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Djerriwarrh
AUSTRALIAN EQUITIES, ENHANCED YIELD

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7 October 2021

The Manager
ASX Market Announcements
Australian Securities Exchange
Exchange Centre
Level 4
20 Bridge Street
Sydney NSW 2000

Electronic Lodgement

Djerriwarrh Investments Limited
2021 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

Authorised for release by the Company Secretary

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Annual General Meeting 2021

Board Members

Significant experience as directors, executives and investors in ASX listed Companies.

John Paterson
Chairman and Independent Non-Executive Director

Kathryn J Fagg AO
Independent Non-Executive Director

Bruce R Brook
Independent Non-Executive Director

Alice J M Williams
Independent Non-Executive Director

Karen J Wood
Independent Non-Executive Director

Graham B Goldsmith AO
Deputy Chairman and Independent Non-Executive Director

Robert J Edgar AM
Independent Non-Executive Director
Retiring at this AGM

Mark Freeman
Managing Director

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Annual General Meeting 2021 - Presentation

Disclaimer

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Agenda

- **Overview and Objectives**
  Mark Freeman

- **Financial Year in Summary**
  Andrew Porter

- **Market and Portfolio Update**
  Brett McNeill and Olga Kosciuczyk

- **Outlook**
  Brett McNeill

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Overview and Objectives

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Overview

- Djerriwarrh is one of the largest income focused Listed Investment Companies (‘LIC’).
- Djerriwarrh listed on the ASX in 1989. Shareholders get the benefit of full transparency associated with being an LIC, as well as the high governance standards delivered by an Independent Board of Directors.
- Djerriwarrh shareholders own the management rights to the company, with no fee leakage to third parties and no performance fees.
- Djerriwarrh is part of the broader group of LIC’s, which also includes AFIC, AMCIL and Mirrabooka. This supports a broader research approach and scale of operations.

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Investment Team – *over 100 years of ASX investing experience*

Brett McNeill
Portfolio Manager

Olga Kosciuczyk
Investment Analyst

Kieran Kennedy
Portfolio Manager

David Grace
Portfolio Manager

Nga Lucas
Investment Analyst

Stuart Low
Investment Analyst

Nicky Sun
Graduate Investment Analyst

Jeremy Moore
Dealer

Jaye Guy
Investment Analyst

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Investment Objectives

Djerriwarrh primarily seeks to provide an enhanced level of fully franked income, that is higher than what is available from the S&P/ASX 200 and which is delivered at a low cost to shareholders.

Djerriwarrh aims to provide shareholders with attractive investment returns through access to fully franked dividends and growth in capital invested.

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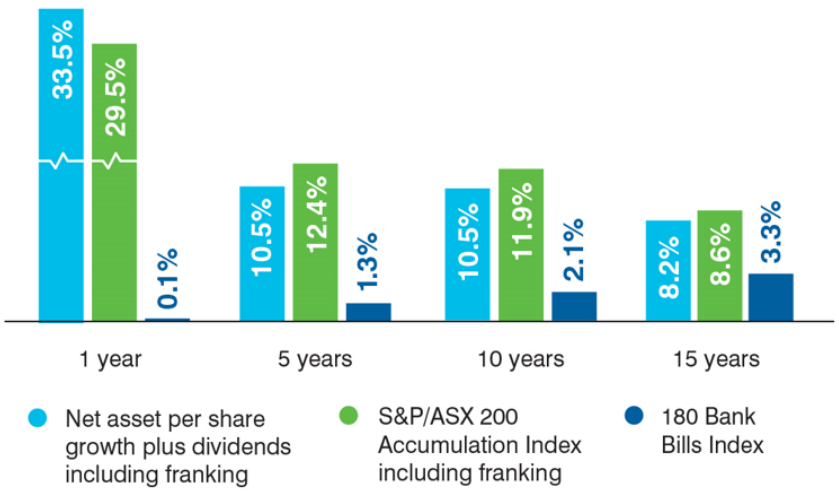
Investment Objectives

How do we achieve our investment objectives?

- We focus on investing in **high quality companies** that can grow their dividends over the long term, aiming to buy them at reasonable valuations.
- Our assessment of **quality** is based on a range of factors including industry structure, competitive advantage, management quality, balance sheet and cash flow strength and ESG.
- We construct the portfolio to deliver the right mix of **income and growth**.
- We generate **additional income** from option writing.
- We manage risk by maintaining a **diversified portfolio** of high-quality companies and managing our option positions daily.

