

10 October 2016

The Manager
ASX Market Announcements
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**Djerriwarrh Investments Limited
2016 Annual General Meeting – Chairman’s Address and Presentation**

Dear Sir / Madam

The following Chairman’s address and presentation will be delivered to shareholders at the Company’s Annual General Meeting to be held today.

Yours faithfully



Matthew Rowe
Company Secretary

Chairman's Address

Introductory Remarks re Change in Dividends

I would like to make a few comments regarding the Board's decision to cut the final dividend from 16 cents to 14 cents and to foreshadow a further cut in the 2016/17 final dividend to 10 cents.

Djerriwarrh held its dividend constant at 26 cents per share fully franked for nine years. Even in the face of the GFC, as companies cut their dividends, we were able to use realised gains to supplement income from dividends and option premium. In recent years, however, capital growth in large cap stocks, where Djerriwarrh's option activities are focused, has been relatively flat. In addition we have entered a period where there have been significant cuts in dividends from a number of major companies.

In this context, the Board undertook a detailed review of the potential to maintain the current dividend going forward in what we assume will continue to be an environment of lower growth, lower dividend income and lower capital returns. Some important features that bear on this are:

- large cuts already in mining, oil and supermarket companies and in one big 4 bank. We do not expect these to be reversed in the foreseeable future.
- high payout ratios generally amongst ASX listed companies which may be wound back to some degree in coming years (creating uncertainties regarding the other 3 banks' payout ratios).
- earnings from options being high at present due to high volatility, a feature that may not be sustained at this level in future years.
- extremely low interest rates.

It is the Board's current expectation that the total dividend for the 2016/17 financial year will be 20 cents per share, an interim dividend of 10 cents per share (the same as last year) and a final dividend of 10 cents per share. This forecast remains subject to economic and market conditions.

Our presentation will provide more detail on the factors behind this decision. Suffice to say that at a share price of 354 cents the yield at 5.6% plus full franking continues to provide an attractive enhanced income.

Reactivation of the Dividend Reinvestment Plan (DRP)

Following the move to a more sustainable dividend level and the reduction in the share price premium over net tangible asset backing the Board has considered whether it is appropriate to reinstate the DRP. While there is still a significant premium to NTA this has been the case now for 8 years and is primarily a function of very low deposit rates by historical standards. We have recently returned to a premium in the range of 15% a level which prevailed when we last operated a DRP through 2009-2012. As a consequence the Board is likely to reinstate the DRP for the interim dividend in February 2017 subject to reasonable market and economic conditions. We will be shortly communicating with all shareholders regarding this change.

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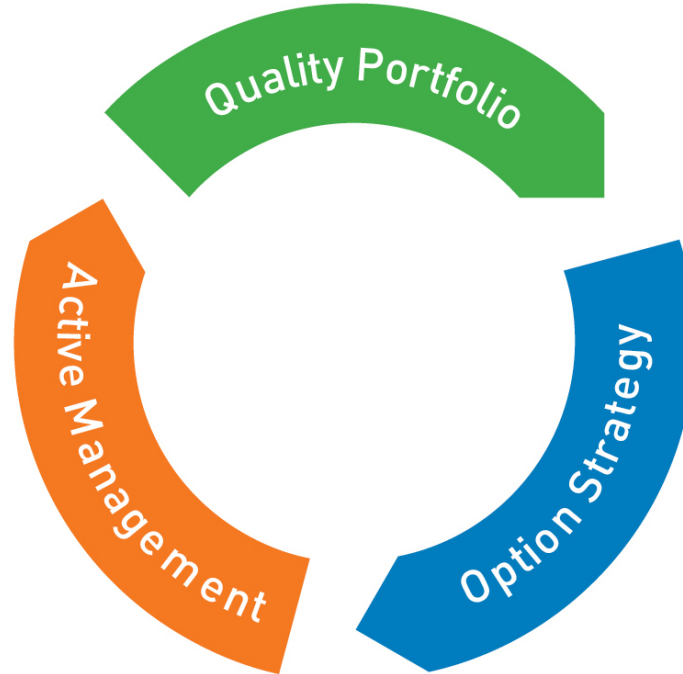


