

8 October 2019

The Manager
ASX Market Announcements
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Electronic Lodgement

**Djerriwarrh Investments Limited
2019 Annual General Meeting – Presentation**

Dear Sir / Madam

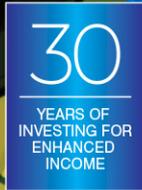
The following presentation will be delivered to shareholders at the Company's Annual General Meeting to be held today.

Yours faithfully



Matthew Rowe
Company Secretary

Annual General Meeting 2019



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We wanted to thank you again for response to the shareholder survey on franking

- A strong response with over 3,500 replies received from Djerriwarrh shareholders
- We acknowledge not all shareholders agreed with the approach – the vast majority were however supportive
- Helped us formulate our approach and educate key stakeholders
- We are committed to supporting our shareholders when appropriate
- Your voice made a considerable contribution to the debate



Financial Results

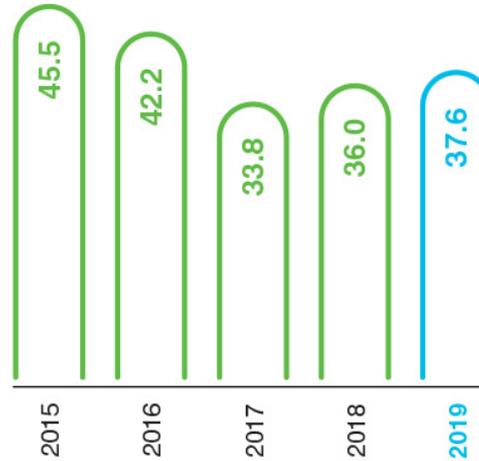
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Financial results

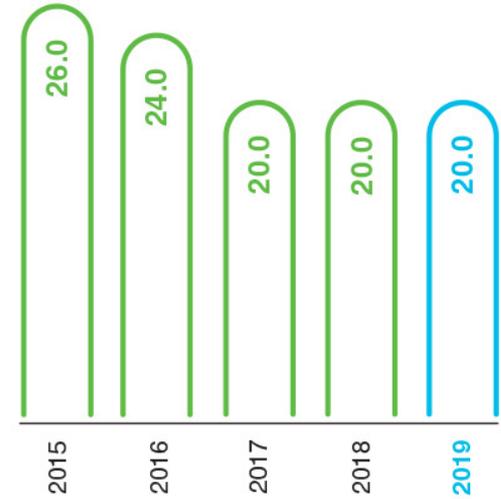
Net Profit After Tax (\$ Million)



Net Operating Result After Tax (\$ Million)

