



# LIC in boost to call options

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Investments

LISTED investment company Djerrriwarrh has positioned itself with derivatives to take advantage of a possible market downturn in some sectors.

Yesterday, the company said that 30 per cent of its portfolio was now covered by call options compared with just 12 per cent a year ago. By writing, or selling, call options, Djerrriwarrh positions itself to benefit from a share-price downturn.

Typically, the options' cover at Djerrriwarrh ranges between 20 per cent and 50 per cent.

Chairman Bruce Teele said that the market overall appeared "fully priced," but that share valuations could be supported by investors reinvesting the billions of dollars received in the past year from takeovers and capital returns.

"Any short-term correction that any uncertainty provides may allow us to capture additional income from option activities as well as ... to continue to position the portfolio in companies that provide sound underlying value, particularly those with strong dividend flows," Mr Teele said.

Yesterday, Djerrriwarrh reported a 16.5 per cent rise in full-year net profit to \$35.1 million, buoyed by a strong market and higher realised gains as it sold some positions to meet call option exercises.

But the market gains meant the company also found itself

having to buy back some call options it had sold to maintain exposure to select stocks.

Djerrriwarrh's total portfolio return rose 21.9 per cent, trailing a 24.7 per cent rise in the S&P/ASX 50 index. It raised its final dividend by 1c to 22.5c for an annual franked dividend yield of 5.8 per cent based on a share price of \$3.89 at the end of the fiscal year.

Income from options trading in the year dropped to \$3.3 million from \$10.6 million a year ago. But it received an extra \$2.1 million in dividends as well as \$7.1 million in special dividends and distributions.

Mr Teele said resources and energy companies would continue to benefit from growth in China and the US, but "companies servicing the domestic economy may find themselves under earnings pressure as consumer sentiment and discretionary spending slows".

## AT A GLANCE

Djerrriwarrh Invest	Full year to June 30	
	2005	2004
Revenue (\$m)	46.6	43.4
EBIT (\$m)	44.9	41.8
Net profit (\$m)	35.1	30.1
EPS (c)	22.1	19.6
Final Dividend (c)*	12.5	11.5
Shares yesterday	+2c	\$4.04

\* final dividend is fully franked and brings full year dividend to 22.5c, up from 21.5c.