COMPANY OBJECTIVES AND RECENT FINANCIAL PERFORMANCE

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HOW DJERRIWARRH INVESTS

Income and capital growth



Balance
between
income and
capital growth

Additional
income from
options

FULL YEAR FINANCIAL SUMMARY – 30 JUNE 2016

PROFIT FOR THE YEAR

\$40.7m

▼ Down 13.2% from 2015

FULLY FRANKED DIVIDEND

14¢

Final

24¢

Total

▼ Down 2 cents from 2015

NET OPERATING RESULT

\$42.2m

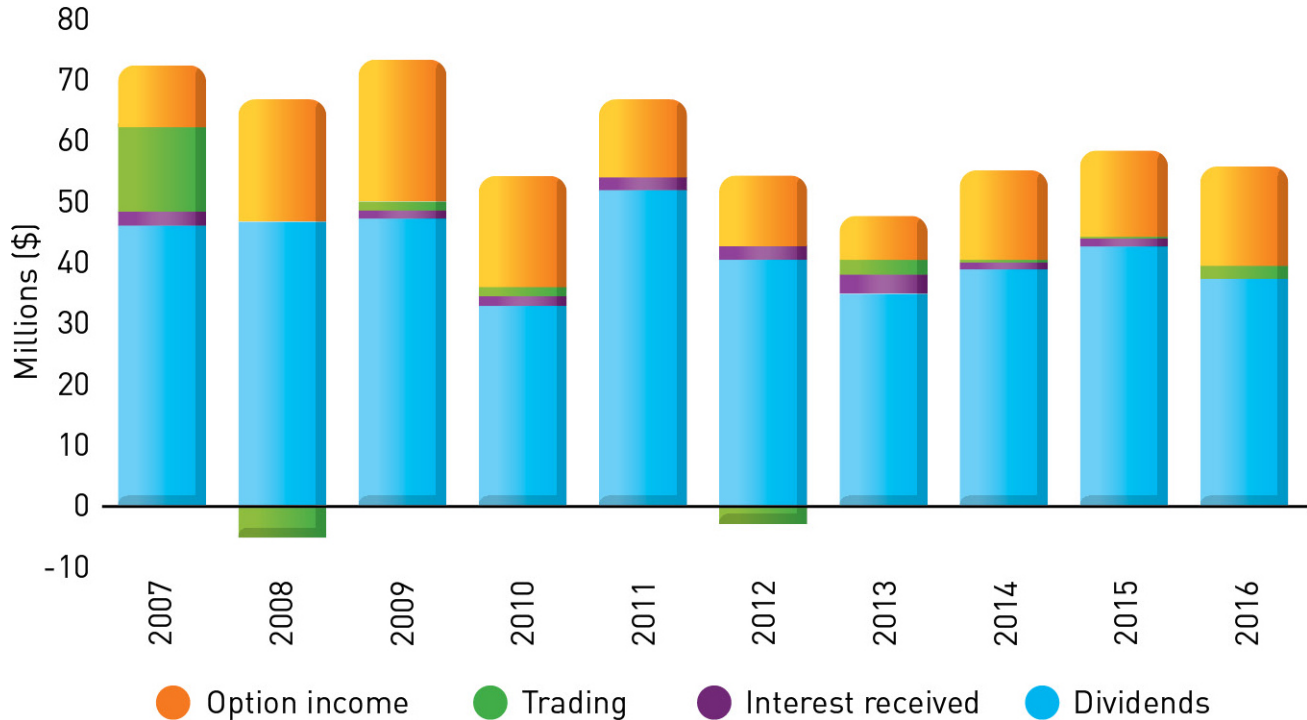
▼ Down 7.3% from 2015

MANAGEMENT EXPENSE RATIO

0.46%

0.41% in 2015

SOURCES OF INCOME OVER THE LONG TERM

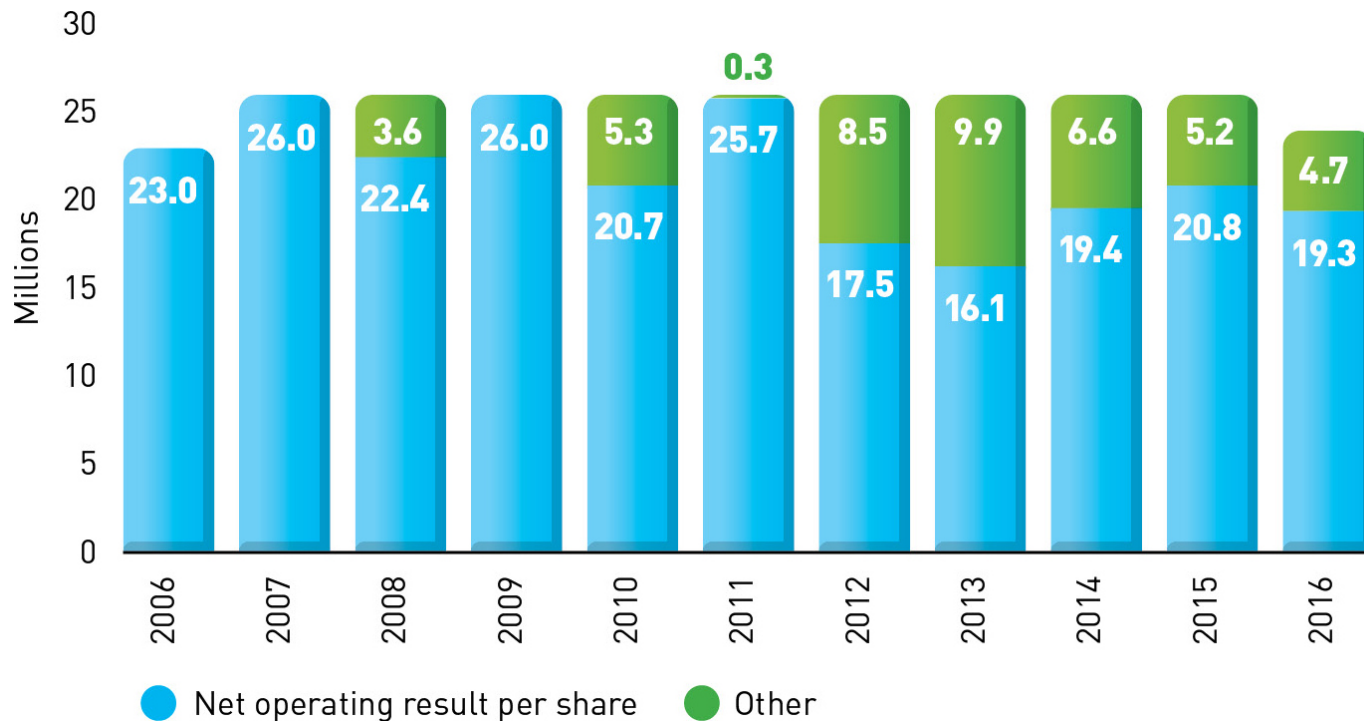


DIVIDEND ADJUSTMENT



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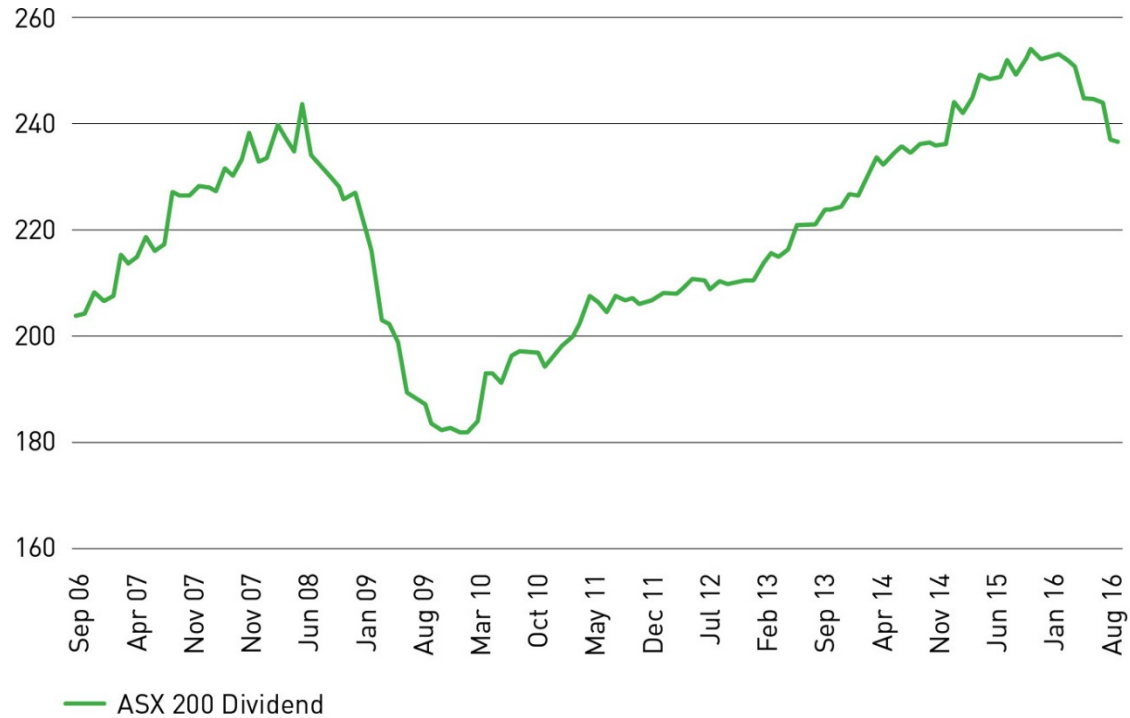
DJERRIWARRH DIVIDEND SUPPORTED BY REALISED GAINS



DIVIDEND ADJUSTMENT

- Reduced final dividend from 16 cents to 14 cents per share – total down to 24 from 26 cents per share.
- Outlined a reduced total dividend for 2016/17 of 20 cents per share in light of:
 - significant cuts in large company dividends;
 - current high dividend payout ratios which may not be sustainable;
 - lower level of realised capital gains
 - high volatility which has recently enhanced option income may not continue;
and
 - ongoing low interest rates.
- Dividend estimate remains subject to market conditions.

A MOVE DOWN IN MARKET DIVIDENDS



Source: FactSet

DECLINE IN DIVIDEND INCOME IS EXPECTED TO CONTINUE IN 2016/17 – PARTICULARLY IN THE FIRST HALF

Company	Full year 2015 cents per share	Full year 2016 cents per share	% change	Full year 2017 forecast* cents per share	% change 17 v 15
BHP	147	109	-26%	37	-75%
RIO	256	297	16%	145	-43%
WPL	303	152	-50%	93	-69%
STO	35	20	-43%	0	-100%
ORG	50	35	-30%	0	-100%
OSH	18 [^]	14	-22%	3.3	-82%
WOW	139	116	-17%	75	-46%
ANZ	181	175	-3%	160	-12%
AGL	63	66	5%	69	10%
WES	229 [^]	202	-12%	186	-19%