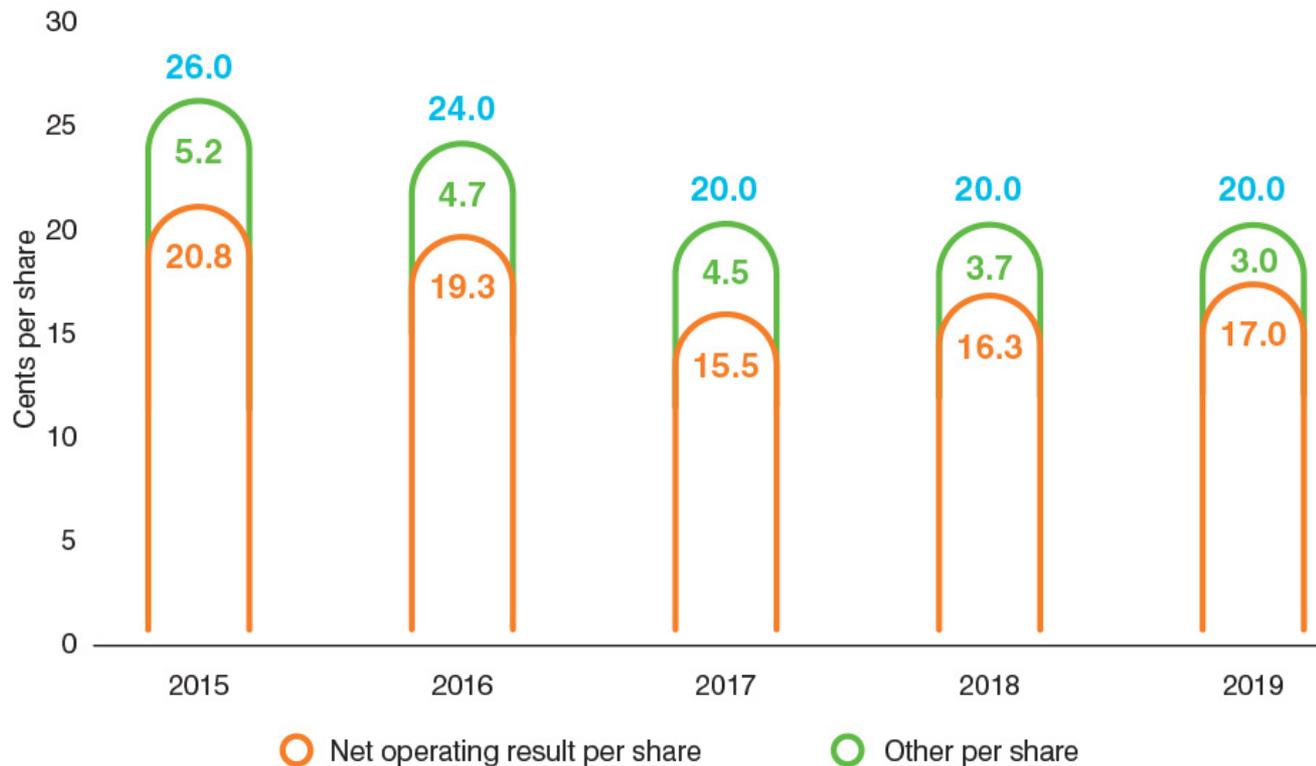


Dividends Per Share (Cents)



Management expense ratio of 0.43%

Sources of the dividend paid



The background of the slide is a photograph of industrial machinery, specifically a series of large, dark-colored pipes or rollers. Some pipes are supported by yellow metal brackets. The lighting is bright, creating highlights and shadows on the metallic surfaces. A semi-transparent blue and green banner is overlaid on the top left, containing the title text.

Company Objectives and Recent Performance

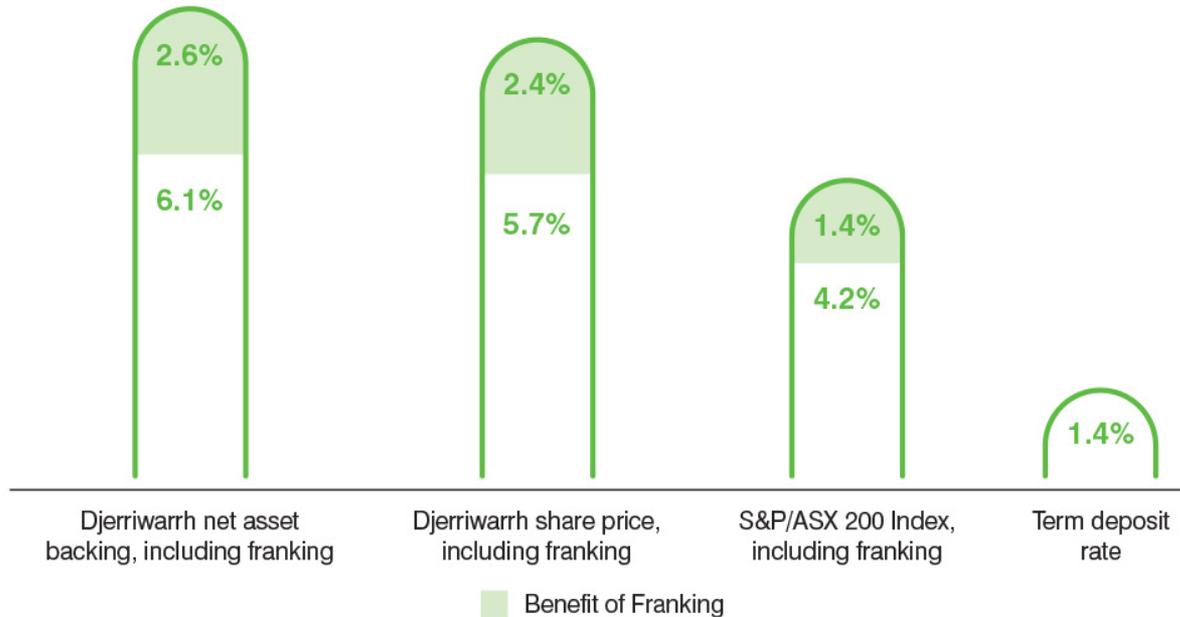
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Djerriwarrh looks to construct a portfolio that provides an enhanced fully franked dividend as well capital growth over time

