

5 October 2010

The Manager  
Company Announcements Office  
Australian Securities Exchange  
Exchange Centre  
Level 4  
20 Bridge Street  
Sydney NSW 2000

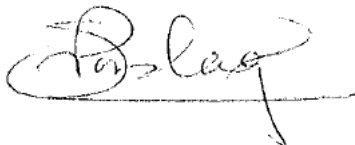
**Electronic Lodgement**

**Djerriwarrh Investments Limited  
2010 Annual General Meeting - Presentation**

Dear Sir or Madam

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

Yours faithfully



Simon Pordage  
Company Secretary



**Djerriwarrh**

AUSTRALIAN EQUITIES, ENHANCED YIELD

# Annual General Meeting

Presentation

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Djerriwarrh

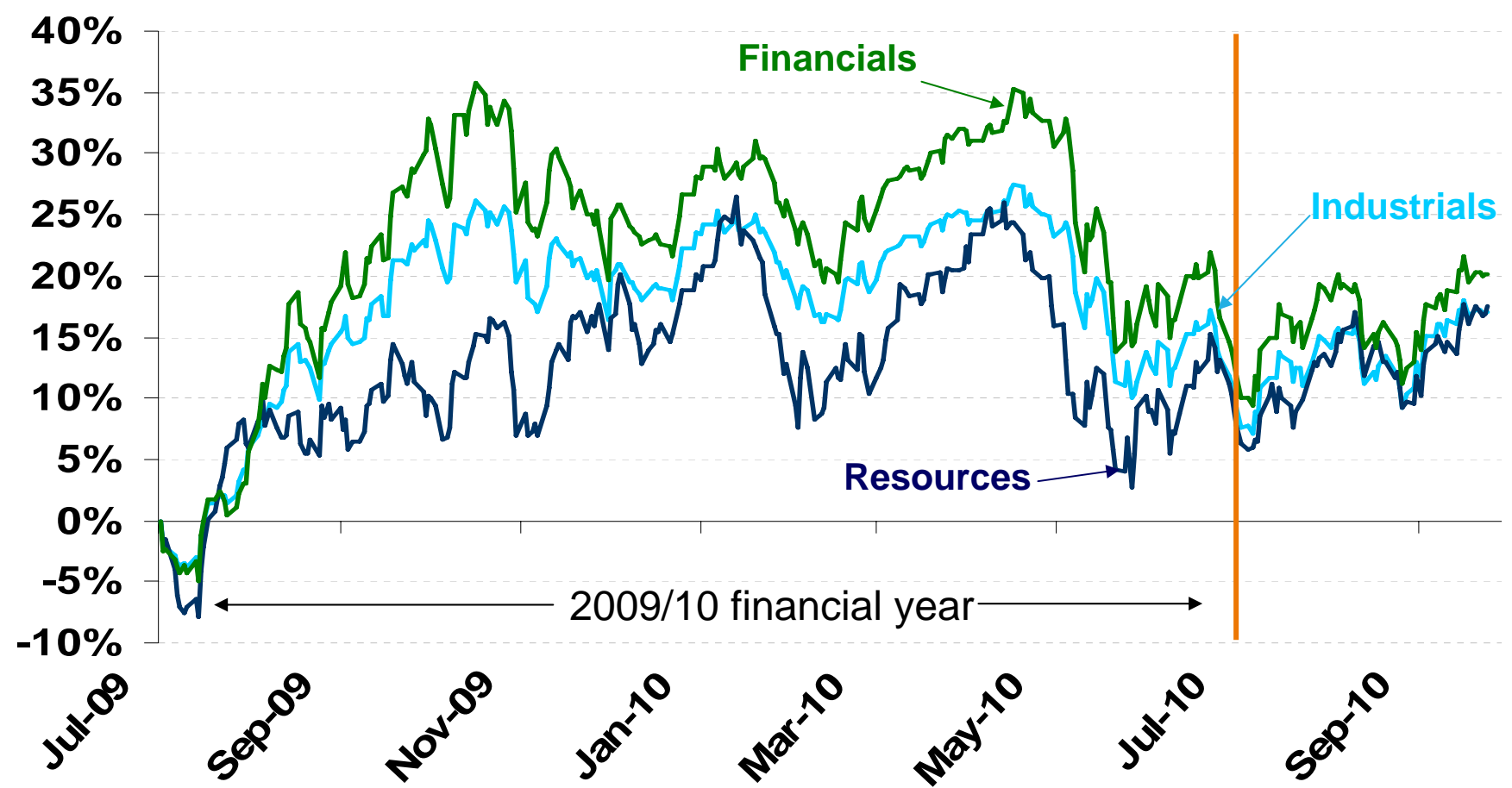
AUSTRALIAN EQUITIES, ENHANCED YIELD

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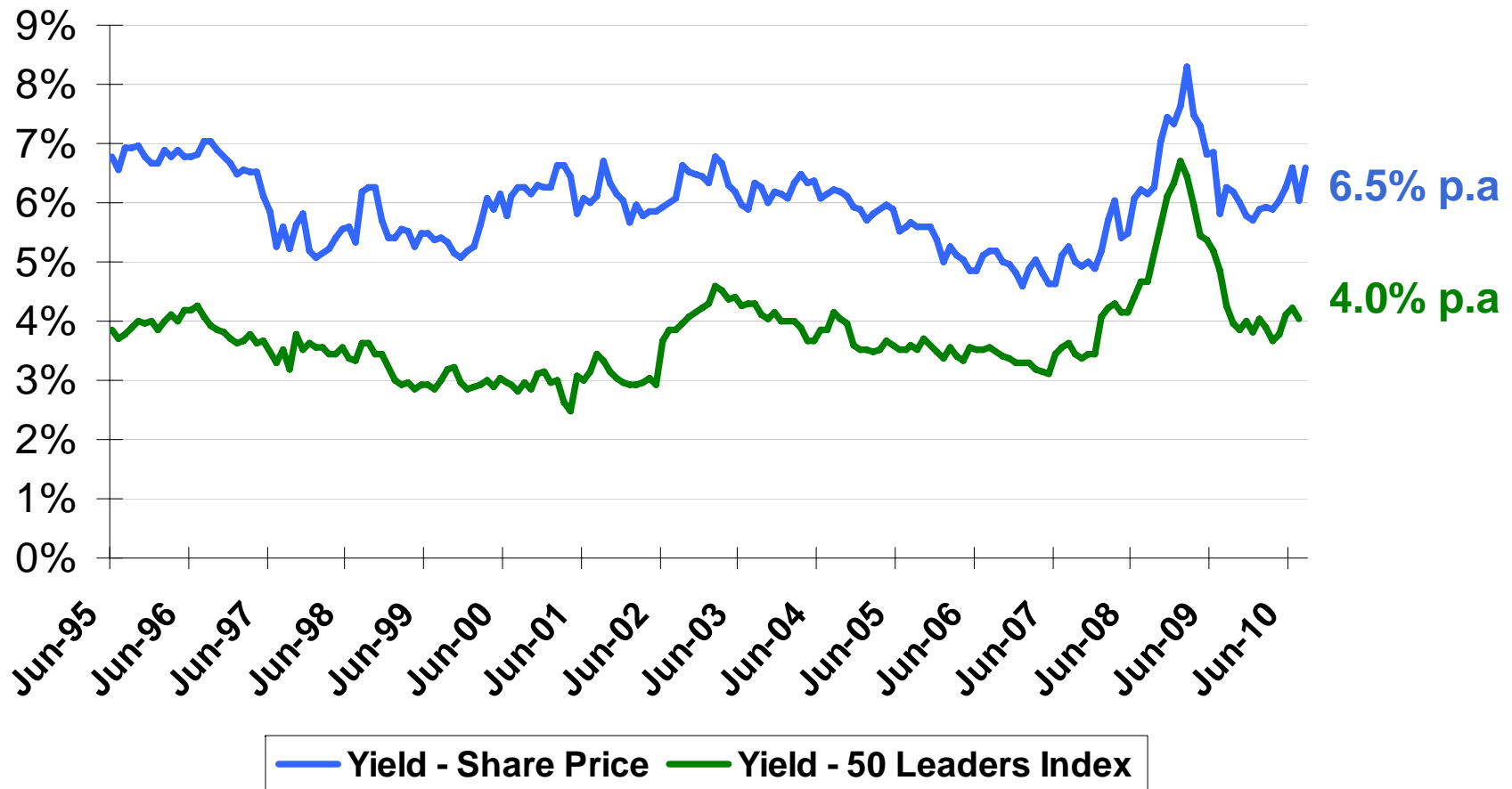
