

INVESTMENT PORTFOLIO UPDATE & NTA REPORT

SEPTEMBER 2017

**WEALTH DEFENDER EQUITIES
AS AT 30 SEPTEMBER 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: \$0.9108⁸
 NTA after tax: \$0.9468⁸

Listing Date:

21 May 2015

Shares on Issue

126.3 million

Share Price

\$0.85

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

⁸ The NTA per share is at 30 September 2017. The after tax numbers relate to the provision for deferred tax on the unrealised gains and losses in the Company's investment portfolio.

INVESTMENT OVERVIEW & PERFORMANCE

NTA PERFORMANCE AS AT 30 SEPTEMBER 2017	1 MONTH %	3 MONTHS %	FYTD %	1 YEAR %	SINCE INCEPTION [^] % P.A
S&P/ASX 300 Accumulation Index	0.04	0.80	0.80	9.02	5.22
Wealth Defender Equities*	-0.87	0.12	0.12	5.13	-0.58

*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.

- A flat result in September saw the market up up 9.0% over the past twelve months.
- Industrials rose up 0.3% driven by healthcare and financials, while resources declined 1.2% on weaker commodity prices.
- Wealth Defender Equities (the Portfolio) has delivered a total return of up 6.9% over the past twelve months, while at all times, being well protected in the event of a major market downturn.

CONTRIBUTION TO RETURN AS AT 30 SEPTEMBER 2017	1 MONTH %	3 MONTHS %	FYTD %	1 YEAR %	SINCE INCEPTION [^] % P.A
Portfolio Gross Return (WDE) ⁹	-0.73	0.53	0.53	6.89	1.17
Stock Portfolio [#]	-0.25	1.28	1.28	9.68	3.56
Protection Portfolio [#]	-0.48	-0.75	-0.75	-2.79	-2.39

⁹ Gross Investment Portfolio performance before fees and tax.

[#] Contribution to Return.

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

MARKET ACTIVITY

Global markets were mixed in September, with the S&P500 (up 1.9%) and Nikkei 225 (up 3.6%) up, while the FTSE100 (down 0.8%) and Shanghai Composite (down 0.4%) declined. Commodity prices were generally weaker, with iron ore down 20.0%, coking coal down 9.0% and copper down 4.0%, while oil rose strongly up 10.0%. The Reserve Bank of Australia left the cash rate steady at 1.5% and the Australian Dollar finished the month 1 cent lower at 79 US cents.

The S&P/ASX300 Accumulation Index (the Index) was flat for the month, with healthcare up 2.3%, energy up 1.1%, financials up 1.1% and information technology up 0.6%. This was offset by falls in telecommunications down 4.5%, utilities down 3.6%, metals & mining down 1.9%, consumer staples down 1.9% and materials down 1.4%.

PORTFOLIO UPDATE

The Portfolio declined 0.7% for September, resulting in a solid return of up 6.9% for the last twelve months. While this is below the Index return of 9.0%, it is important to remember that this has been achieved with the portfolio, at all times, being well protected in the event of a major market downturn.

The better performing stocks in the Portfolio included Lendlease (up 10.1%), which rose as investors came to appreciate the value in the stock, Clydesdale Bank (up 9.4%), which rallied on expectations of interest rate increases in the UK and Macquarie Group (up 4.7%), which reiterated its full-year guidance which is likely to prove conservative. Other outperformers included Westfield Corp (up 5.5%), Janus Henderson (up 1.8%) as well as small cap holdings National Veterinary Care (up 12.2%), SpeedCast International (up 10.0%) and Kogan.com (up 10.0%).

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Stocks which detracted from performance included Newcrest (down 7.6%), which fell on the weaker gold price, Gateway Lifestyle (down 6.2%), Graincorp (down 5.4%), AMP (down 5.3%), Telstra (down 4.9%), Pacific Energy (down 8.6%) and Fleetwood (down 12.4%). Resource holdings also underperformed on the lower commodity prices, with BHP (down 3.9%) and Rio Tinto (down 1.9%) both easing following their recent strong performance.