Portfolio Performance to 31 August 2021



* Assumes an investor can take full advantage of the franking credits.
Past performance is not indicative of future performance.

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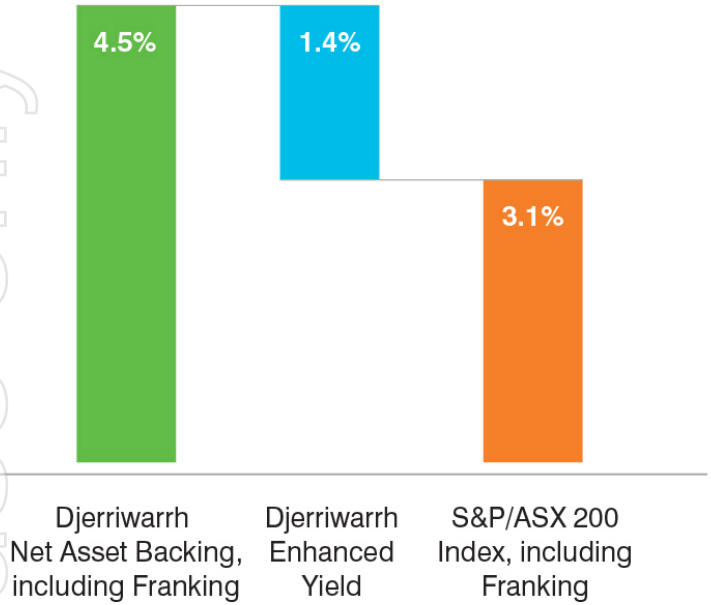
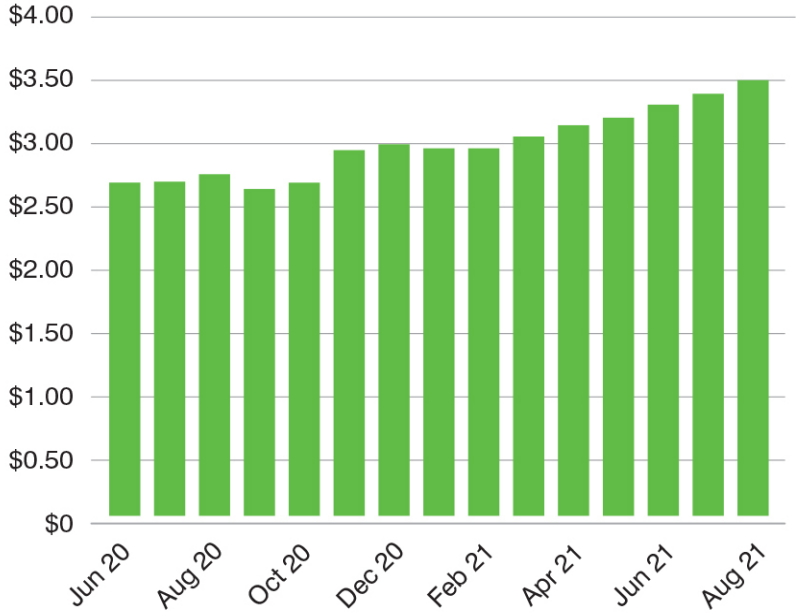
Investment Objectives

Yield vs Benchmark – 12 Months to August 2021



Net Tangible Asset Backing – FY21 and FY22 YTD



Yield metrics assume an investor can take full advantage of the franking credits. S&P/ASX 200 Index Yield is the historic yield and 70% franked. Figures for DJW are based on the total dividends of 11 cents per share fully franked for the financial year to June 2021