Income and capital growth

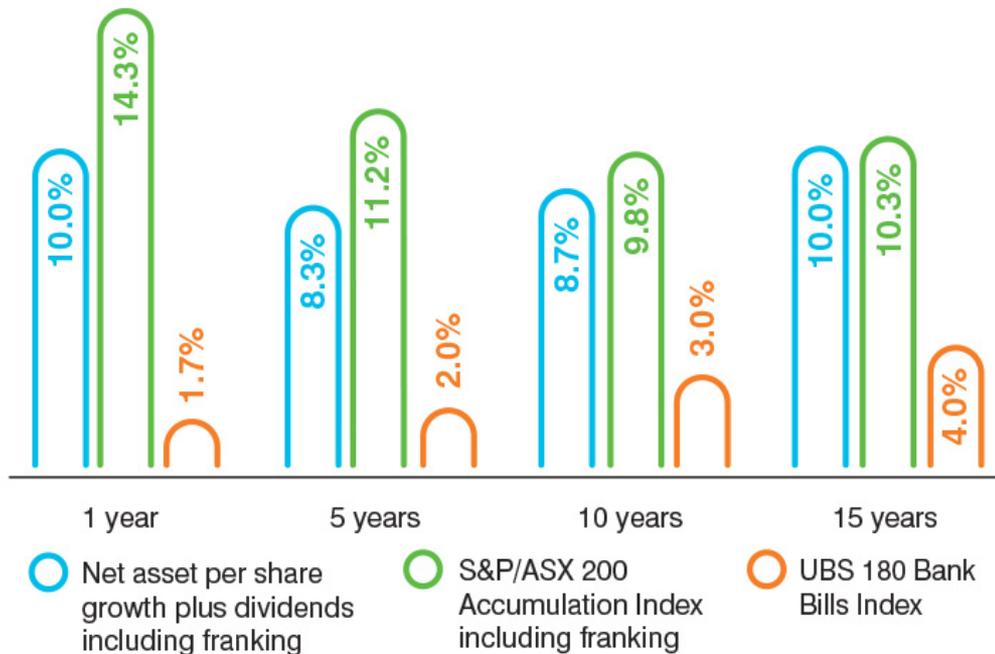


The outcome of this approach is a higher yield than the market, even before franking ...



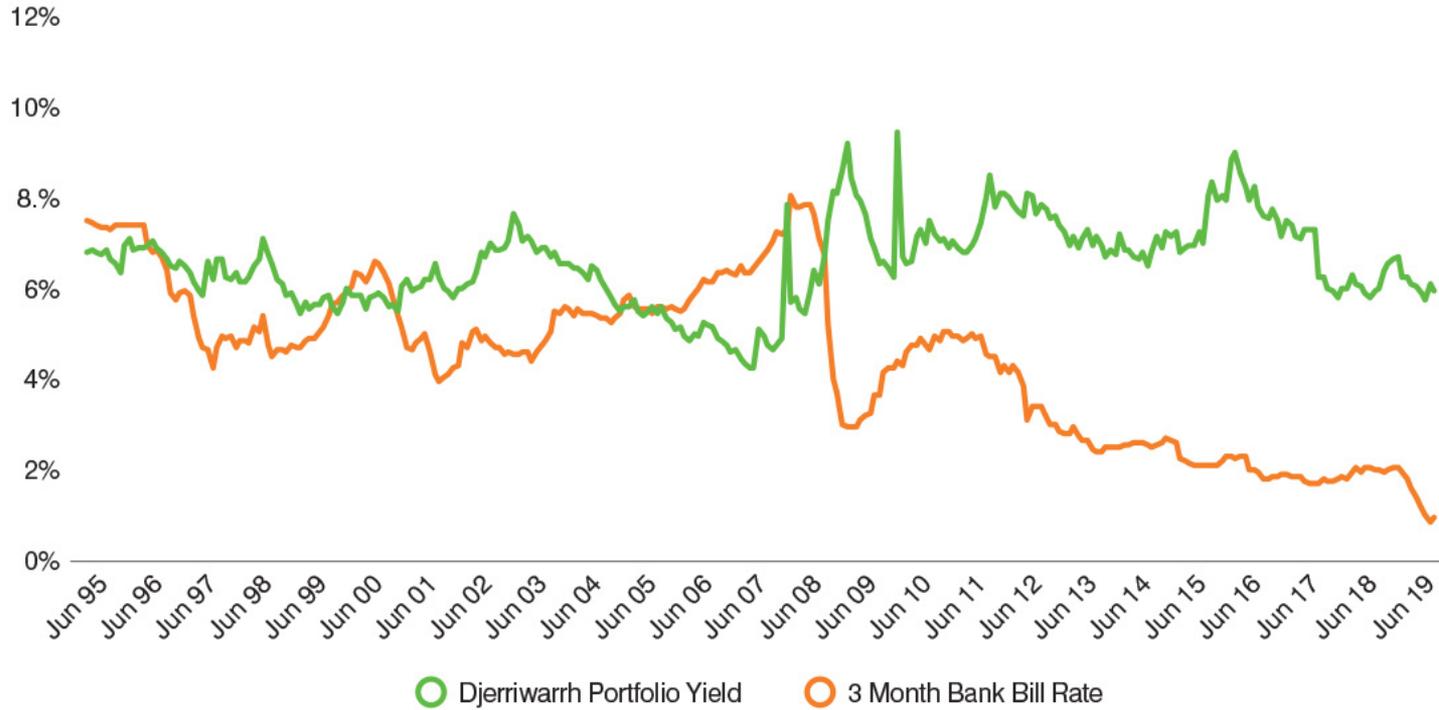
Note: Djerriwarrh yield based on 20 cent full year dividend. Assumes an investor can take full advantage of the franking credits. S&P/ASX 200 Index 80 per cent franked. Figures are as at 30 September 2019.