# Australian Equities – A Long Term View



# Industry Sector Returns Since 1 July 2009



# Djerriwarrh Yield vs. Market Yield



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# A Call Option

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## **Buyer:**

Pays for the right to buy shares, if they choose, at a fixed price for a period into the future



## **Seller/Writer**

Paid for being prepared to sell stock, if asked, at a fixed price for a period into the future



# Summary of Results

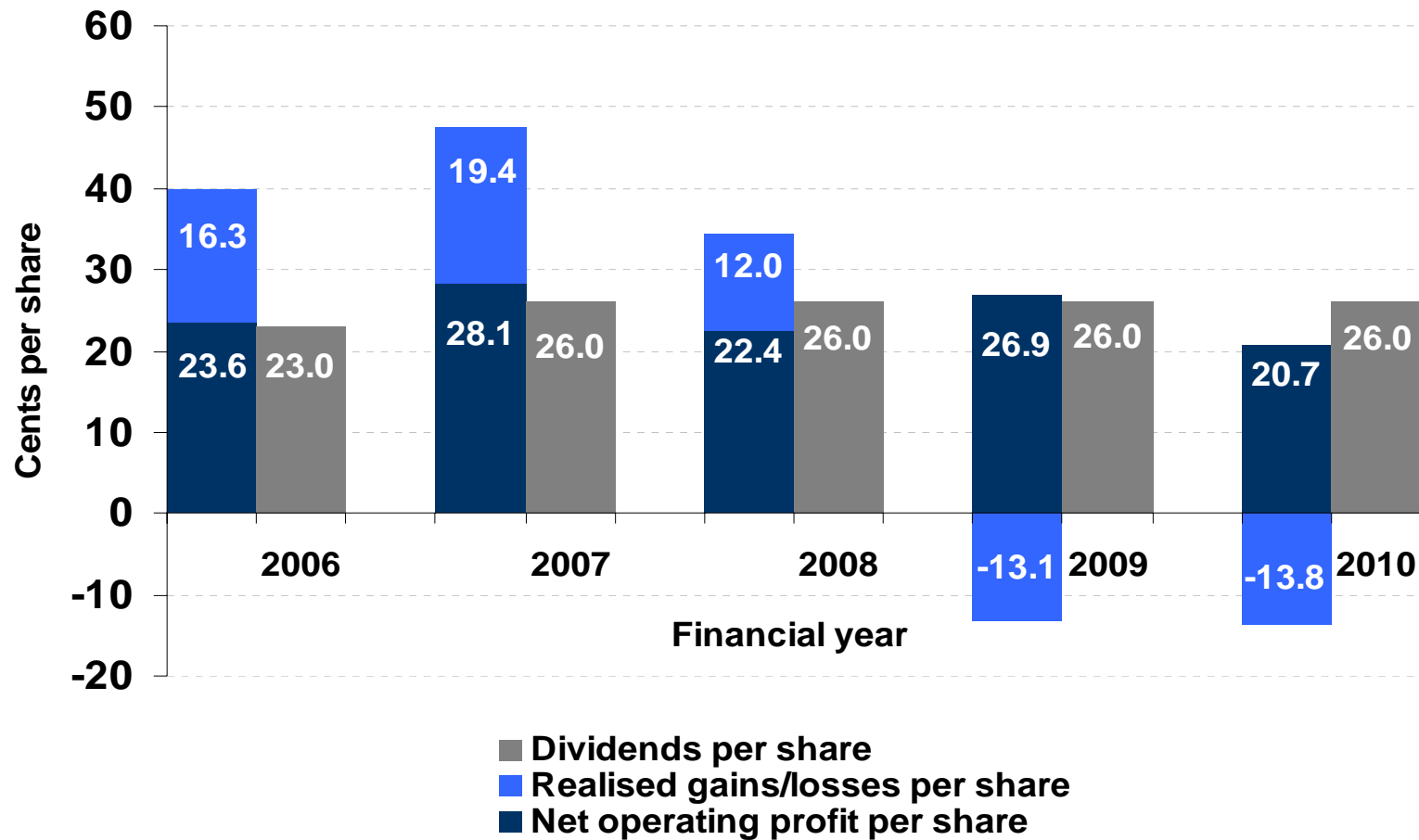
	FY10 \$m	FY09 \$m
Income	53.8	72.9
Operating Expenses	(2.9)	(2.9)
Income Tax	(3.5)	(7.9)
<i>Net Operating Profit</i>	<i>43.7</i>	<i>55.2</i>
Net capital losses on investments <sup>^</sup>	(18.7)	(24.5)
<i>Profit for the Year</i>	<i>25.0</i>	<i>30.7</i>