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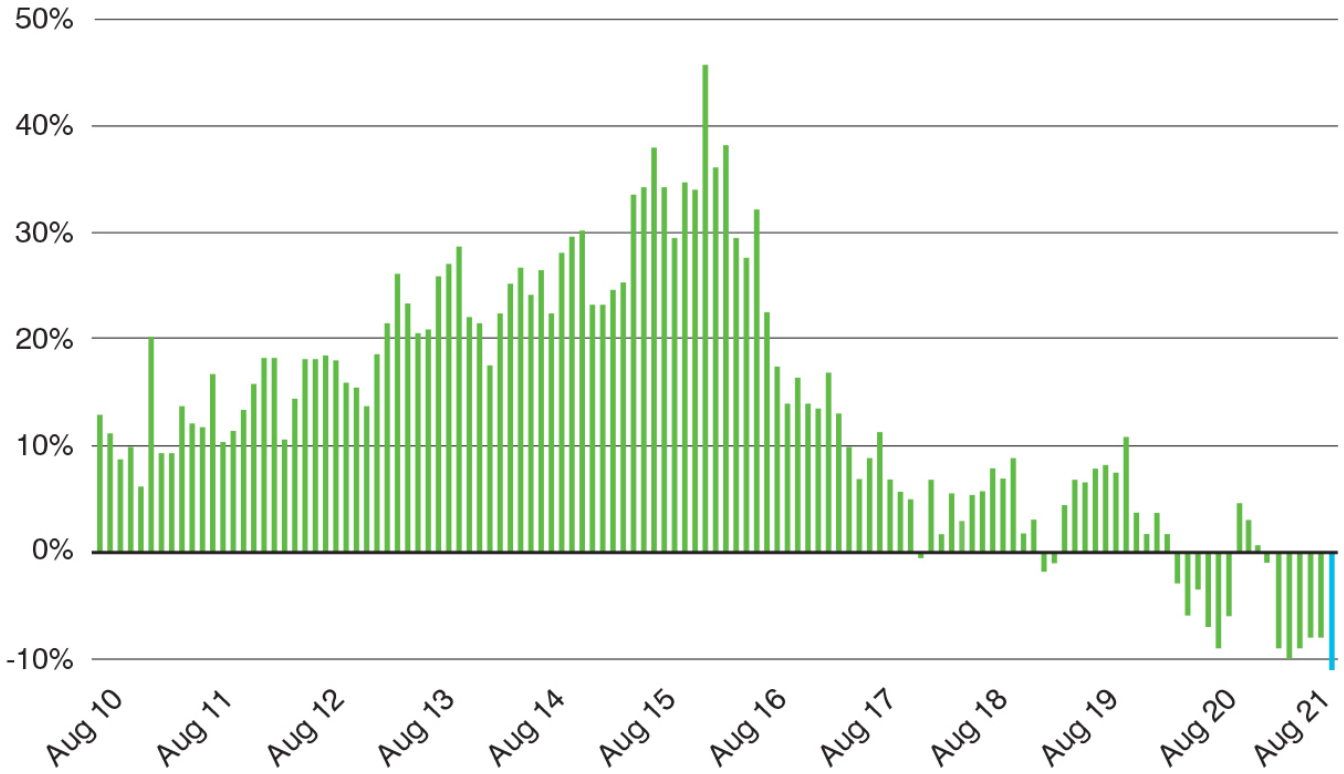
Share price is trading at a discount relative to net asset backing



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Financial Year In Summary

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Financial Year in Summary

	2021		
Profit for the Year	$30.5m		Down 7.3% from 2020
Net Operating Result	$31.3m		Up 11.5% from 2020
Fully Franked Dividend	5.75¢ Final	11¢ Total	14 cents total in 2020

	2021	
Portfolio Dividend Yield	4.7% Including franking*	S&P/ASX 200 Index Yield 2.9% (grossed up for franking credits)
Management Expense Ratio	0.45%	0.45% in 2020
Total Portfolio Return	29.6% Including franking*	S&P/ASX 200 Accumulation Index including franking* 29.1%

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

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Financial Year In Summary: Profit and Loss – Net Operating Result

	FY20 $m	FY21 $m	Change
Dividend and Distribution Income	$28.6	**$21.7**	-24%
Option Income	$7.7	**$12.1**	58%
Operating Income (incl Other Income)	$37.1	**$33.9**	-9%
Finance and Administration Costs	$6.3	**$5.1**	-19%
Operating Result before Tax Expense	$30.8	**$28.8**	-7%
Income Tax Expense	$2.8	**$3.8**	35%
Net Operating Result	**$28.1**	**$25.0**	**-11%**
Net Operating Result per Share	***12.5c***	***10.9c***	***-13%***
Dividends per Share	***14.0c***	***11.0c***	***-21%***

The Company believes the Net Operating Result, which excludes the valuation impact of open option positions, is a better measure of Djerriwarrh's income from its investment activities. The Net Operating Result as presented here excludes the Endeavour Demerger dividend, which was non-cash and carried no franking. Note that the above numbers may not add due to rounding.