But typically with less capital growth, as options will limit some of the capital gains - returns to 30 September 2019*

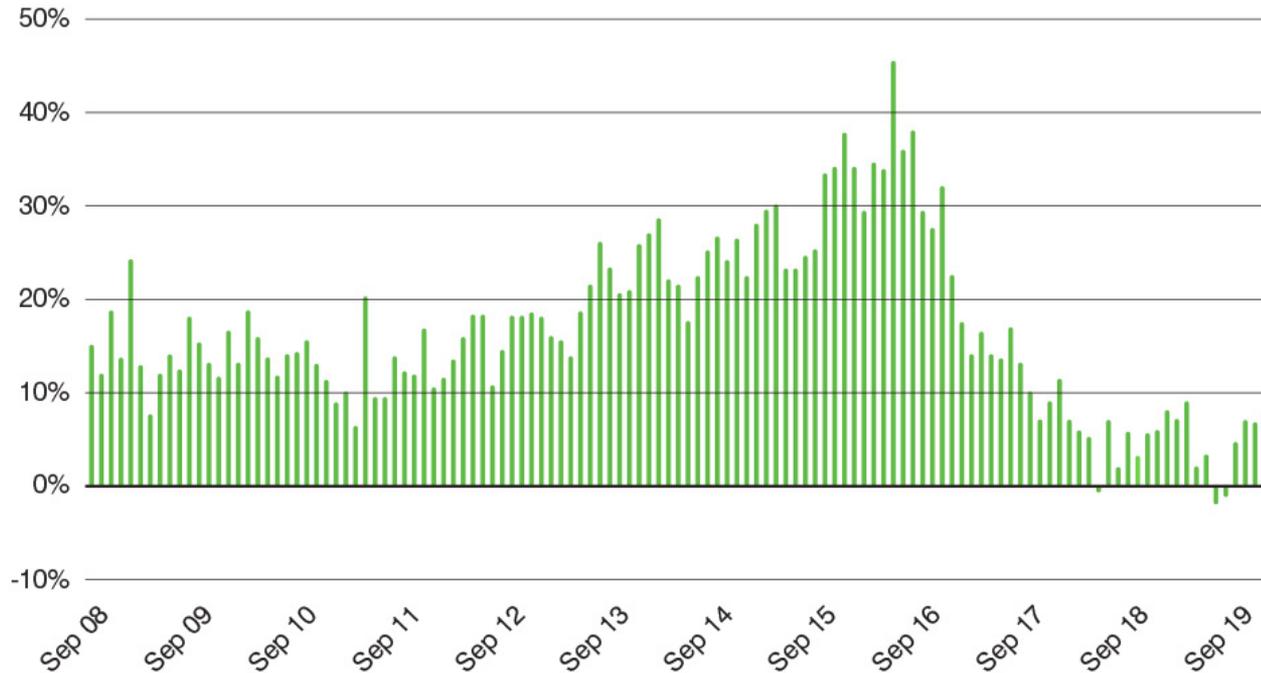


* Assumes an investor can take full advantage of the franking credits.

The yield on the portfolio relative to interest rates since the inception of Djerriwarrh



The relative yield on Djerriwarrh has encouraged the share price to trade at a premium to net asset backing - currently 8%