## Key factors:

- Reduced level of dividends received
- Reduced size of Trading Portfolio
- Option Income down from record level
- Convertible notes redeemed/converted
- Costs held flat

<sup>^</sup> Includes realised capital losses up to 7 Dec. 2009

# Earnings Per Share vs. Dividends Per Share



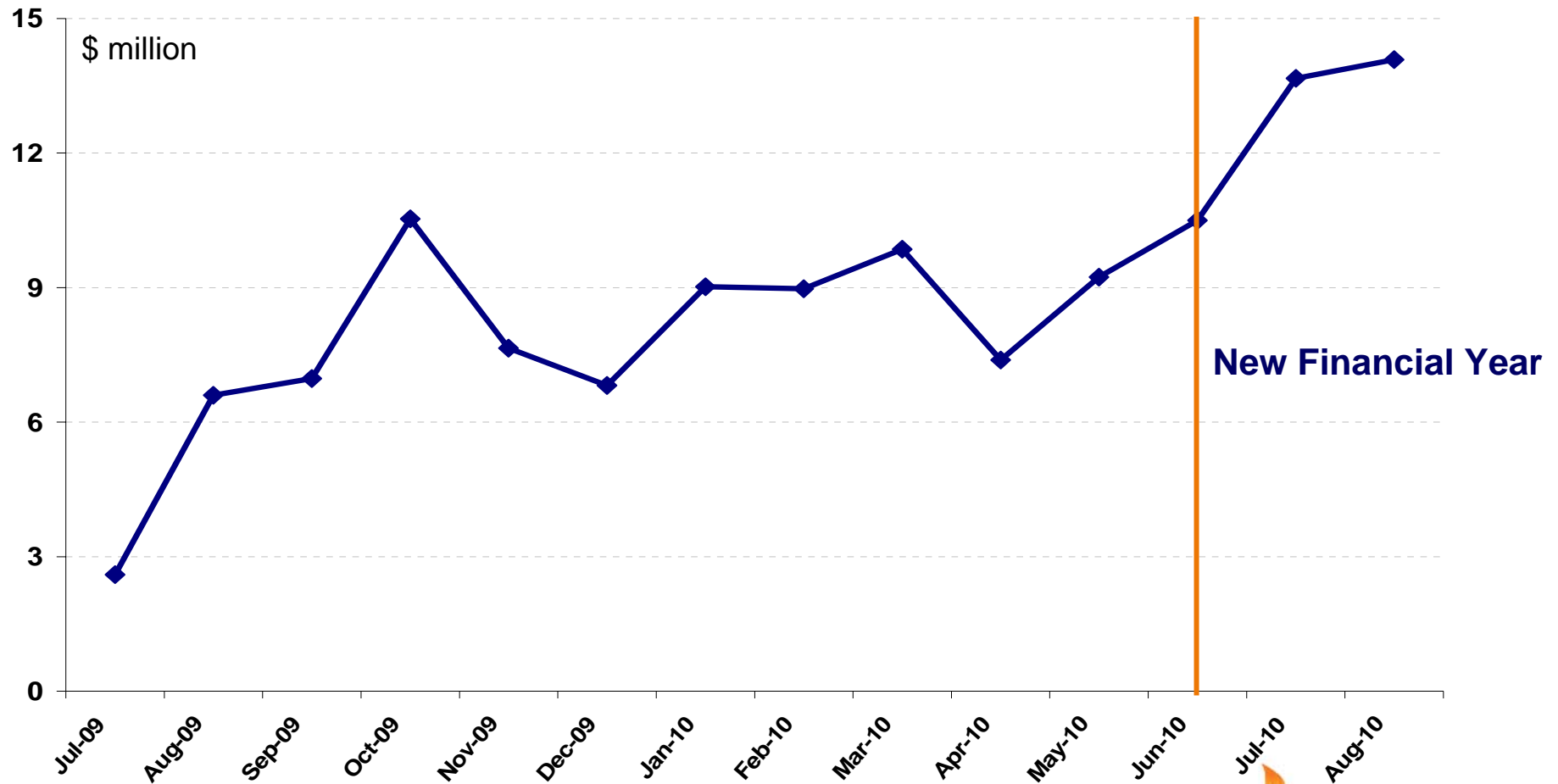
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# Profits and Dividends