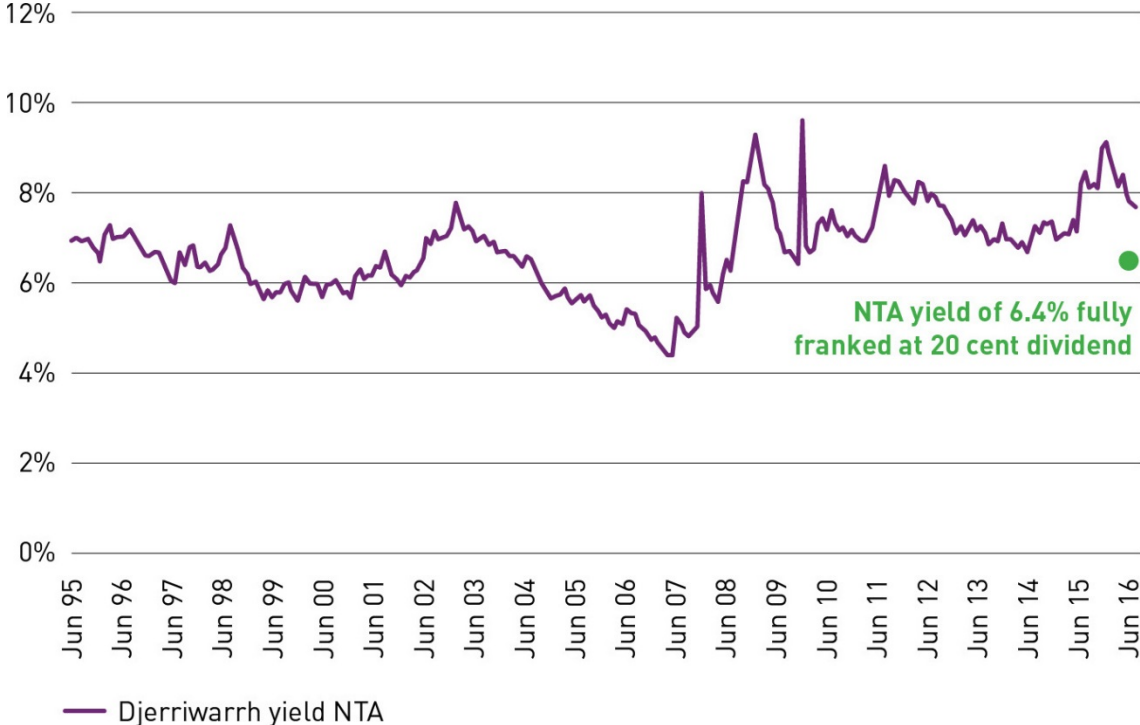
* Djerriwarrh forecasts based on market estimates.

[^] Includes special dividend.

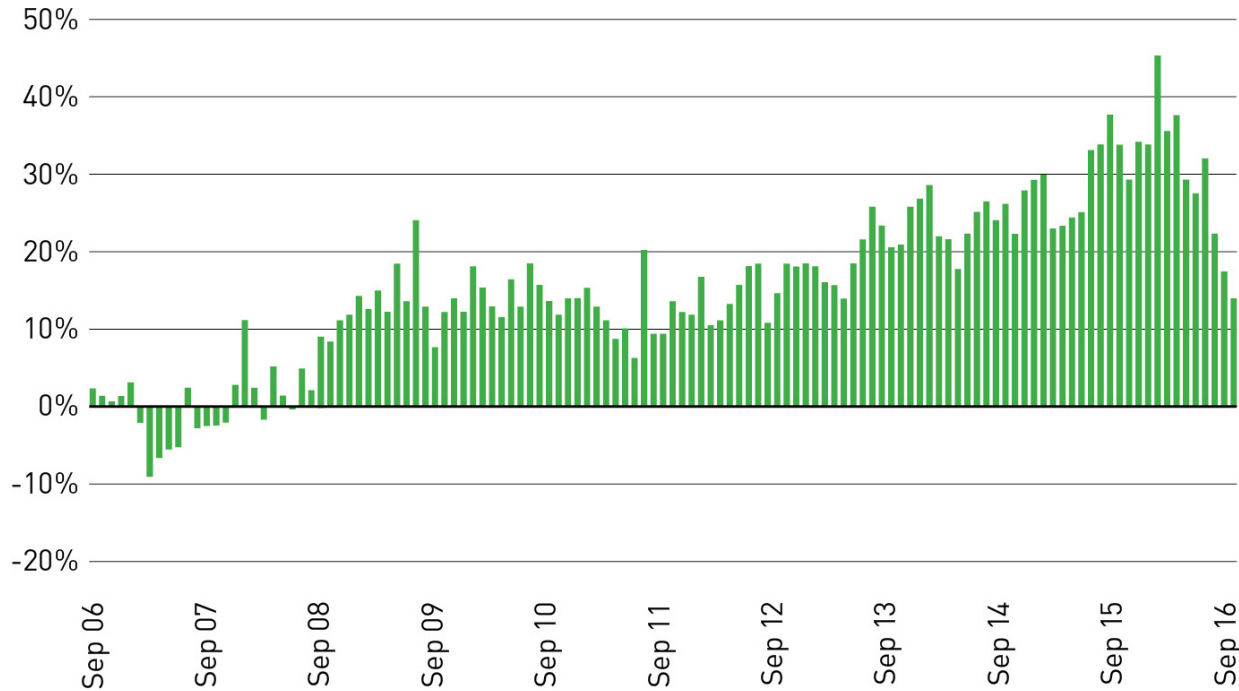
REALISED GAINS HAVE BEEN LOWER GIVEN FLAT SHARE PRICE PERFORMANCE OF LARGE COMPANIES