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Market and Portfolio Update

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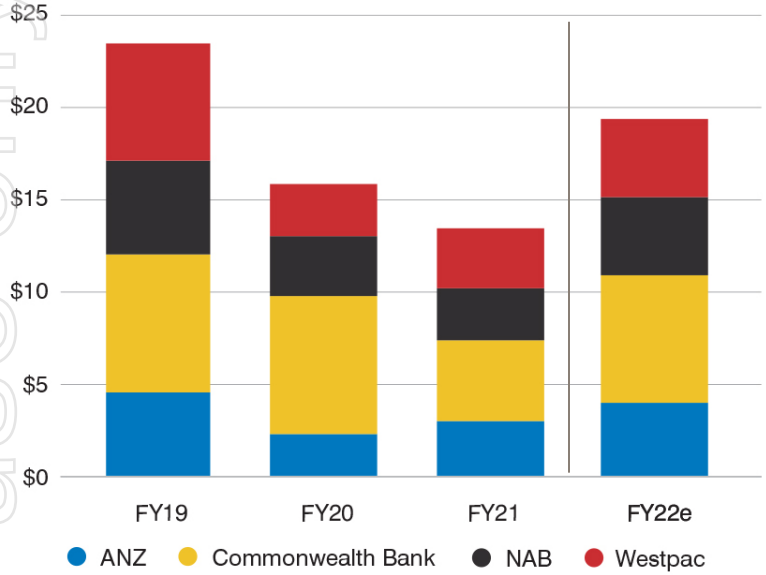
Market Update - Dividends

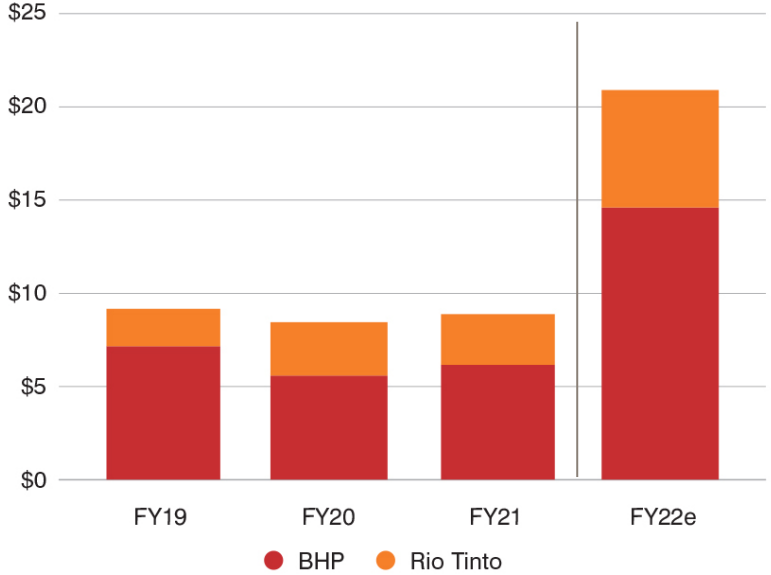
The banks delivered significant dividend cuts in recent years, with a rebound expected in FY22 as a result of more 'normalised' profit levels and sensible payout ratios.

A bumper year of dividends is expected in FY22 from the large cap diversified miners, however there is still major uncertainty here given the volatile iron ore price.

Company Dividends ($b) - Banks



Company Dividends ($b) – Large Cap Resources



Source: Company Reports, Factset, Djerriwarrh estimates. Note that the Financial Year periods refer to the Dividend 'Payment Date' and therefore line up with Djerriwarrh's Financial Year reporting.

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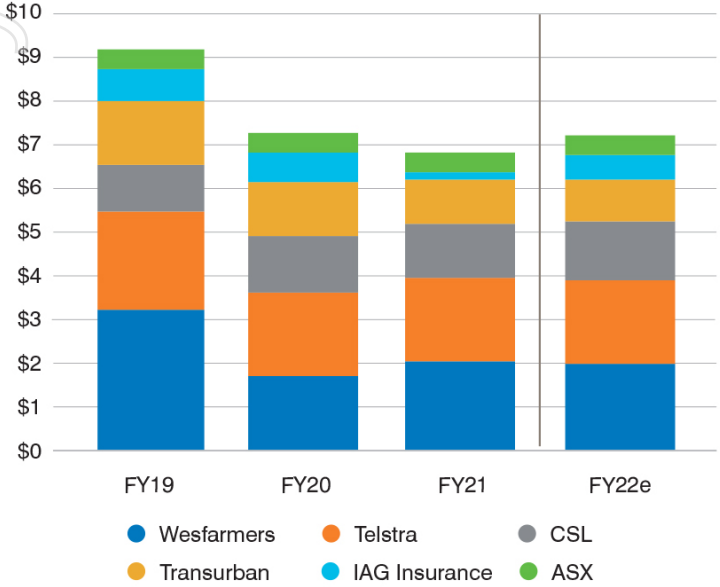
Market Update - Dividends