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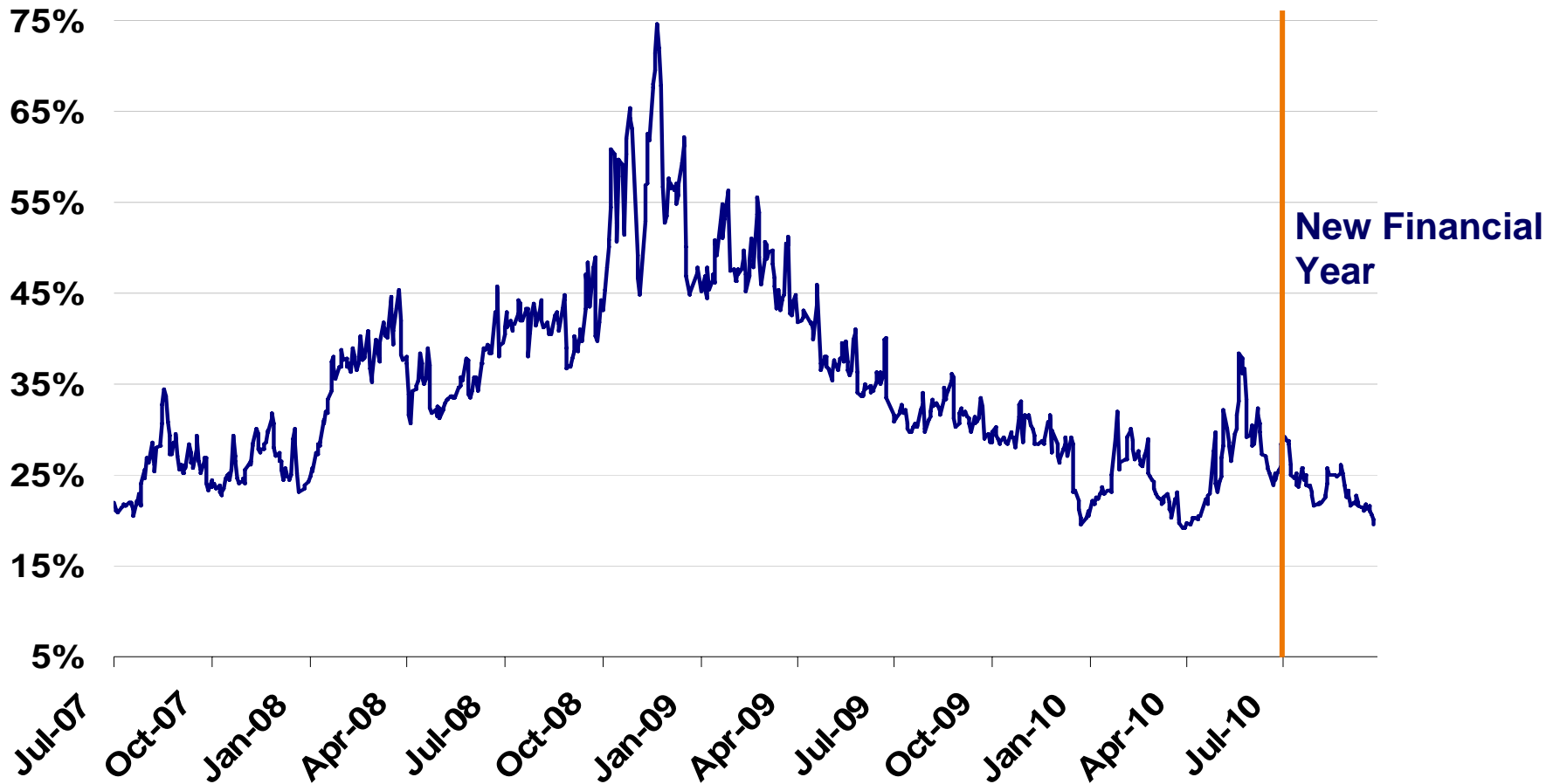
- Dividends received are down from previous peaks. Some recovery in dividends is expected
- Option writing and trading portfolio activities also affect profit
- Djerriwarrh uses reserves to partially fund dividends
- Continued use of reserves is subject to availability
- Store of franking credits is the key factor

