

AUSTRALIAN

# RESEARCH

MANAGED INVESTMENTS ANALYSIS

## Listed Managed Investments

June 2007 Quarterly Review

EXTRACT

## Contents

This is an extract from the June 2007 Listed Managed Investments Quarterly Review

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## Djerriwarrh Investments Ltd (DJW)



LMI Type	Investment Assets	Investment Area	Investment Sectors
Listed Investment Company	Listed Companies	Australia	Diversified

### Company Details

DJW is a listed investment company that invests in Australian equities, with a focus on the top 50 companies on the ASX. Its stock portfolio is generally similar to that of its stablemate, AFIC. It enhances the portfolio's total income by writing call options on up to 50% of the stocks held in its portfolio (buy-write strategies). DJW is active in corporate governance and generally votes on proxies.

### Board

B Teele (Chairman), R Barker, G Kraehe, T Campbell, R Fynmore, A Guy, J Paterson

### Investment Philosophy

DJW's investment philosophy is built on taking a medium- to long-term view of value, adopting a buy-and-hold strategy of stocks.

### Style and Process

DJW's style is best characterised as a bottom-up, index-unaware, 'buy and hold' value-biased style with respect to its stock holdings. The objective of DJW is to provide investors an enhanced, fully franked dividend yield and capital growth. The portfolio is split into two parts: a long-term investment portfolio and a smaller trading portfolio, which may represent up to 10% of the portfolio. The portfolio is more actively managed than its counterpart, AFIC, in that the manager seeks to undertake 'buy-write' strategies for between 20% and 50% of the investment portfolio in order to generate higher income. DJW prefers to buy stocks with strong management, good free cash flow, strong sustainable margins and an ability to pay increasing franked dividends. In analysing companies, DJW uses external brokers and spends time with management, particularly with the CEO, and seeks the opinion of its investment committee at weekly investment meetings.

### Investment Team

Bruce Teele, BSc, BCom: Chairman; Ross Barker, BSc(Hons), MBA, Grad Dip SIA: Managing Director; Mark Freeman, BCom, MBA, ASIA: Chief Investment Manager; Alan Dunn, BEc, BCom, CFA: Senior Investment Analyst

### Aegis Comments

DJW is designed to generate relatively stable returns and enhanced, fully franked income. The fund's discretionary buy-write strategy is integral to achieving this objective. The nature of the strategy is such that DJW is well placed to outperform in flat to moderately appreciating markets, but may underperform in strong market environments. However, that said, DJW has only marginally underperformed its benchmark over the past 12 months, which Aegis views as an endorsement of DJW's selective abilities with respect to the buy-write strategy. DJW continues to trade at a discount to pre-tax NTA, with the company trading at a discount of 5.2% as at June quarter-end. Aegis continues to issue a Recommended rating on DJW.

### Key investment information



<b>RATING</b>	<b>Recommended</b>
<b>Price (\$)</b>	<b>5.35</b>
As at 11 Oct 2007	
Market Cap (\$M)	1,087
Shares On Issue (M)	203.2
Shares Traded (\$M p.a.)	82.6
12-month L/H (\$)	4.38/5.40
Listing Date	June 1995

### Fees

Management Fee (%)	0.22
Performance Incentives (%)	n/a

### Pre-tax NTA Performance Analytics (including dividends)

	S&P/ASX		All Ords Acc	
	50 Acc	3 Yr	1 Yr	3 Yr
	1 Yr	(p.a.)	1 Yr	(p.a.)
Excess Per. (%)	(2.74)	(2.79)	(6.63)	(4.37)
Beta	0.83	0.80	0.87	0.82
TE (%)	2.96	4.73	2.54	4.68
IR	(0.93)	(0.59)	(2.61)	(0.93)

Benchmark returns are purely pre-tax, whereas LIC returns incorporate realised capital gains tax and will understate portfolio performance.