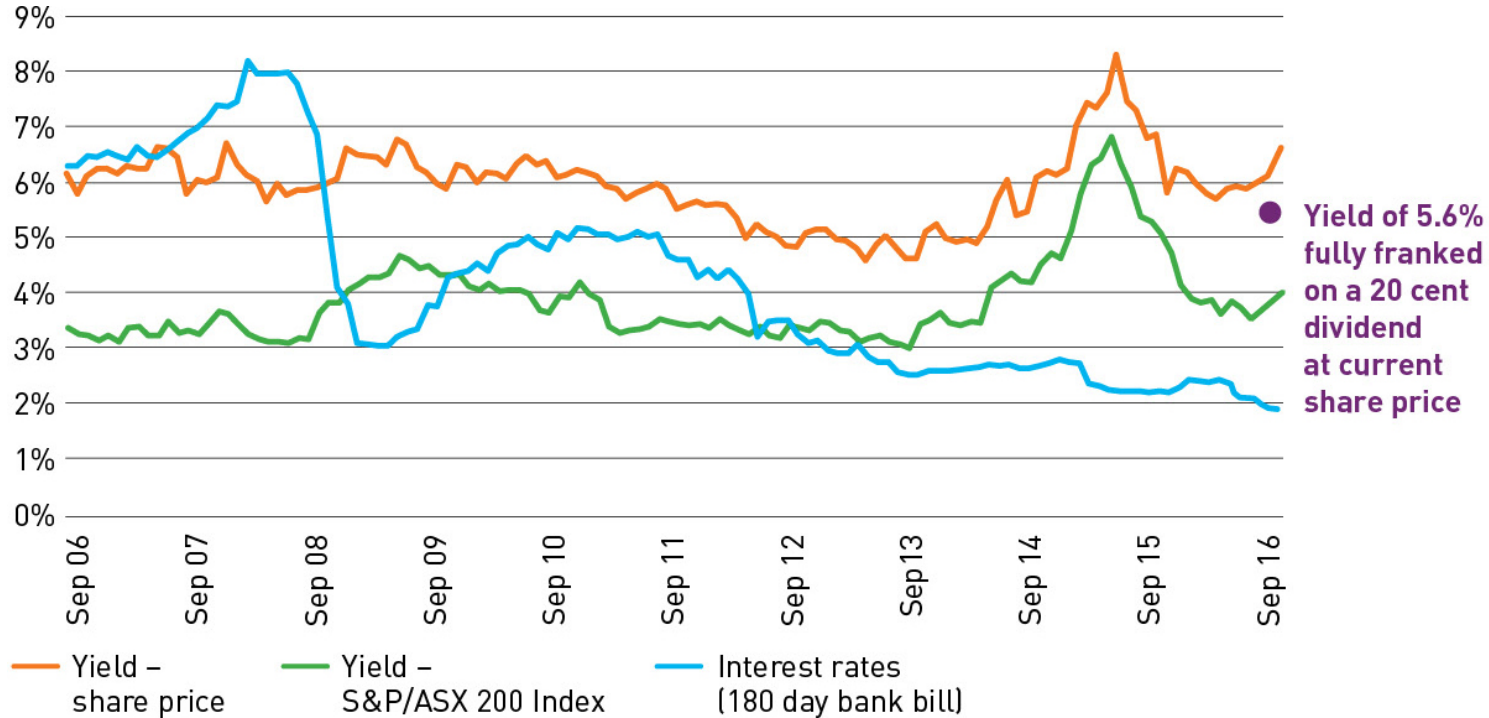
YIELD ON NTA AT THE PREVIOUS 26 CENTS PER SHARE IS HISTORICALLY VERY HIGH



SHARE PRICE PREMIUM TO NET ASSET BACKING HAS ADJUSTED TO DIVIDEND FORECAST



HISTORY OF YIELD ON THE SHARE PRICE RELATIVE TO THE ASX 200 AND INTEREST RATES



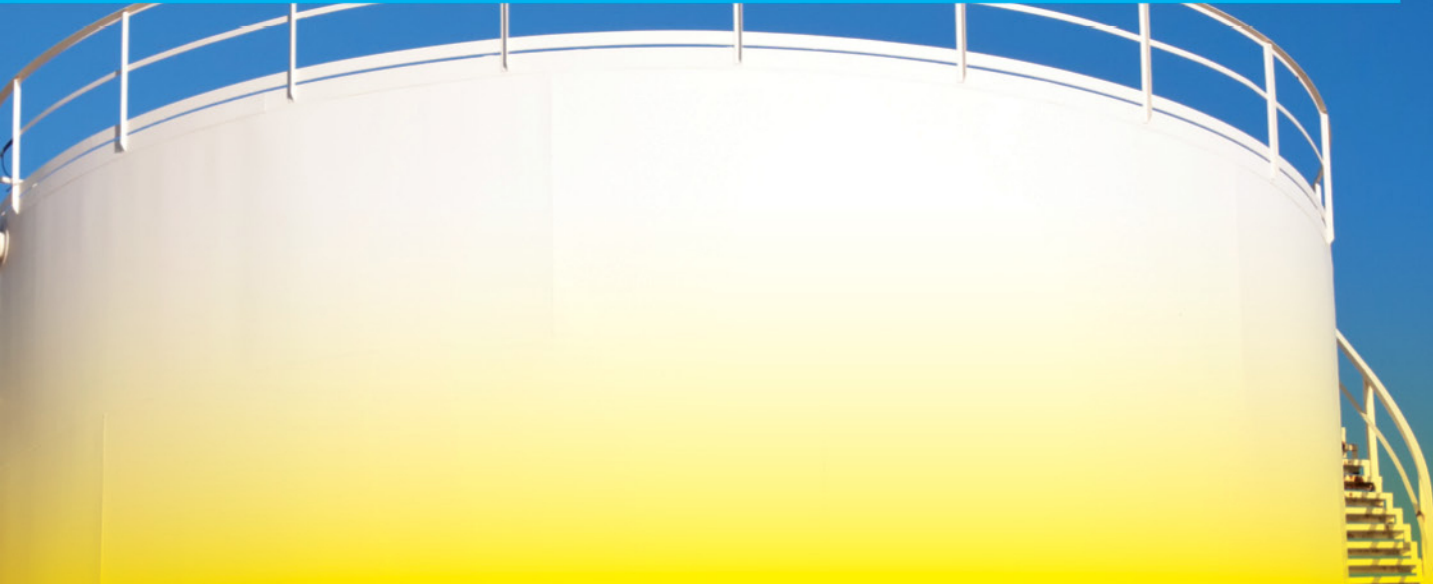
DIVIDEND METRICS

Dividend		Post tax	Pre tax
Djerriwarrh 20 cents (fully franked)	Share price yield	5.6%	8.0%
	NTA yield	6.4%	9.2%
ASX 200		4.2%	5.6%