# Trading Portfolio has been gradually increasing

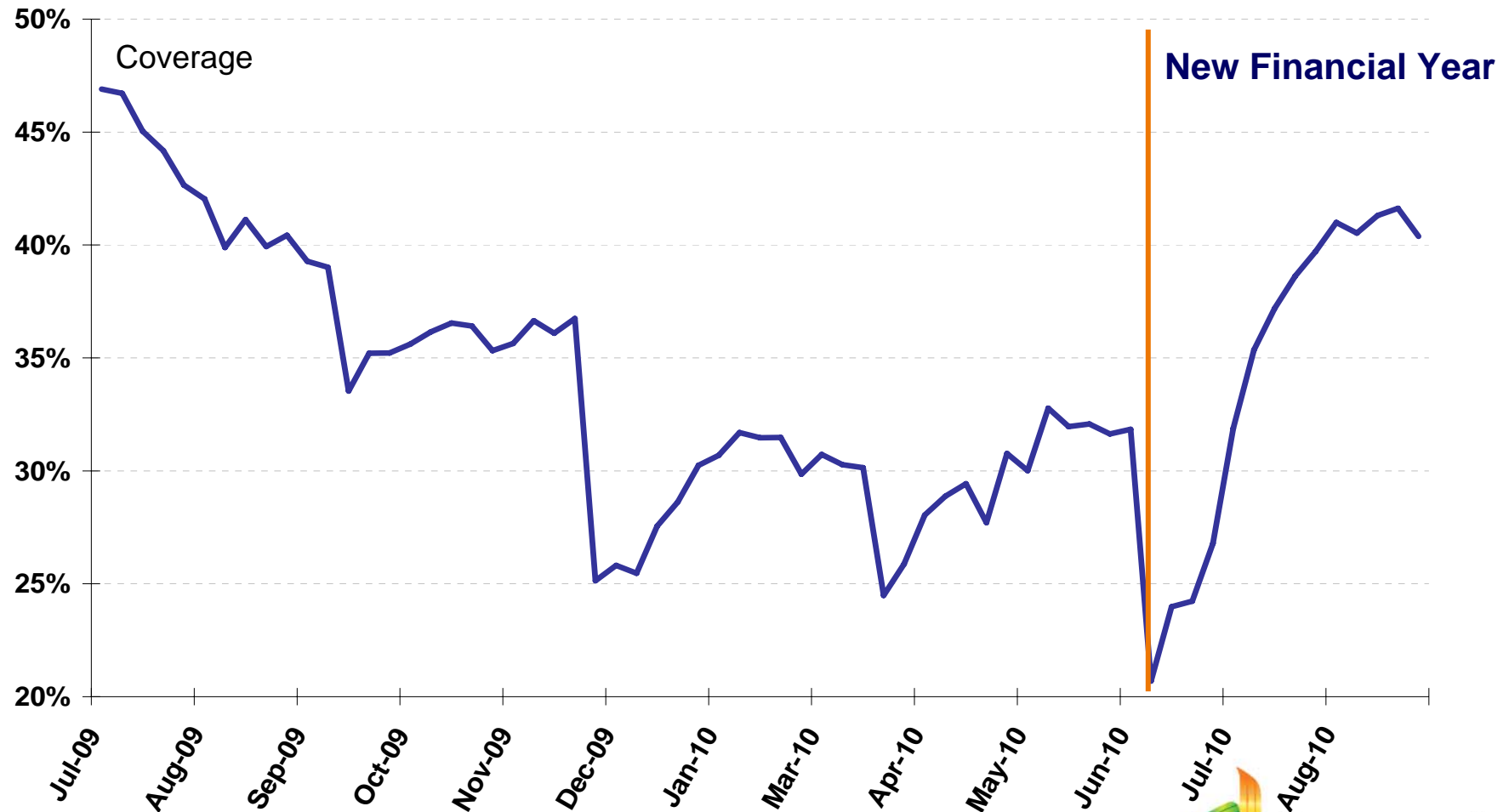


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# Volatility has fallen dramatically from its peak at the height of the financial crisis



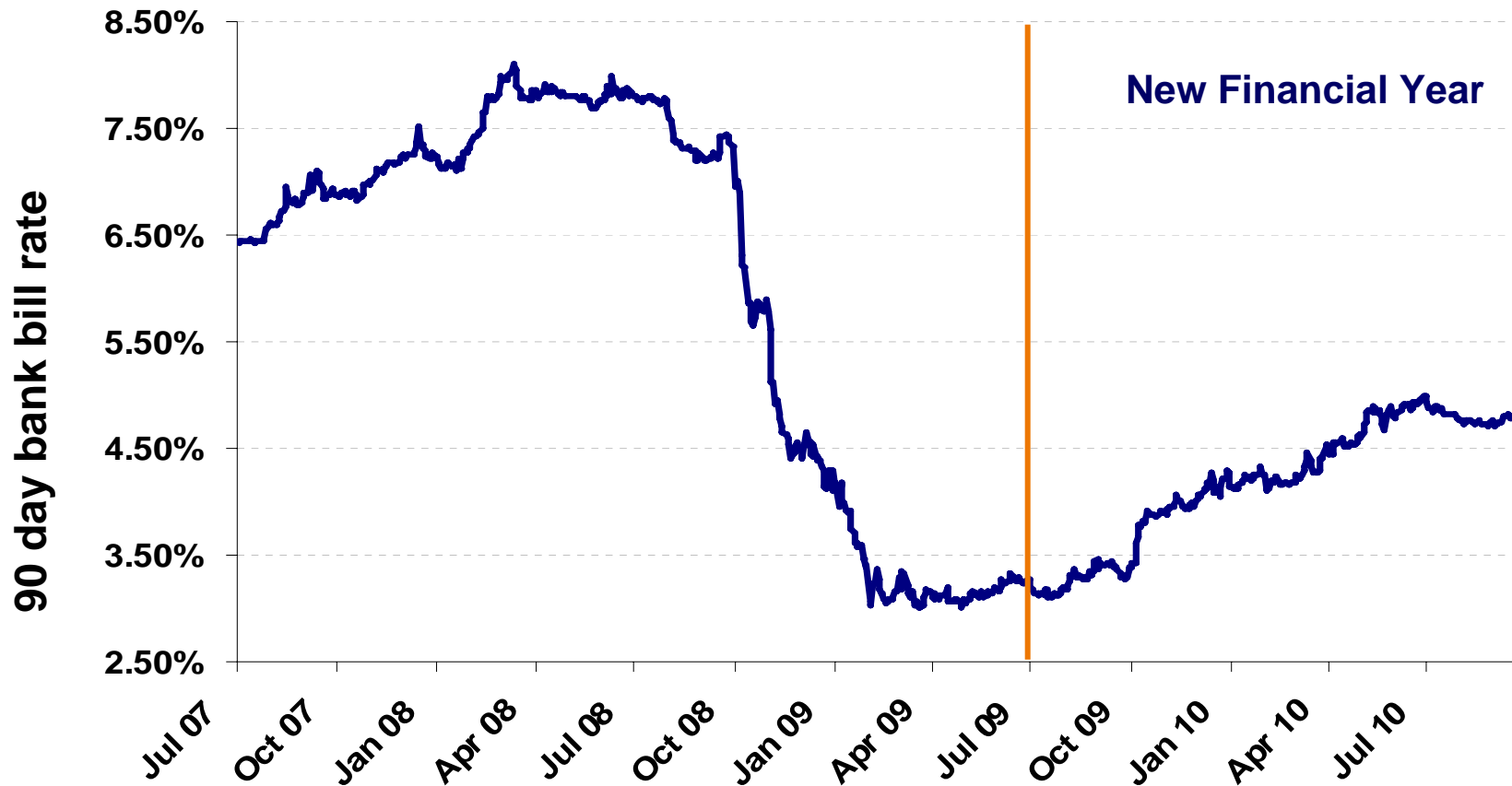
# Options coverage has increased since the end of the financial year



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# Interest rates are rising which means higher option premiums

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# Call Option for QBE – Written 1 July

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Purchased shares @\$17.72

Sold November \$19.50 call options

- 37 cents received for the option
- 63 cents dividend in August

Returns:

Option expires - return of 13% annualised (based on \$17.72 share price)

Option exercised for dividend – return of 81% annualised

Option exercised at expiry – return of 39% annualised



# QBE Share Price



# Telstra Share Price



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# Djerriwarrh's Investment Structure – 31 August 2010

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- Long Term Investment portfolio:
  - A\$744.7 million
  - Approximately 50 securities
- Trading portfolio:
  - A\$14.1 million or 1.9%
  - Short term positions
- Borrowings of \$50.0 million hedged to 2013 (approx 5.29% p.a.)
- Cash of \$22.8 million

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# What we have been doing since the start of the new Financial Year