Option Income



Djerriwarrh's dividend formation

Dividends Received



Option Premium



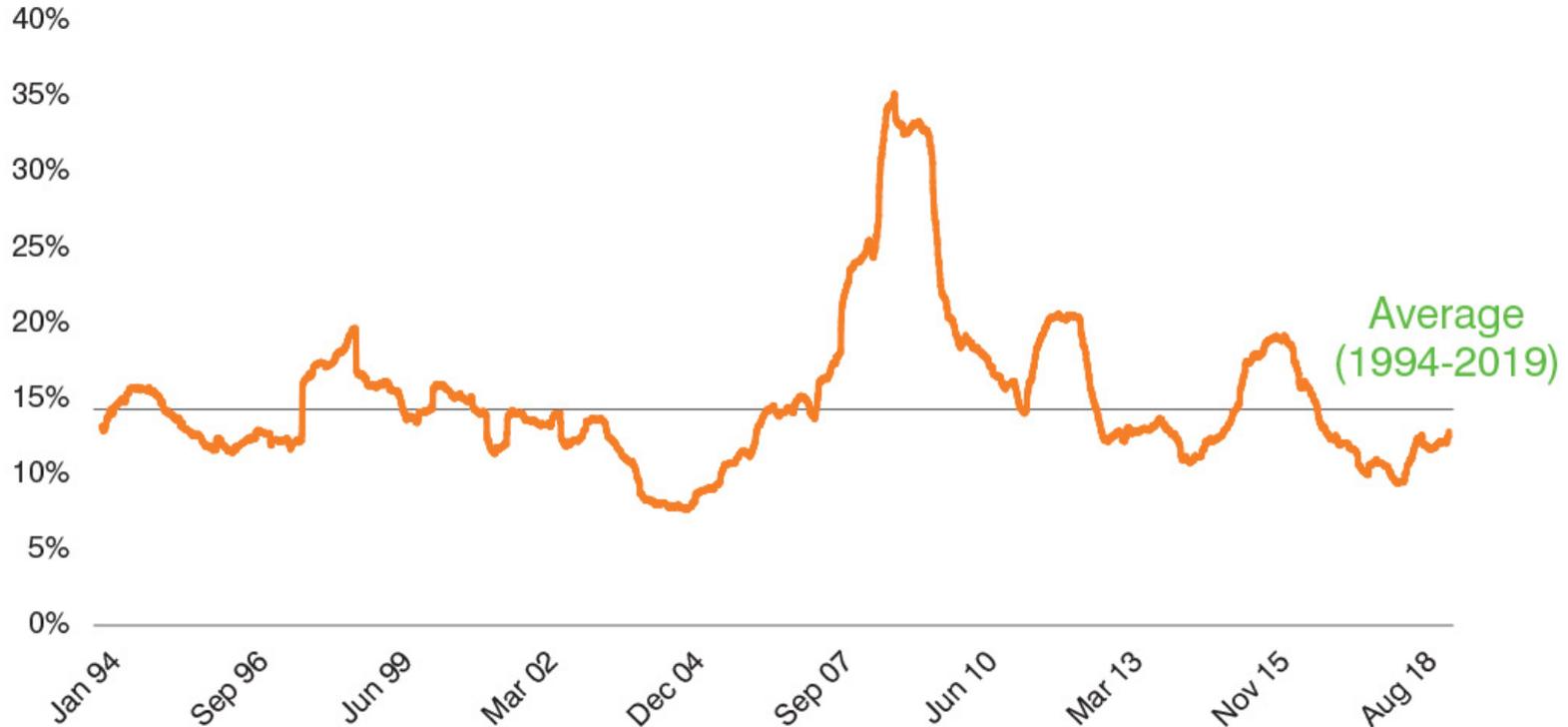
Realised Capital Gains

The income we receive for selling options is facing considerable headwinds due to declining interest rates and volatility

	Long term trend	Impact on option prices
Share prices	Rising	Positive
Interest rates	Declining - very low	Very Negative
Volatility	Low	Very Negative
Option coverage	Rising	Positive but limits capital growth

Option premium is an important component of Djerriwarrh's income to provide for an enhanced yield

Volatility is trending below the long term average



And interest rates have continued to fall to record lows – 180 day bank bill swap rate



These trends are providing significant challenges for generating option income

For a holding like BHP where volatility has been high, reduced volatility and low interest rates has had the following impact:

	Interest rates	Volatility	Premium Received
1994 – 2007 (average)	5.7%	25.4%	63 cents
2019 (1 year average)	1.7%	21.9%	38 cents
Spot	1.0%	21.7%	36 cents

Income
Down 43%

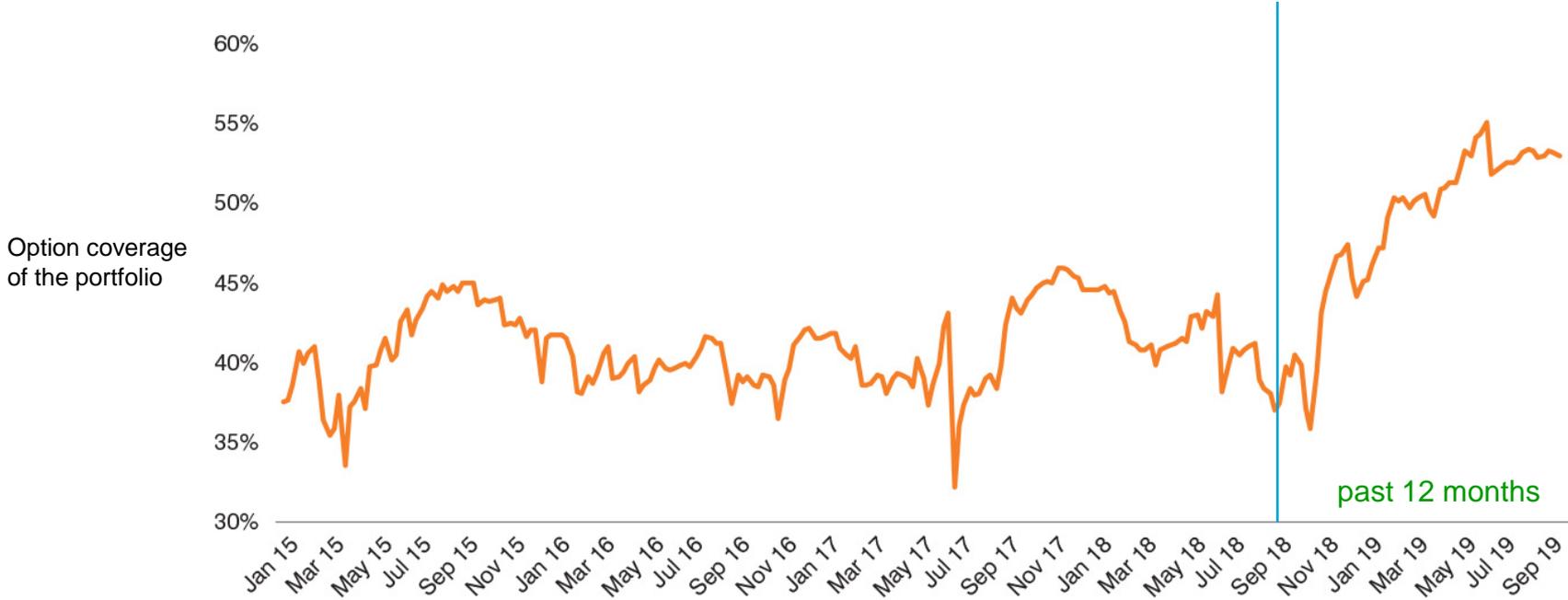
For a holding like CBA where volatility is relatively consistent, low interest rates have also reduced premiums:

	Interest rates	Volatility	Premium Received
1994 – 2007 (average)	5.7%	17.1%	101 cents
2019 (1 year average)	1.7%	17.9%	92 cents
Spot	1.0%	17.6%	86 cents

Income
Down 15%

Note figures are based on typical option transactions

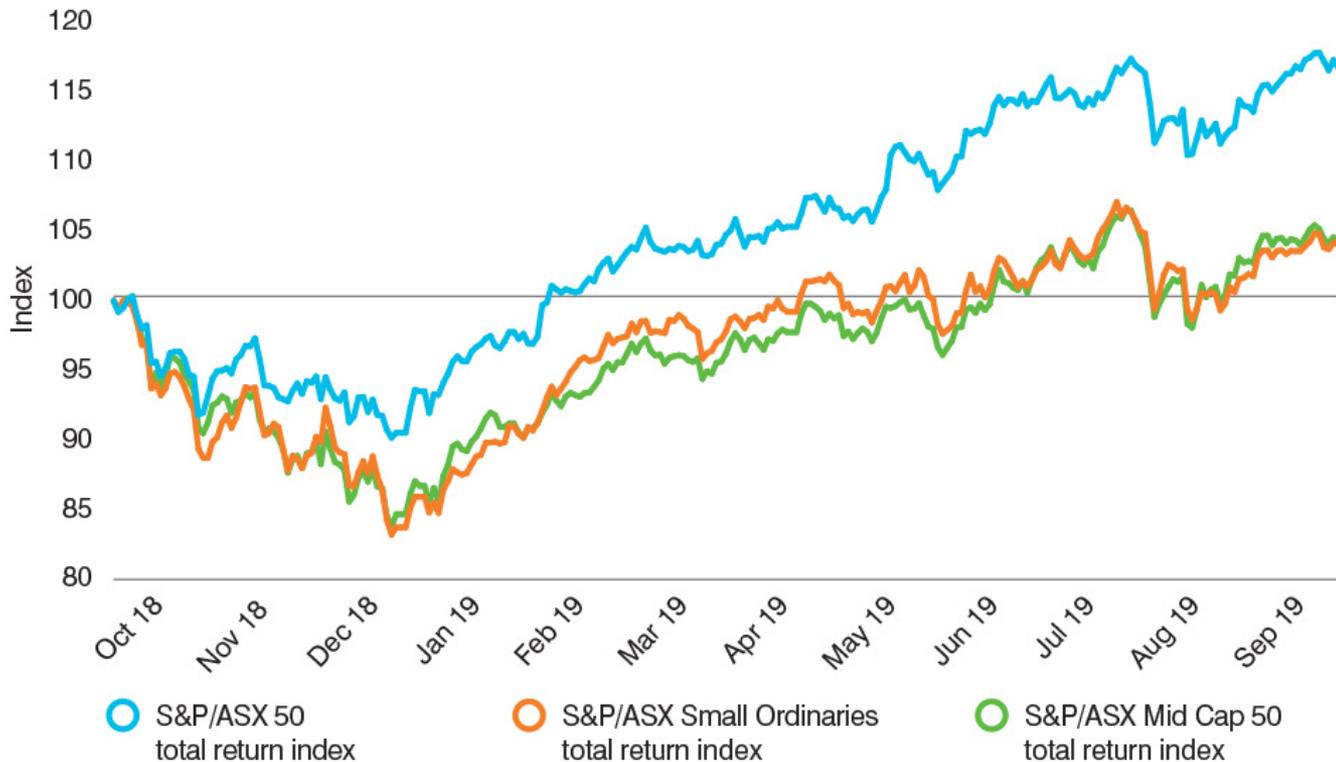
To partially offset the decline in premium received from specific option trades, option coverage has more recently been kept at the higher end of the range – however this can limit capital growth in strong markets



The Market and Portfolio

Annual General Meeting 2019

Large companies have substantially outperformed the small and mid cap sectors over the year to 30 September 2019



Source: FactSet.