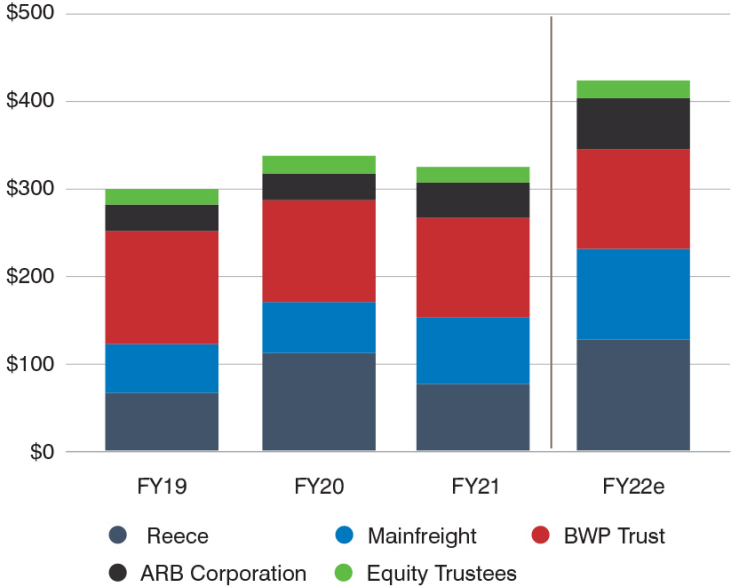
Blue chip industrials have delivered steady dividends through the pandemic, with modest growth expected in FY22.

High quality small cap industrials have delivered terrific dividend payments in recent years, with solid growth expected for FY22.

Company Dividends ($b) – Large Cap Industrials



Company Dividends ($m) – Small Cap Industrials



Source: Company Reports, Factset, Djerriwarrh estimates. Note that the Financial Year periods refer to the Dividend 'Payment Date' and therefore line up with Djerriwarrh's Financial Year reporting.

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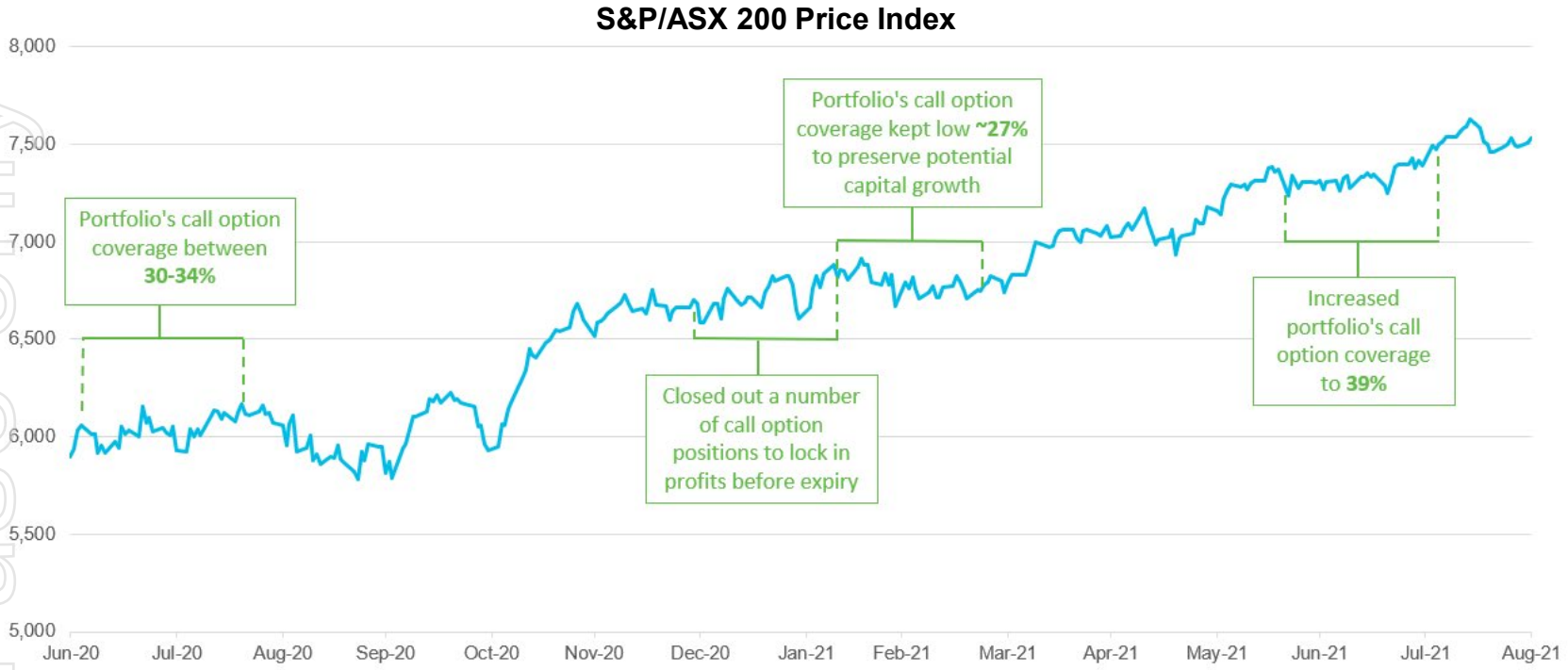
Portfolio Update - Options