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- Increased call option coverage to replace contracts which expired at financial year end and to take advantage of the rising market
- Look for “buy and write” opportunities in selected high yielding stocks – ANZ Bank, Commonwealth Bank, QBE and Wesfarmers
- Participated in selected discounted placements – Boral and Eastern Star Gas
- Continued exit of small holdings

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# Top 20 Holdings – 31 August 2010

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		\$m	% of portfolio (excl. cash)
1	* BHP Billiton	93.0	12.3%
2	* Westpac Banking Corporation	67.0	8.9%
3	* Commonwealth Bank of Australia	52.5	7.0%
4	* Australia & New Zealand Banking Group	45.2	6.0%
5	* National Australia Bank	40.7	5.4%
6	* Woodside Petroleum	38.5	5.1%
7	* Telstra Corporation	36.5	4.8%
8	* Oil Search	30.4	4.0%
9	* Santos	23.7	3.1%
10	* Rio Tinto	20.8	2.8%

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

## Top 20 Holdings continued – 31 August 2010

	\$m	% of portfolio (excl. cash)
11 * Woolworths	20.3	2.7%
12 * QBE Insurance Group	20.2	2.7%
13 * Transurban Group	20.0	2.7%
14 * AMP	17.9	2.4%
15 * Brambles	17.0	2.3%
16 Hastings Diversified Utilities Fund	16.3	2.2%
17 * West Australian Newspapers Holdings	15.1	2.0%
18 * Wesfarmers (a)	14.6	1.9%
19 * Origin Energy	14.5	1.9%
20 AXA Asia Pacific Holdings	14.1	1.9%
	<b>618.5</b>	

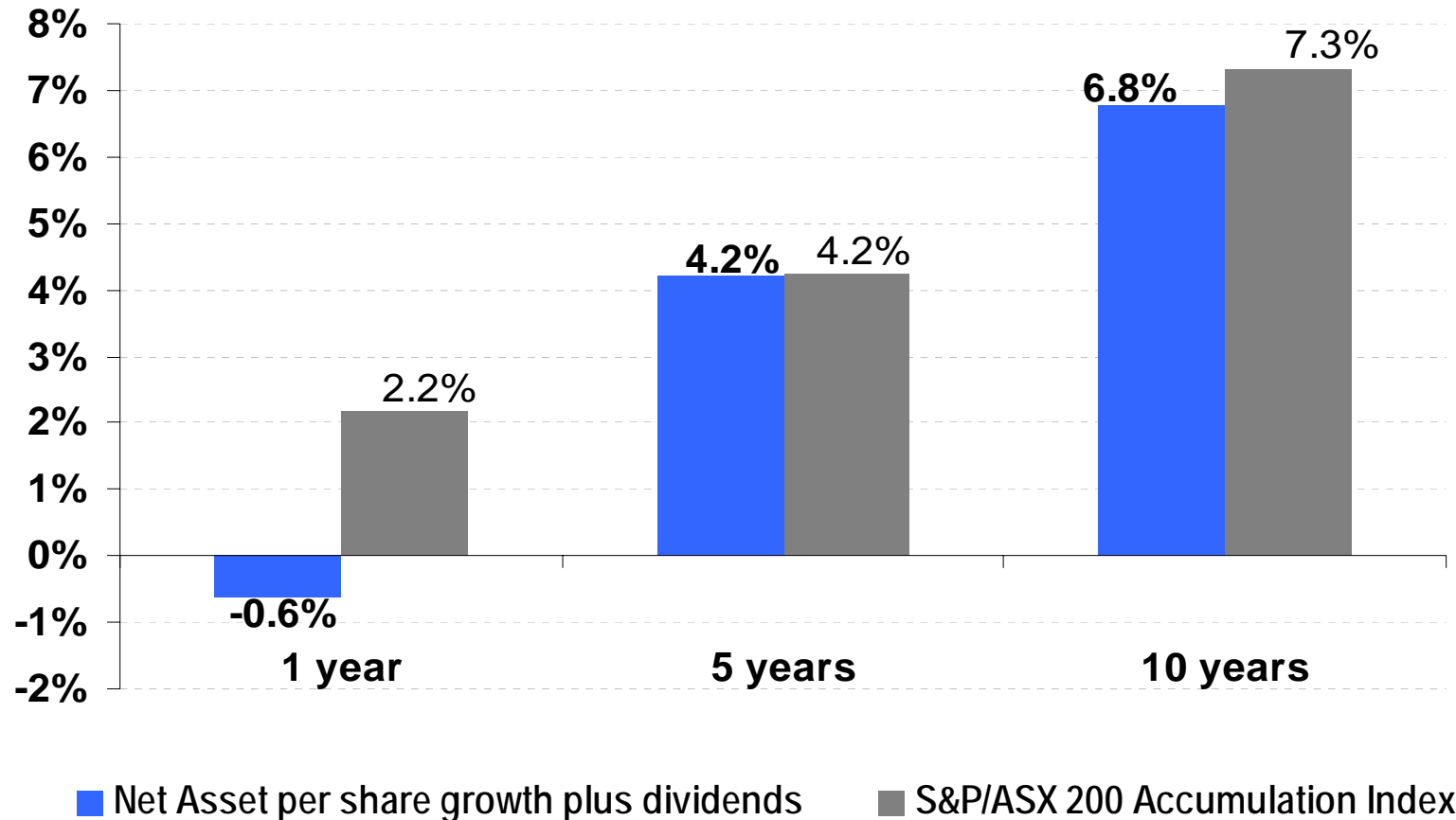
**Top 20 holdings represent 82% of total holdings  
(excluding cash)**

(a) Includes \$4.2m WESN partially protected securities

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

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# Annualised Portfolio Returns\* to 31 August 2010

