

AUSTRALIAN

RESEARCH

MANAGED INVESTMENTS ANALYSIS

Listed Managed Investments

March 2008 Quarterly Review

EXTRACT

Defensive strategies provide some downside protection in a volatile market

Contents

This is an extract from the Listed Managed Investments March 2008 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 an LIC 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, A Guy, J Paterson, P Barnett

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 with 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 markets, such as those being experienced currently, but may underperform in strong market environments. DJW outperformed the S&P/ASX 50 by 1% with the portfolio (pre-tax NTA plus dividends) decreasing 13.2% over the March quarter, compared to a 14.2% decline by the index. After trading at a significant premium in January, DJW was sold off to be trading at a discount to pre-tax NTA of 1.8% at March quarter end. The defensive nature and effectiveness of the fund's strategy were prevalent during the March quarter. We continue to hold the manager in high regard and recommend entry when the fund is trading at a discount.

Key investment information



RATING	Recommended
Price (\$)	4.66
As at 23 May 2008	
Market Cap (\$M)	951.0
Shares On Issue (M)	204.1
Shares Traded (\$M p.a.)	81.7
12-month L/H (\$)	3.97/5.40
Listing Date	June 1995
Fees	
Management Fee (%)	0.25
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. (%)	(0.65)	(2.28)	(1.54)	(3.18)
Beta	0.94	0.89	0.88	0.87
TE (%)	2.98	3.21	3.82	3.40
IR	(0.22)	(0.71)	(0.40)	(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
4.87ff	5.10ff	5.27ff

Substantial Unitholders (%)

AFIC	4.2
Bruce Teele	0.8

As at 31 March 2008

Company contact

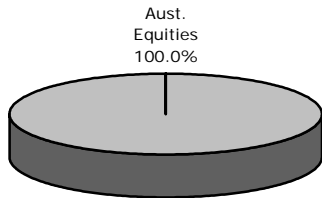


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Sector	Industry Group	Industry	Sub Industry
Financials	Diversified Financials	Capital Markets	Diversified Capital Markets

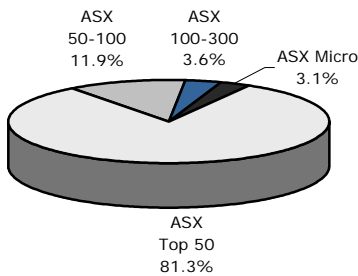
Asset Weighting



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 buy-back arrangement in place to buy back shares if trading at a discount to NTA.
 LIC tax concessions: Yes
 DRP available: Yes, at current market price.

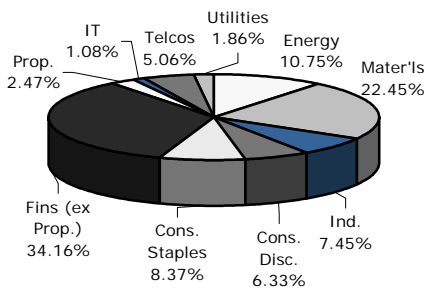
Size Weighting



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	9.9	14.6	12.0	2.2	3.4	(26.4)
NAB	7.2	5.9	10.3	6.7	8.7	(18.2)
WBC	6.2	5.4	11.6	6.2	8.1	(14.3)
RIO	5.6	4.2	13.1	1.9	39.1	(18.3)
CBA	5.3	6.7	11.1	6.5	6.7	(14.9)
TLS	5.1	3.3	15.0	6.4	11.4	(10.7)
WPL	4.1	3.0	16.4	3.0	75.3	(15.9)
ANZ	4.0	5.3	16.4	0.7	(5.5)	(25.1)
WES	3.1	3.3	18.2	2.7	17.4	(37.7)
WAN	2.8	na	18.4	4.8	(3.0)	(3.6)
Total	53.3	51.7	13.4	4.2	14.9	

Sector Weighting (Equities Component)

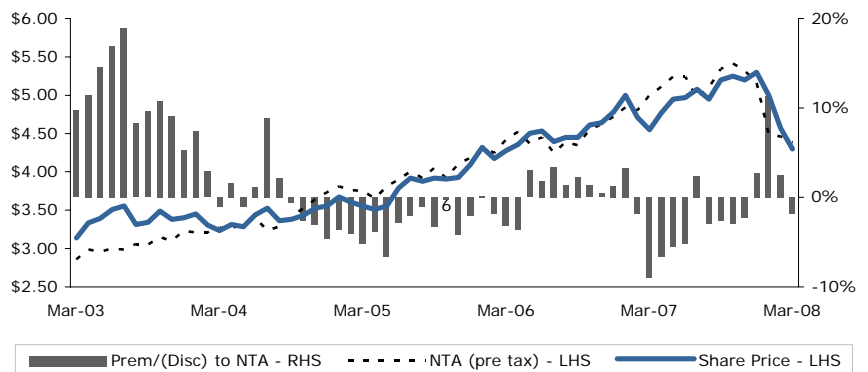


Tax Based Returns on Share Price and Dividends

	Fund		S&P/ASX 50 Acc		All Ords Acc.	
	1Yr Rtn (%)	3Yr Ann (%)	1Yr Rtn (%)	3Yr Ann (%)	1Yr Rtn (%)	3Yr Ann (%)
No Tax (0%)	1.5	14.5	(6.2)	14.8	(5.7)	14.3
Super Fund (15%)	0.5	13.3	(6.9)	13.9	(6.2)	13.6
AWOTE* (31.5%)	(0.7)	12.0	(7.6)	12.9	(6.9)	12.9
Max Tax Rate (46.5%)**	(1.8)	10.7	(8.3)	11.9	(7.4)	12.2

* 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 & Share Price Performance



Source all figures: DJW/Aegis Equities Research/IRESS

All data as at 31 March 2008 unless otherwise specified



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