alice JM Williams

Company Secretaries

Simon M Pordage
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@djerri.com.au
Website www.djerri.com.au

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

Telephone 1800 780 784 (toll free)

Share Registrar

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

Shareholder

Enquiry Lines 1300 653 915

+61 3 9415 4190 (from overseas)

Facsimile (03) 9473 2500

Website www.investorcentre.com/contact

For all enquiries relating to shareholdings,
dividends (including participation in the
Dividend Reinvestment Plan) and related
matters, please contact the share
registrar as above.

Australian Securities Exchange Code

DJW Ordinary shares

SHAREHOLDER MEETINGS

Melbourne Meeting

Time 2.30pm
Date Wednesday 9 March 2016
Venue RACV City Club
Location 501 Bourke Street
Melbourne

Adelaide Meeting

Time 2.30pm
Date Friday 11 March 2016
Venue Adelaide Festival Centre
Location King William Road
Adelaide

Canberra Meeting

Time 2.30pm
Date Tuesday 15 March 2016
Venue Hyatt Hotel Canberra
Location 120 Commonwealth Avenue
Yarralumla

Sydney Meeting

Time 2.30pm
Date Friday 18 March 2016
Venue Sheraton on the Park
Location 161 Elizabeth Street
Sydney

Perth Meeting

Time 2.30pm
Date Wednesday 23 March 2016
Venue Pan Pacific Perth
Location 207 Adelaide Terrace
Perth