### Dividend Yield (%)

FY05	FY06	FY07
4.33ff	4.53ff	4.63ff

### Substantial Unitholders (%)

AFIC	4.3
Bruce Teele	0.8

As at 30 June 2007

### Company contact

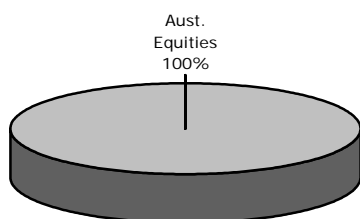


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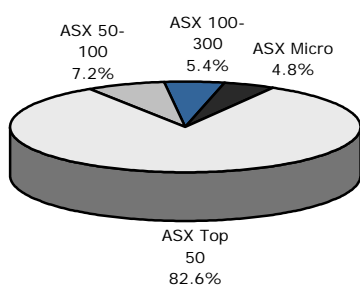
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Sector	Industry Group	Industry	Sub Industry
Financials	Diversified Financials	Capital Markets	Diversified Capital Markets

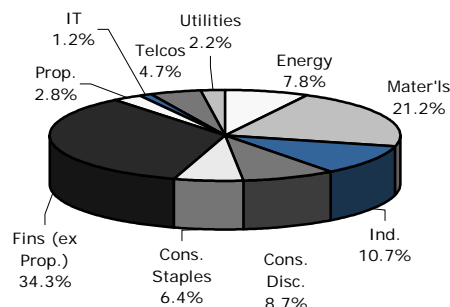
### Asset Weighting



### Size Weighting



### Sector Weighting (Equities Component)



### Other Data

Options	None on issue.
Dividend policy	DJW looks to distribute all dividends and income received such that they are fully franked.
Capital management policy	DJW has a buyback arrangement in place to buy back shares if trading at a discount to NTA. A one-for-five rights issue was conducted in August 2006.
LIC tax concessions	Yes
DRP available	Yes, at current market price.

### DJW's Portfolio (Top 10)

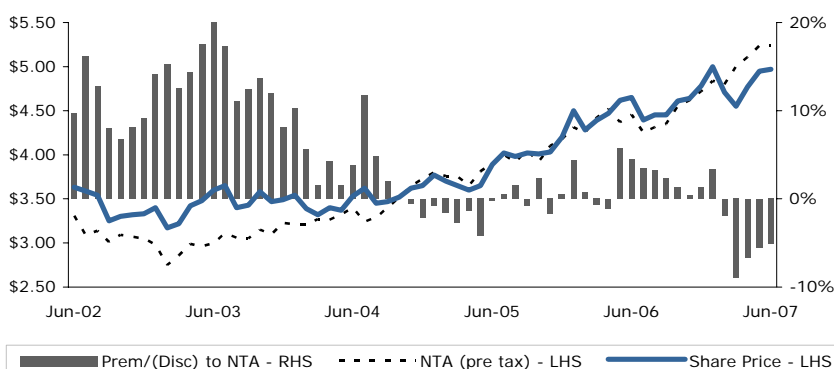
Code	Weighting		2008 Aegis Forecasts			Prem/Disc to Aegis Target (%)
	Portfolio (%)	S&P/ASX 50 (%)	PE (x)	Yield (%)	EPS Gth (%)	
BHP	9.6	13.6	13.8	1.8	(11.0)	(18.1)
NAB	7.3	6.9	13.6	4.8	12.2	(9.5)
WBC	5.8	5.3	12.5	5.6	10.6	(15.7)
RIO	5.1	2.8	11.6	1.4	21.0	(7.5)
TLS	4.7	3.0	16.3	6.1	7.1	(1.3)
CBA	4.6	7.6	14.1	5.1	10.8	(1.1)
NWS	3.5	0.7	17.6	0.6	14.5	(25.9)
ANZ	3.5	5.8	12.3	5.2	10.0	(15.0)
WAN	2.9	na	19.7	5.1	13.0	(7.1)
AWC	2.9	0.9	15.0	4.5	3.0	0.7
	<b>50.0</b>	<b>46.6</b>	<b>14.3</b>	<b>3.7</b>	<b>7.4</b>	

### Tax Based Returns on Share Price and Dividends

	Fund		S&P/ASX 50 Acc		All Ords Acc.	
	1Yr Rtn (%)	3Yr Ann (%)	1Yr Rtn (%)	3Yr Ann (%)	1Yr Rtn (%)	3Yr Ann (%)
No Tax (0%)	17.5	21.0	28.1	26.5	31.8	27.9
Super Fund (15%)	16.3	19.7	27.1	25.5	30.9	27.0
AWOTE* (31.5%)	15.0	18.2	26.0	24.3	29.8	25.9
Max Tax Rate (46.5%)**	13.8	16.7	24.9	23.2	28.7	24.8

\* Marginal Tax rate for worker on the Average Wage OTE rate + Annualised  
 \*\* Max Tax Rate of 46.5% used from July 2006 (48.5% used prior to July 2006)

### NTA Performance



Source all figures:  
DJW/Aegis Equities Research/IRESS

All data as at 30 June 2007 unless otherwise specified



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