The call option positions have been actively managed based on our views on company quality and valuation, and in response to market conditions. Put options have been selectively used to generate additional income.



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Portfolio Update - Enhanced Yield

Enhanced yield is a unique benefit of an investment in Djerriwarrh.
This is achieved by generating additional income from writing predominantly call options but also put options.
The trade-off between short-term income and long-term capital growth is the key consideration.

	FY21 Dividend Yield*	+ FY21 Option Premium	= Djerriwarrh's enhanced yield
coles	3.3%	1.5%	**4.8%**
amcor	4.2%	2.4%	**6.7%**
nab	3.8%	1.7%	**5.5%**
Ramsay Health Care	0.7%	4.5%	**5.1%**

* dividend yield excludes franking credits and relates to Djerriwarrh's Financial Year reporting.

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Portfolio Update - Enhanced Yield *continued*

Djerriwarrh's option strategies are mainly focused on bottom-up stock factors, with particular consideration given to our view on the company's quality, valuation and recent trading levels.

The infrastructure sector is an example of how these factors were considered in financial year 21.

	FY21 Dividend Yield* +	FY21 Option Premium =	Djerriwarrh's enhanced yield
Sydney Airport	nil	3.6%	**3.6%**
Auckland Airport	nil	1.3%	**1.3%**
Transurban	3.0%	1.8%	**4.8%**
atlasArteria	3.8%	4.9%	**8.7%**

* dividend yield excludes franking credits and relates to Djerriwarrh's Financial Year reporting.

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Portfolio Update – Recent transactions

Sales

Brambles

ALUMINA LIMITED

ORICA

apa

Option Exercises

MACQUARIE

carsales

TELSTRA

New Purchases

PEXA

JB HI-FI

SCA Property Group

Cochlear®

Additions to existing holdings

Wesfarmers

Westpac

BHP

coles

Transurban

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Portfolio Update – Key Holdings

Constructing a diversified portfolio with the appropriate balance of **Income and Growth** is the key for Djerriwarrh to deliver on its **Enhanced Yield** objective.

Large companies with an above average dividend yield, along with solid long term growth prospects

Transurban, mirvac, Westpac, JB HI-FI, coles, BHP

Large companies with a below average dividend yield, but excellent long term growth prospects

CSL, MAINFREIGHT, ASX, Woolworths, carsales, ResMed, Goodman

Smaller companies that have the potential for significant long-term growth

Equity Trustees, netwealth, TEMPLE & WEBSTER, FINEOS, ARB, PEXA, Pinnacle INVESTMENT MANAGEMENT

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Outlook

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Outlook – Equity Markets

- We made the following observations during company reporting season:
  - Balance sheets are typically strong.
  - Dividend payments were higher than expected in several cases.
  - Many companies are focused on their digital strategies to take advantage of trends in the economy that have been accelerated by the pandemic.
- The equity market continues to be influenced by several factors:
  - Valuations are high based on historical averages but are supported by low interest rates.
  - Takeover activity has increased recently, giving confidence to market valuations.
  - Inflation, commodity prices, and the pace of the reopening of economies will be a key focus in the near term.

Irrespective of any short-term factors, we believe that the current portfolio settings should enable Djerriwarrh to achieve its long-term objectives.

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