DIVIDEND ADJUSTMENT – IN SUMMARY

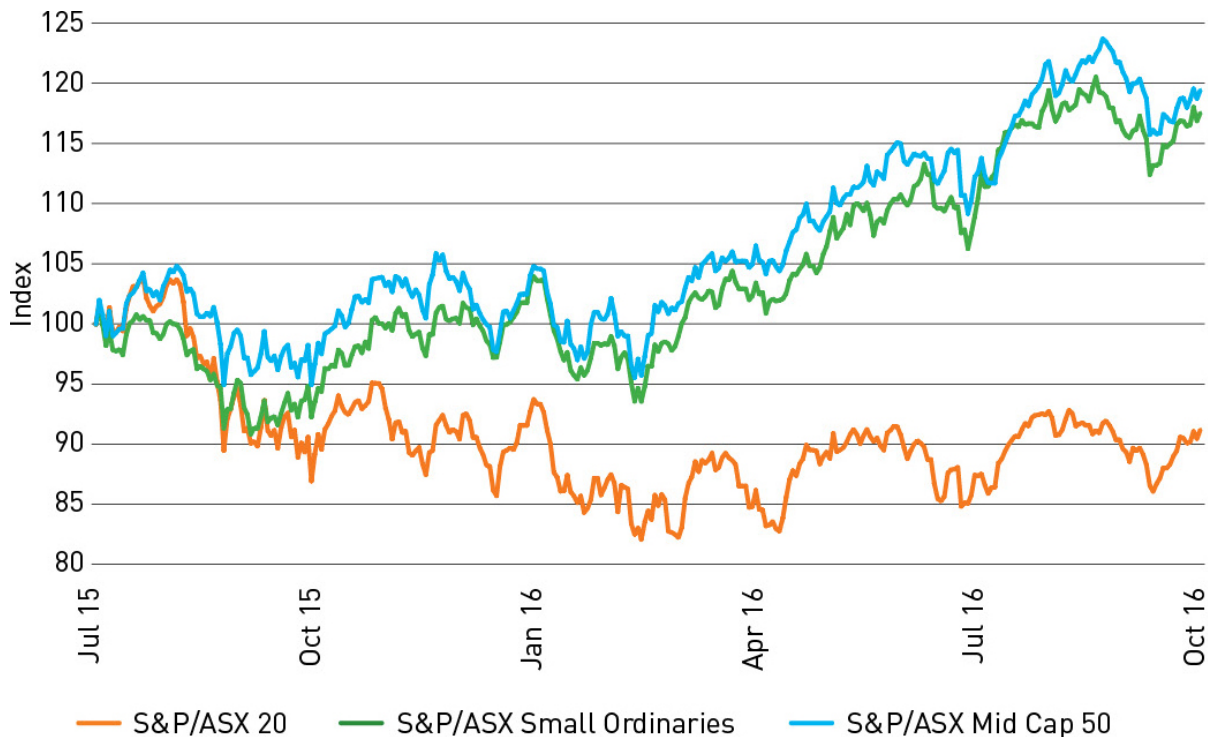
- Board believes a 20 cent dividend is likely to be more sustainable into the future.
- It provides a better balance between enhanced yield and capital growth.
- Franking position remains sound.
- The Company is now in a position to consider the recommencement of the dividend reinvestment plan.