What we look for in Companies

Sustainable competitive advantage
– unique assets producing strong
returns on capital

Strong management team
and board

Recurring, predictable earnings
that produce growing dividends

Financial strength – strong cash
flow and balance sheet

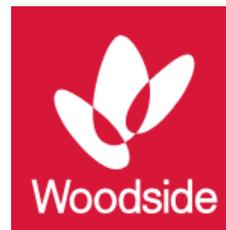
How the Portfolio is structured

Quality growth including higher dividends over time.



How the Portfolio is structured continued

Higher yield with opportunities for income enhancement through call options – higher option coverage.



Quality Infrastructure



How the Portfolio is structured continued

Strong business footprint with sustainable competitive advantage



Strategic assets



Major Purchases



Very unique toll road assets which benefit from population growth and have set inflation linked pricing. Further opportunities to add new growth projects which support long term cash flow growth.

The logo for Rio Tinto, consisting of the words 'Rio Tinto' in white serif font centered within a red rectangular background.

Rio Tinto

Strategic assets hard to replicate. Low cost producer, good balance sheet, investing for future earnings growth.



Bunnings (60% of WES) is leading DIY retailer generating very attractive growth and returns. Lowest cost and scale provide competitive advantage. Management very focused on growing returns on capital. Strong balance sheet.



High quality portfolio of difficult to replicate assets and fits well with an ageing population. Strong financial metrics and Management/Board.

New to the portfolio this financial year



- Market leading position in developing urban regeneration projects in global gateway cities
- Strong management team
- Well capitalised, limited debt
- Problematic engineering division will be addressed
- Has 15 year pipeline of opportunities

Top 20 holdings 30 September 2019*

Rank	Company	% of Portfolio
1	Commonwealth Bank of Australia	8.6%
2	Westpac Banking Corporation	7.5%
3	National Australia Bank	6.8%
4	BHP Group	6.3%
5	Australia and New Zealand Banking Group	5.4%
6	CSL	4.9%
7	Macquarie Group	4.0%
8	Transurban	3.7%
9	Wesfarmers	3.0%
10	Sydney Airport	2.9%

* Options were outstanding against part of the holding for all companies.

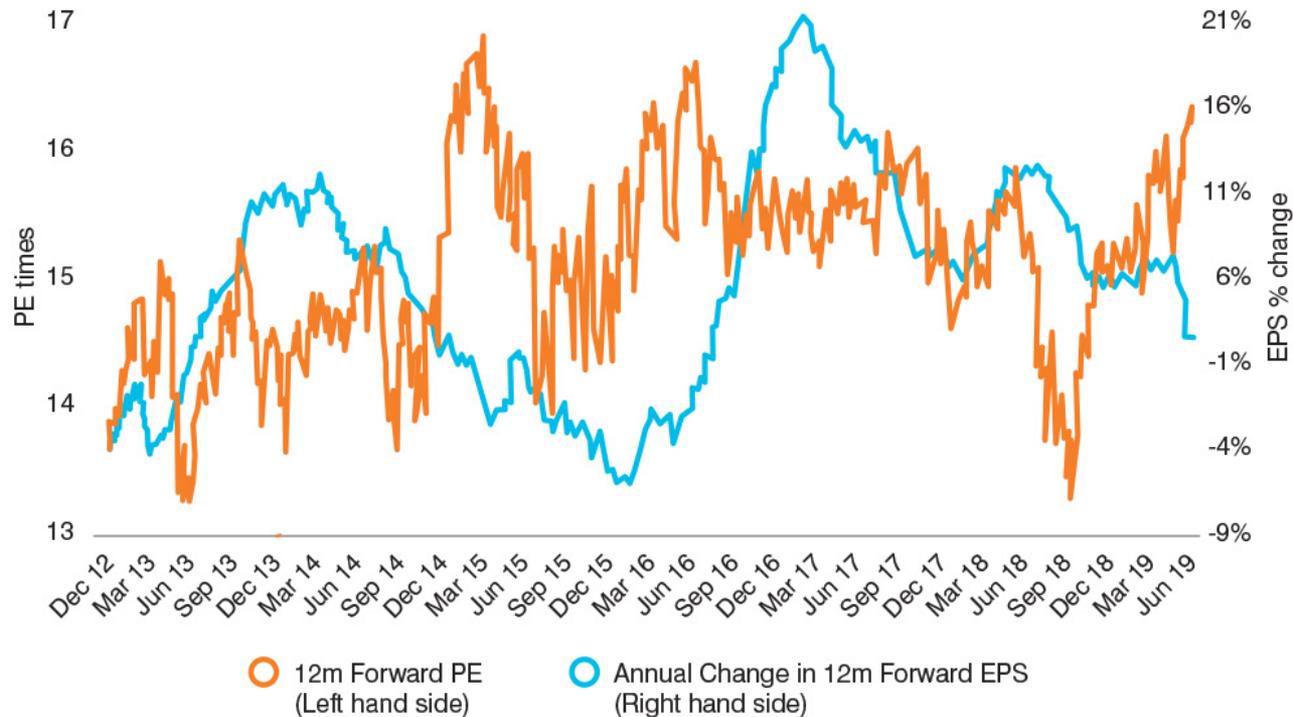
Next 20 holdings 30 September 2019* continued