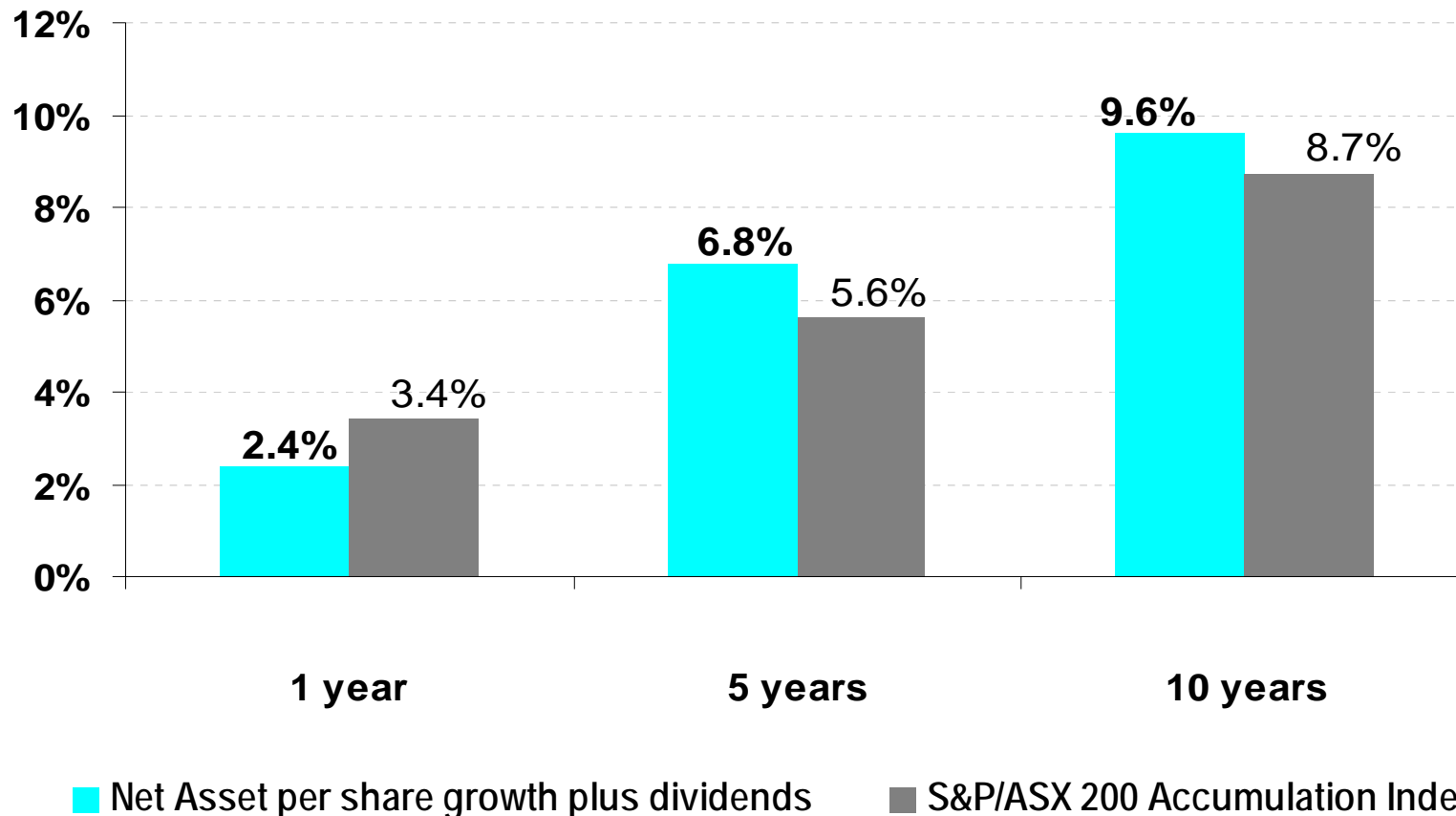


\* After tax and expenses. Ignores benefits of franking and LIC tax credits

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# Annualised Portfolio Returns\* to 31 August 2010 – Adjusted for Franking Credits

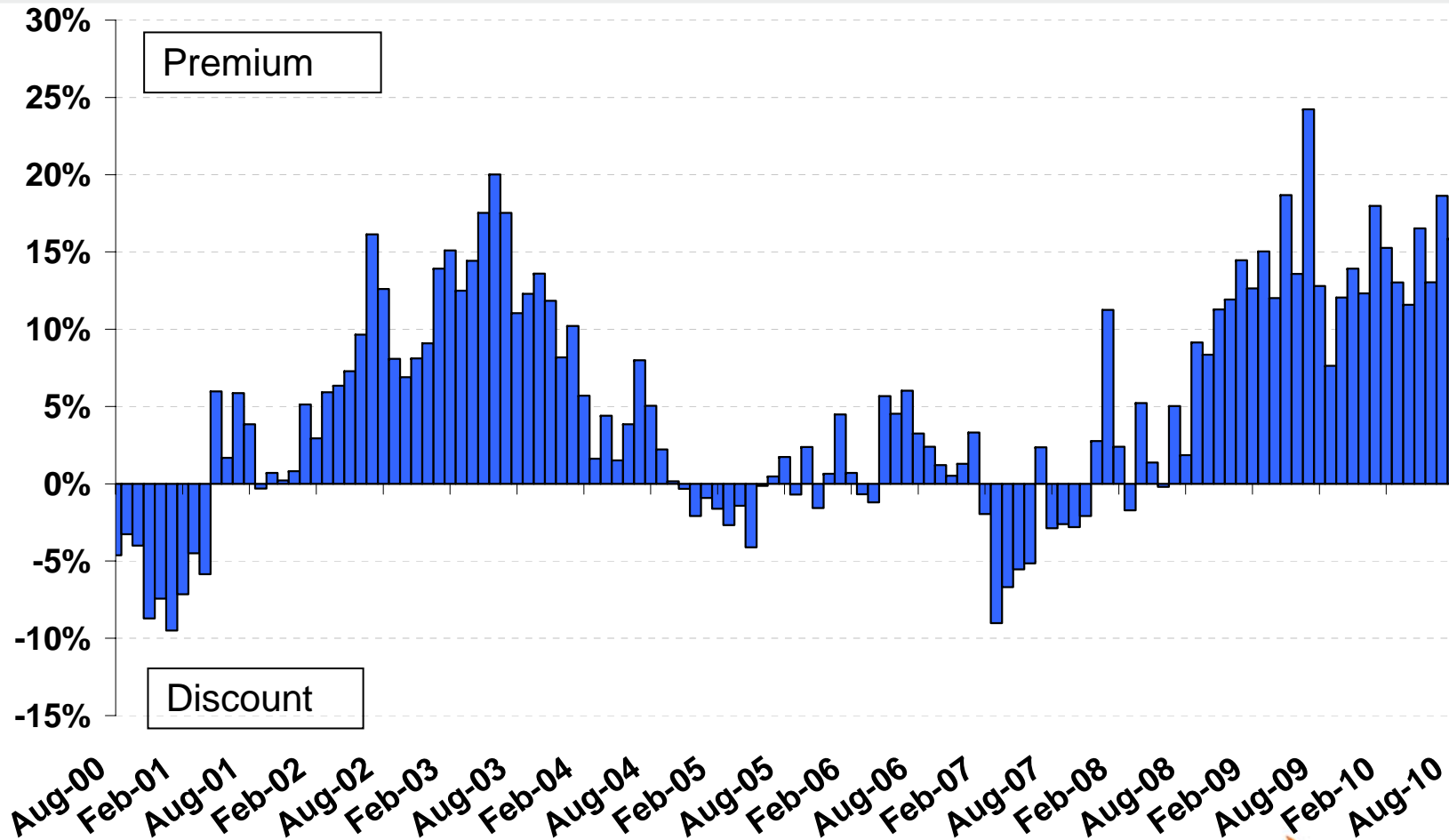
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\* After tax and expenses. Ignores benefits of LIC tax credits



