

INVESTMENT PORTFOLIO UPDATE & NTA REPORT

July 2017

**WEALTH DEFENDER EQUITIES
AS AT 31 JULY 2017**
Investment Objective

The Company aims to outperform the S&P/ASX 300 Accumulation Index by investing in a diversified portfolio of predominantly Australian shares while using protection strategies including derivatives and cash to dynamically protect the portfolio through market cycles, thereby reducing the magnitude of negative returns when equity markets fall significantly.

ASX Code:

WDE

Net Tangible Assets (NTA)

NTA before tax: \$0.9262[§]
NTA after tax: \$0.9571[§]

Listing Date:

21 May 2015

Shares on Issue

126.3 million

Share Price

\$0.82

Dividend Frequency

Half Yearly subject to available profits and cash flow.

Number of Stocks

Range: 35 to 100

Cash Limits

0 to 50%

Suggested Investment Timeframe

5+ years

[§] The NTA per share is at 31 July 2017. The after tax numbers relate to the provision for deferred tax on the unrealised gains and losses in the Company's investment portfolio.

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INVESTMENT OVERVIEW & PERFORMANCE

NTA PERFORMANCE AS AT 31 JULY 2017	1 MONTH %	3 MONTHS %	FYTD %	1 YEAR %	SINCE INCEPTION [^] % P.A
S&P/ASX 300 Accumulation Index	0.01	-2.52	0.01	7.03	5.25
Wealth Defender Equities*	0.71	-0.63	0.71	5.73	-0.36

*Returns shown for the Company have been calculated on the growth of Net Tangible Assets (NTA) after taking into account of all operating expenses (including management fees) and assuming reinvestment of dividends. [^] Inception date 21 May 2015. Performance is annualised. Past performance is not a reliable indicator of future performance.

- Rising commodity prices lifted resource stocks in July, while the overall market finished flat.
- Companies with significant offshore earnings lagged during the month, as the Australian Dollar (AUD) rallied strongly.
- At all times, the portfolio has been well protected in the event of a major market downturn.

CONTRIBUTION TO RETURN AS AT 31 JULY 2017	1 MONTH %	3 MONTHS %	FYTD %	1 YEAR %	SINCE INCEPTION [^] % P.A
Portfolio Gross Return (WDE) [^]	0.84	-0.25	0.84	7.51	1.40
Stock Portfolio [#]	0.97	0.22	0.97	9.99	3.69
Protection Portfolio [#]	-0.13	-0.47	-0.13	-2.48	-2.29

[^] Gross Investment Portfolio performance before fees and tax.

[#] Contribution to Return.

[^] Inception date 21 May 2015. Performance is annualised.

MARKET ACTIVITY

Global markets were generally stronger in July, with the S&P500 up 1.9%, FTSE100 up 0.8% and Shanghai Composite up 2.5%, while the Nikkei 225 declined 0.5%. Commodity prices rallied strongly, with iron ore up 13.0%, thermal and coking coal both up 20.0%, copper up 7.0%, oil up 10.0% and gold up 2.0%. The Reserve Bank of Australia left the cash rate steady at 1.5% and the AUD finished the month up three cents at 80 US cents.

The ASX300 Accumulation Index was flat over the month, with strong gains in resources offsetting a decline in industrials. The better performing sectors included metals and mining (up 6.4%), materials (up 3.5%), financials (up 1.2%), consumer staples (up 1.0%) and energy (up 0.6%). The defensive sectors tended to underperform, with healthcare (down 7.5%) the worst performing sector, while utilities (down 5.3%) and telecommunications (down 4.2%) also lagged.

PORTFOLIO UPDATE

The better performing stocks in the portfolio included BHP (up 11.0%) and Rio Tinto (up 4.0%), which benefitted from the rise in iron ore and other commodity prices. This aside, in our view, both of these stocks offer compelling medium term value as a result of their expected strong cash flow generation as capital expenditure is reduced and the existing suites of assets are worked harder. Further, this will drive an ongoing improvement in their already strong balance sheets, providing opportunities for significant returns of capital to investors. In this respect, we have high hopes for the performance of BHP under the guidance of incoming Chairman, Ken MacKenzie, who demonstrated strong capital discipline in his former role as CEO of Amcor. Ironically, it was poor capital allocation at Rio Tinto, which gave Amcor the opportunity to make the transformative acquisition of the Alcan packaging business at a bottom-of-the-cycle price in 2010.

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Other strong performers included small caps, Reject Shop (up 17.5%), Fleetwood (up 12.3%), RPM Global (up 11.9%) and recent IPO, Bingo Industries (up 9.2%). At the larger end, Woolworths (up 4.5%), AMP (up 3.9%), Crown Resorts (up 3.6%) and Vocus Group (up 3.6%), which received a second indicative takeover offer, all outperformed. The portfolio also benefitted, in a relative sense, from the sell-off in healthcare and utilities, both sectors in which we hold underweight positions on the basis of valuation.