THE PORTFOLIO

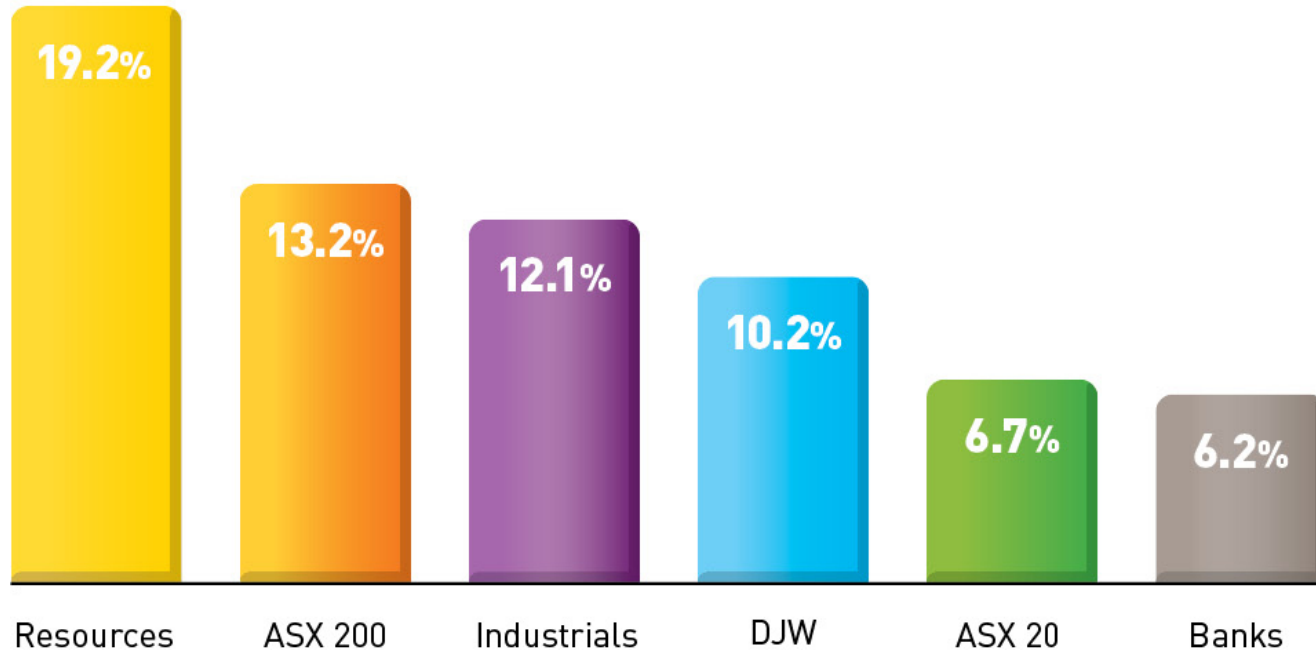


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IT HAS BEEN A TALE OF TWO MARKETS OVER THE PAST 12 MONTHS

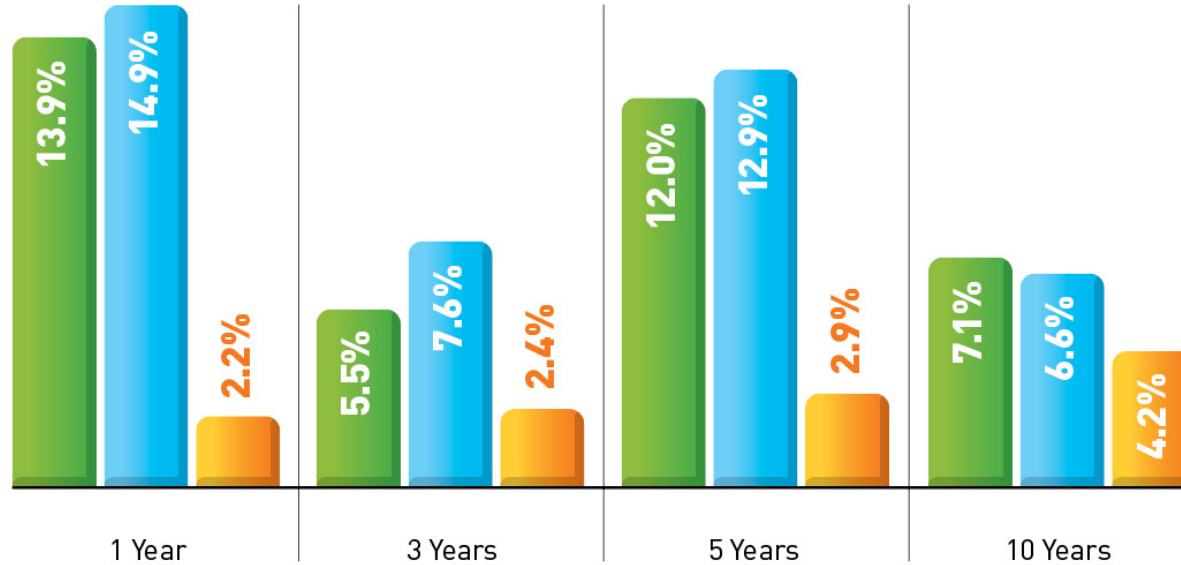


RETURNS* ONE YEAR TO 30 SEPTEMBER 2016 - DJERRIWARRH PORTFOLIO VERSUS DIFFERENT SECTORS OF THE MARKET



*includes dividends

PORTFOLIO RETURN TO 30 SEPTEMBER 2016, INCLUDING BENEFITS OF FRANKING*



● Net asset per share growth plus dividends including franking

● S&P/ASX 200 Accumulation Index including franking

● UBS 180 Bank Bills Index

After tax and expenses. Ignores benefits of LIC tax credits.

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

VOLATILITY* HAS TRENDED HIGHER DURING PARTS OF THE YEAR WHICH HAS BENEFITED OPTION ACTIVITY



* ASX 50 implied volatility.