Rank	Company	% of Portfolio
11	Woodside Petroleum	2.6%
12	Telstra Corporation	2.2%
13	Brambles	2.2%
14	Oil Search	2.0%
15	Amcor	1.9%
16	Woolworths Group	1.9%
17	Ramsay Health Care	1.8%
18	Atlas Arteria	1.6%
19	Rio Tinto	1.5%
20	Scentre Group	1.5%

* Options were outstanding against part of the holding for all companies.

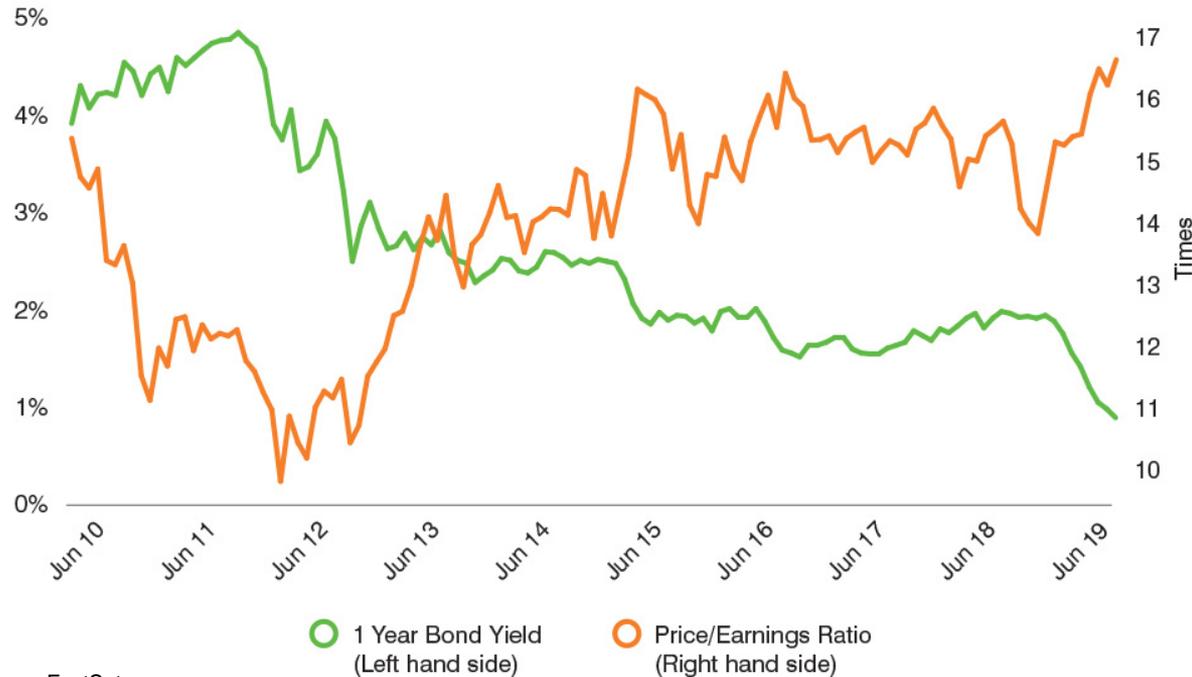
Closing Comments

The price earnings ratio remains high in Australia even though earnings per share are expected to decline



Source: Shaw and Partners.

However valuations in Australia are also responding to lower interest rates as they make equities look more attractive



Moving Forward

- Geopolitical tensions remain, including trade which will amplify market volatility during various periods
- Subdued growth, very low interest rates, high market valuations – leads us to be cautious
- The number of holdings has been reduced to 52 from 71 to focus on quality companies
- Continue to focus on quality investments that have good returns on invested capital and growing dividends
- We believe we have a very strong portfolio with high quality companies