# Share Price Relative to Net Asset Backing\*



\* Before provision for capital gains tax

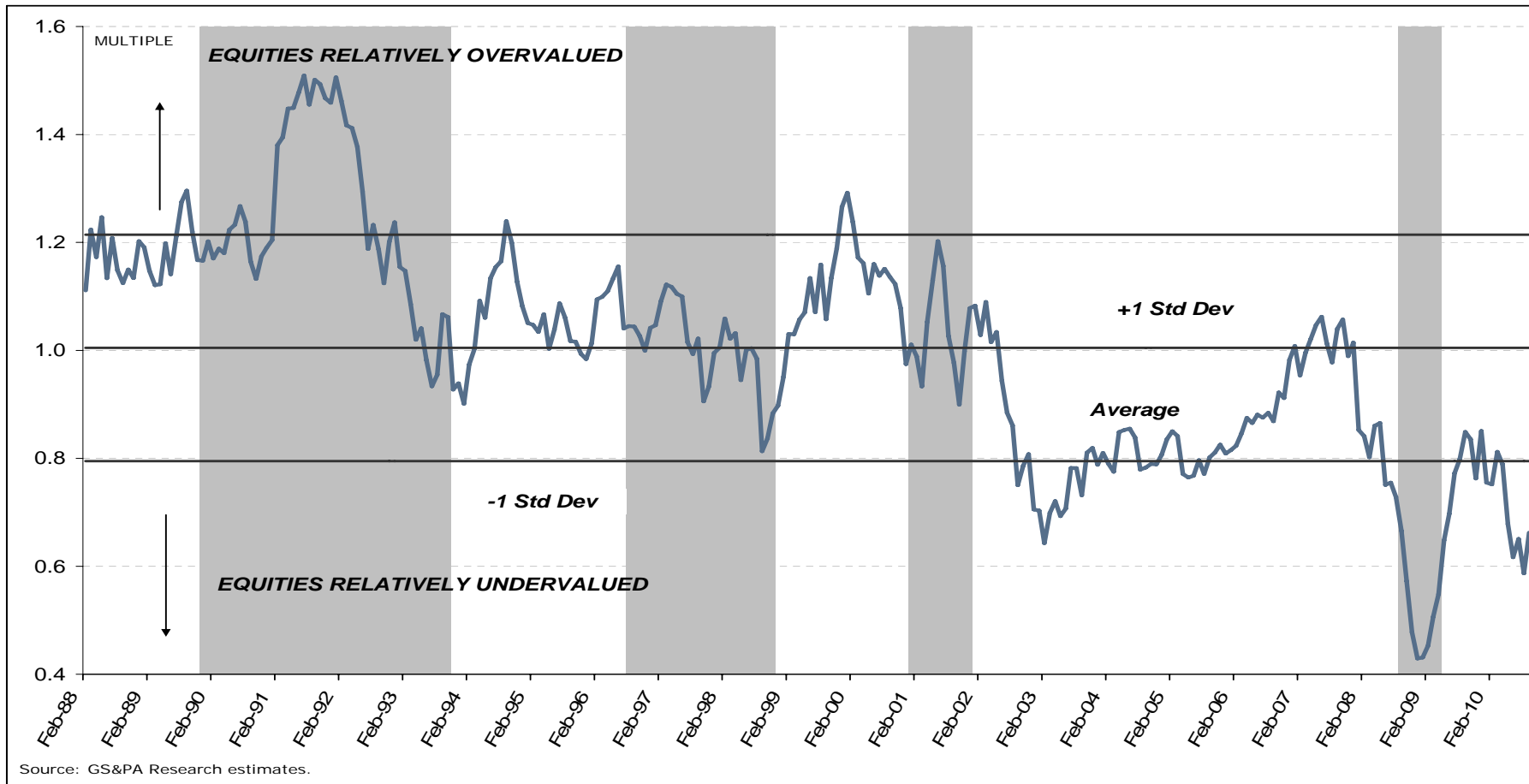
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# Outlook

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- Huge disparity in outlook amongst economic forecasters
- China and emerging market growth vs. concerns about outlook for the US/Europe
- Australian economy strong, although prospect of higher interest rates, inflation and A\$ may dampen growth in sectors other than resources
- Option coverage likely to remain high. Continue to focus on high yield through buy/write activity and investing in companies with strong annuity type dividends

# All Industrials – Valuation of Equities Relative to Bonds\*



\* Multiple of Bond Yield to Equity Earnings Yield



**Djerriwarrh**

AUSTRALIAN EQUITIES, ENHANCED YIELD

# Annual General Meeting

5 October 2010