The overlay continues to provide significant protection in the event of a market fall. During September, the cost of protection was slightly higher than in recent months, as volatility levels fell.

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.

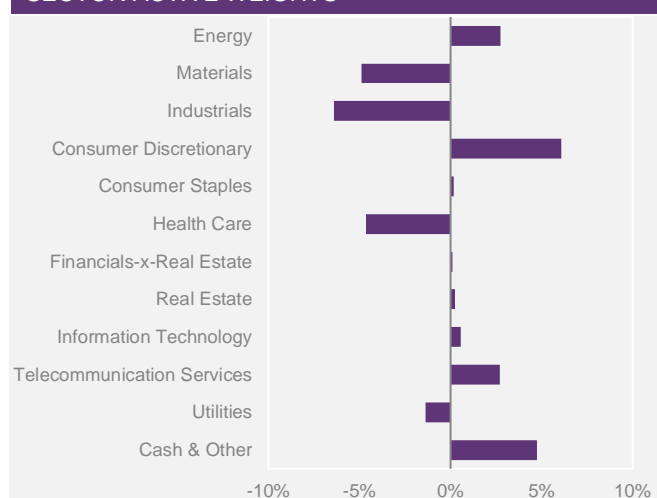
As always, our focus will continue to be on investing in quality companies which are offering attractive valuations, while carrying a level of protection sufficient to reduce the magnitude of significant negative returns during sharp equity markets falls.

TOP 20 HOLDINGS

Stock name	Portfolio Weight %	Index Weight %	Active Weight %
Commonwealth Bank	7.7	8.5	-0.8
BHP Billiton Limited	6.6	5.4	1.2
National Australia Bank	5.9	5.5	0.4
Westpac Banking Corporation	4.7	7.0	-2.3
Suncorp Group Limited	3.9	1.1	2.8
Woodside Petroleum	3.7	1.4	2.4
AMP Limited	3.7	0.9	2.8
ANZ Banking Group Limited	3.6	5.6	-2.0
Telstra Corporation	3.1	2.7	0.5
Caltex Australia	3.0	0.5	2.5
Woolworths Limited	2.9	2.1	0.8
Westfield Corporation	2.8	1.0	1.8
Rio Tinto Limited	2.6	1.8	0.7
Gateway Lifestyle	2.5	0.0	2.4
Wesfarmers Limited	2.4	3.0	-0.6
Newcrest Mining	2.1	1.0	1.0
Cybg PLC	2.1	0.2	1.8
The Star Entertainment Group	2.0	0.3	1.7
Lendlease Group	1.7	0.7	1.0
Stockland	1.7	0.7	1.0

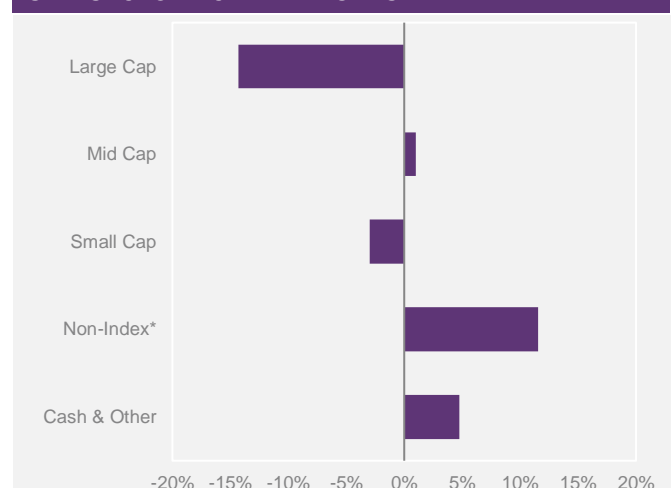
Source: Perennial Value Management

SECTOR ACTIVE WEIGHTS



Source: Perennial Value Management

SIZE SECTOR ACTIVE WEIGHTS



*Active weight to stocks not included in the S&P/ASX300 Accumulation Index
Source: Perennial Value Management