

AUSTRALIAN

RESEARCH

MANAGED INVESTMENTS ANALYSIS

Listed Managed Investments

September 2006 Quarterly Review

Time to get defensive?

Contents

This is an extract from the Listed Managed Investments September 2006 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 will generally be 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 will generally vote 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 will spend time with management, particularly with the CEO, and seek 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: Investment Manager; Alan Dunn, BEc, BCom: Asst. Investment Manager

Aegis Comments

DJW's key distinguishing feature is its use of a buy-write strategy. Buy-write strategies work by buying stocks and writing covered call options on them to generate additional income from option premium and dividend income. Buy-write strategies tend to underperform the market in a strongly rising environment, but outperform in moderately trending, flat or declining markets. This is evident in DJW's performance over the last 12-months, with DJW underperforming its benchmark by around 2.5% pre-tax NTA over the year in a generally strong rising market. However, DJW's use of a buy-write strategy (with options written to 35% of the portfolio) places it in a solid position to capture income from option premiums into the New Year, in what essentially appears to be close to a fully valued market.

Key investment information

Not Recommended	Approved	Recommended
RATING		Recommended
Price (\$)		4.67
As at 4 December 2006		
Market Cap (\$M)		765.4
Shares On Issue (M)		163.9
Shares Traded (\$M p.a.)		51.7
12-month L/H (\$)		3.99 - 4.91
Listing Date		June 1995
Fees		
Management Fee (%)		0.24
Performance Incentives (%)		n/a

Pre-tax NTA Performance Analytics (including dividends)

	S&P/ASX			
	50 Acc		All Ords Acc	
	1 Yr	3 Yr (p.a.)	1 Yr	3 Yr (p.a.)
Excess Per. (%)	(2.47)	(2.57)	(2.87)	(2.75)
Beta	0.76	0.80	0.83	0.83
TE (%)	3.82	4.64	2.76	4.58
IR	(0.65)	(0.55)	(1.04)	(0.60)

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

Dividend Yield (%)			
	FY04	FY05	FY06
	4.83ff	4.83ff	5.06ff

Substantial Unitholders (%)

AFIC	4.4
Invia Custodian	2.6

As at 30 September 2006

Company contact

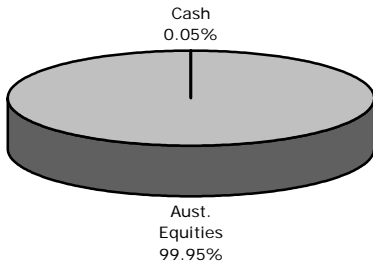


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Sector	Industry Group	Industry	Sub Industry
Financials	Diversified Financials	Capital Markets	Diversified Capital Markets

Asset Weighting



Other Data

Options: None on issue.

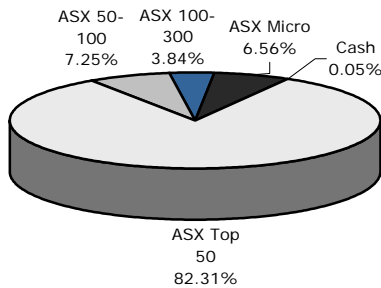
Dividend policy: DJW looks to distribute all dividends and income received such that they are fully franked.

Capital management policy: DJW has a buyback arrangement in place to buy back shares if trading at a discount to NTA. A 1-for-5 rights issue was conducted in August 2006.

LIC tax concessions: Yes

DRP available: Yes, at current market price.

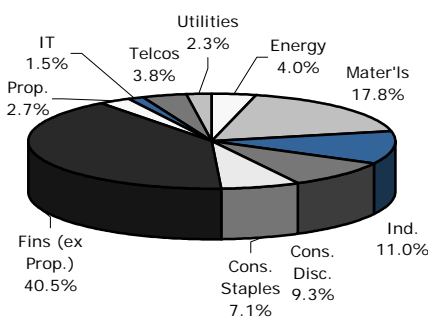
Size Weighting



DJW's Portfolio (Top 10)

Code	Weighting Portfolio (%)	S&P/ASX 50 (%)	2007 Aegis Forecasts			Prem/Disc to Aegis Target (%)
			PE (x)	Yield (%)	EPS Gth (%)	
BHP	7.8	12.3	8.3	2.8	36.1	(28.8)
CBA	7.8	7.8	13.5	5.4	10.9	(10.3)
NAB	7.6	7.8	13.8	4.8	8.1	(12.2)
WBC	7.2	5.6	12.3	5.6	10.1	(16.1)
ANZ	4.7	6.7	12.5	5.1	10.5	(18.7)
SGB	4.6	2.1	13.8	5.6	12.2	(13.9)
NWS	4.5	na	20.0	0.7	16.1	(5.2)
TLS	3.8	2.9	14.0	7.5	3.5	(1.6)
RIO	3.4	2.8	8.5	1.7	4.5	(25.8)
TCL	2.7	0.8	na	7.4	0.0	(2.5)
	54.1	48.8	12.8	4.8	13.8	

Sector Weighting (Equities Component)

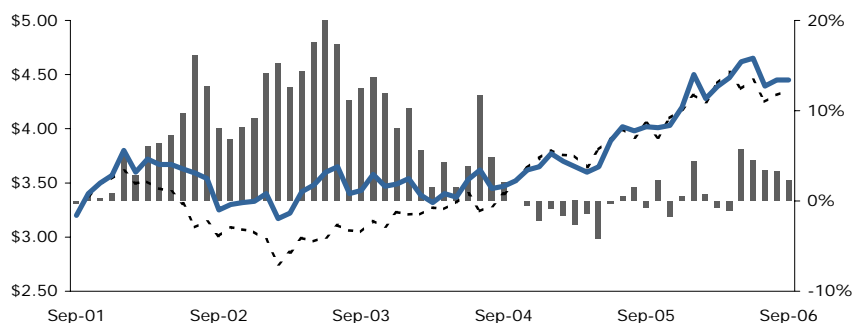


Tax Based Returns on Share Price and Dividends

Fund	Fund		S&P/ASX 50		All Ords Acc.	
	1Yr Rtn (%)	3Yr Ann (%)	1Yr Rtn (%)	3Yr Ann (%)	1Yr Rtn (%)	3Yr Ann (%)
No Tax (0%)	19.0	18.2	17.4	23.7	17.7	23.7
Super Fund (15%)	17.8	16.8	16.4	22.6	16.7	22.7
AWOTE* (31.5%)	16.4	15.3	15.3	21.5	15.7	21.6
Max Tax Rate (48.5%)	14.9	13.7	14.2	20.4	14.6	20.6

* Marginal Tax rate for worker on the Average Wage OTE rate + Annualised

NTA Performance



■ Prem/(Disc) to NTA - RHS - - - - NTA (pre tax) - LHS — Share Price - LHS

Source all figures: DJW/Aegis Equities Research/IRESS

All data as at 30 September 2006 unless otherwise specified



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