The major banks outperformed modestly, rising an average of up 2.4%, after Australian Prudential Regulation Authority's long-awaited changes to their capital requirements turned out to be more benign than expected. The portfolio holds an underweight position in the banks on the basis that, while they are offering attractive dividend yields, they are fully-valued, with a challenged earnings growth outlook and potential downside risks. As a result, we see better value opportunities elsewhere in the market.

Stocks which detracted from performance included Graincorp (down 7.8%), which declined as seasonal conditions deteriorated due to a lack of rainfall. While this business is subject to seasonal variability, the company is well-run, with highly-strategic assets in a consolidating industries and we are comfortable with their outlook. Other holdings which underperformed included offshore earners Clydesdale Bank (down 7.6%), Amcor (down 5.4%) and Janus Henderson Group (down 4.3%), which were sold off on the back of the higher AUD.

In terms of the protection overlay, while the overall market has been flat, volatility conditions have been more favourable, allowing us to manage the derivative portfolio and offset much of the cost of carrying protection.

OUTLOOK

The overall portfolio continues to exhibit the Manager's (Perennial Value Management Limited) true to label value characteristics, with the portfolio offering better value than the overall market on each of our four valuation characteristics; price to earnings, price to free cash flow, gross dividend yield and price to net tangible assets.

As always, our focus will continue to be on investing in quality companies which are offering attractive valuations, while carrying a level of protection sufficient to reduce the magnitude of significant negative returns during sharp equity markets falls.

TOP 20 HOLDINGS

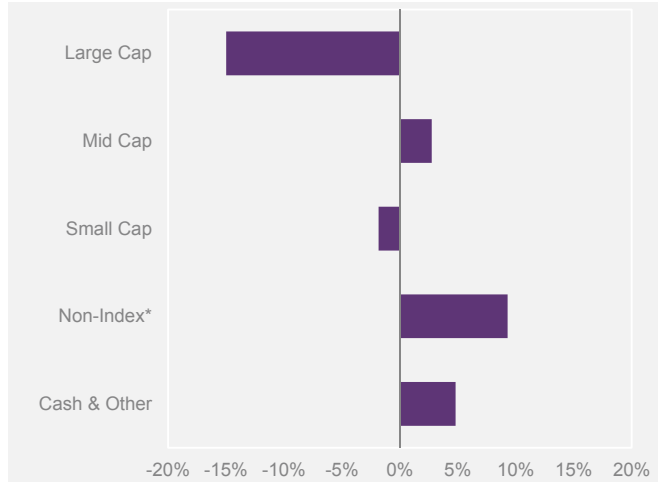
Stock name	Portfolio Weight %	Index Weight %	Active Weight %
BHP Billiton Limited	7.2	5.4	1.9
Commonwealth Bank.	6.4	9.3	-3.0
National Aust. Bank	5.8	5.2	0.6
Westpac Banking Corp	5.0	7.0	-2.0
ANZ Banking Grp Ltd	4.2	5.6	-1.4
AMP Limited	3.5	1.0	2.5
Suncorp Group Ltd	3.3	1.2	2.1
Telstra Corporation.	3.2	3.1	0.1
Woodside Petroleum	3.0	1.4	1.7
Woolworths Limited	3.0	2.2	0.8
Macquarie Group Ltd	3.0	1.9	1.1
Westfield Corp	2.7	0.9	1.8
Caltex Australia	2.7	0.5	2.1
Amcor Limited	2.4	1.1	1.3
Vocus Group Ltd	2.3	0.1	2.1
Cybg PLC	2.2	0.2	2.1
Gateway Lifestyle	2.2	0.0	2.2
Janus Henderson	2.1	0.2	1.9
Wesfarmers Limited	2.0	3.0	-1.0
Rio Tinto Limited	1.8	1.8	0.0

Source: Perennial Value Management

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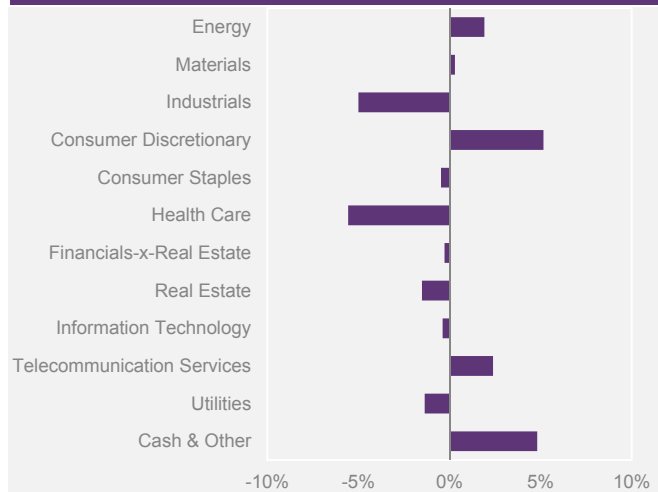
SECTOR ACTIVE WEIGHTS



*Active weight to stocks not included in the S&P/ASX300 Accumulation Index

Source: Perennial Value Management

SIZE SECTOR ACTIVE WEIGHTS



Source: Perennial Value Management