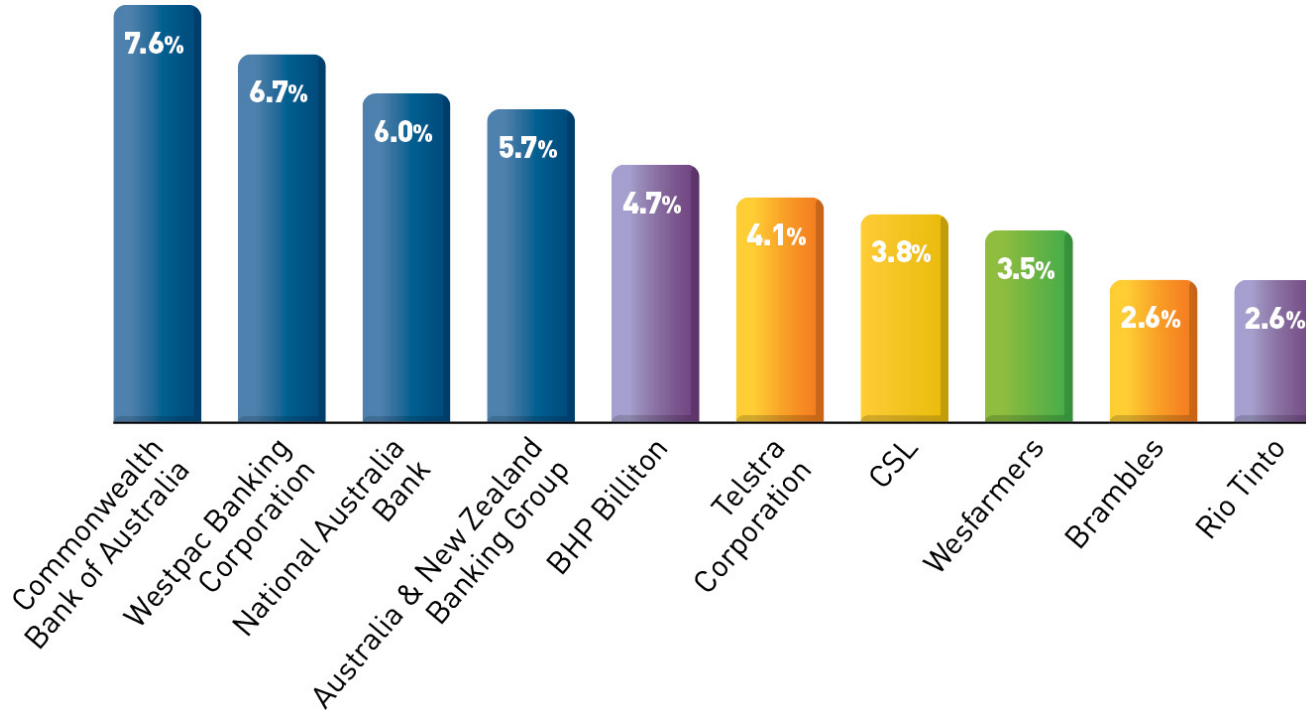
OPTION COVERAGE HAS REMAINED AT THE HIGHER END OF THE TYPICAL RANGE – 30 to 50%



WHAT WE HAVE BEEN DOING WITH THE INVESTMENTS

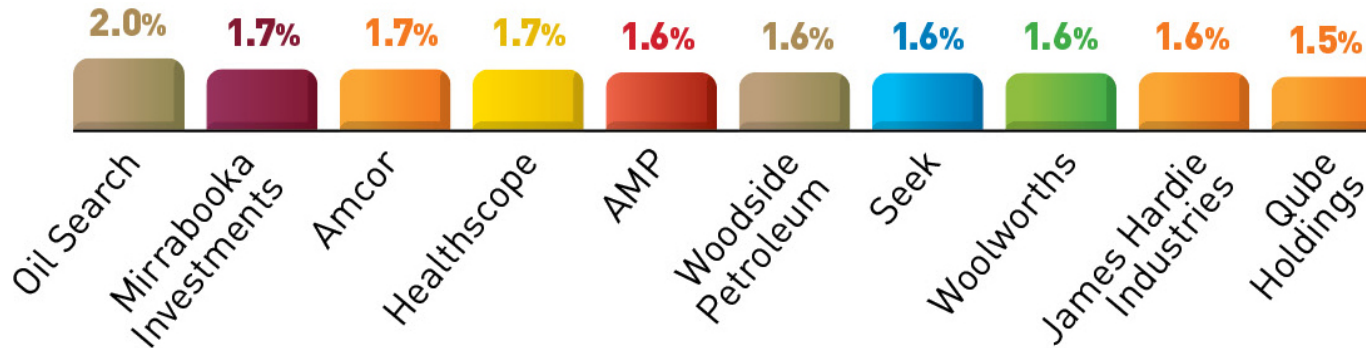
- Reduced selected holdings in larger companies where growth appears challenged.
- Added new and to existing holdings in companies with better prospects
- Kept option coverage between 40% to 50% of the portfolio, higher for selected holdings.

TOP 10 HOLDINGS* AT 30 SEPTEMBER 2016 REPRESENT 47.2% OF THE PORTFOLIO



* Options were outstanding against part of each holding.

NEXT 10 HOLDINGS* AT 30 SEPTEMBER 2016 REPRESENT 16.4% OF THE PORTFOLIO



* Options were outstanding against part of each holding other than Mirrabooka.

POSITIONS IN SELECTED MID CAP COMPANIES WITH GOOD GROWTH PROSPECTS

Mid caps represent 9.8% of the portfolio (ASX 300 Index is 12.2%)



POSITIONS IN SELECTED SMALL CAP COMPANIES WITH GOOD GROWTH PROSPECTS

Small caps and other represent 11.9% of the portfolio (ASX 300 Index is 10.4%)



GOING FORWARD

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GOING FORWARD

- Australian economy still growing modestly.
- Global growth:
 - US GDP positive but with political uncertainty?
 - China strong but debt concerns remain
 - EU low but patchy
- Interest rates likely to stay relatively low – changes will impact sectors very differently.
- A number of small and mid cap companies with good growth prospects have become expensive.
- Djerriwarrh is seeking to balance investments in companies that can deliver more immediate income with those positioned for future growth.

