



Annual General Meeting



16 November 2017



Meeting Agenda

- Welcome
- Chairman's Presentation
- Notice of Meeting – taken as read
- Consideration of Reports
- Questions and Comments
- Items for Approval
- Manager's Presentation

WEALTH DEFENDER EQUITIES LIMITED – 30 JUNE RESULTS

(Loss)/Profit after tax	Total Portfolio Return**	Benchmark***
(\$178,943)	11.0%	13.80%
(2016: \$1,655,758)		
Earnings Per Share*	WDE NTA Performance	
(0.14) cents Basic	9.24% (2016: -8.04%)	
(2016: 1.32 cents)		
Dividend Paid	NTA (before tax) \$0.92 (2016: \$0.86)	
1 cent per Share	NTA (after tax) \$0.95 (2016: \$0.91)	
(2016: 3 cents per share)		
Net Assets		
\$119,947,193		
(2016: \$114,461,631)		

*Calculated from 30 June 2016

** Returns are gross measured since 30 June 2016

***S&P/ASX300 Accumulation Index

RESOLUTION 1 – RE-ELECTION OF DIRECTOR – ALAN SCHOENHEIMER

To consider and, if thought fit, pass the following as an ordinary resolution of the Company:

“That Alan Schoenheimer, who retires in accordance with clause 6.7 of the Company’s Constitution, and being eligible for re-election, is re-elected as a Director of the Company.”

RESOLUTION 1 – RE-ELECTION OF DIRECTOR – ALAN SCHOENHEIMER

PROXY RESULTS	
FOR	21,957,307
AGAINST	15,220,308
OPEN	332,753
ABSTAIN	455,564

RESOLUTION 2 – RE-ELECTION OF DIRECTOR – JOHN MURRAY

To consider and, if thought fit, to pass the following as an ordinary resolution of the Company:

“That John Murray, who retires in accordance with clause 6.7 of the Company’s Constitution, and being eligible for re-election, is re-elected as a Director of the Company.”

RESOLUTION 2 – RE-ELECTION OF DIRECTOR – JOHN MURRAY

PROXY RESULTS	
FOR	21,978,098
AGAINST	15,199,517
OPEN	338,017
ABSTAIN	450,300

RESOLUTION 3 – REMUNERATION REPORT

To consider and, if thought fit, to pass the following as an advisory resolution of the Company:

“That the Company’s Remuneration Report for the financial year ended 30 June 2017, as set out in the Directors’ Report, is adopted.”

RESOLUTION 3 – REMUNERATION REPORT

PROXY RESULTS	
FOR	10,766,007
AGAINST	15,774,014
OPEN	338,017
ABSTAIN	8,451,935



Wealth Defender Equities Manager Update

AGM November 2017



Investment Update & Market outlook



John Murray – Managing Director



Stephen Bruce – Senior Portfolio Manager

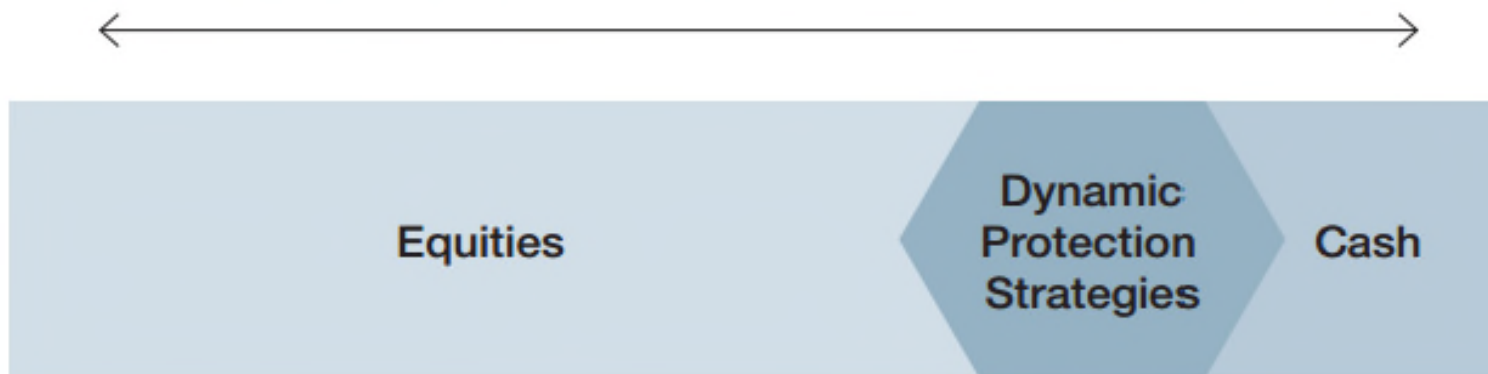


Dan Bosscher – Senior Portfolio Manager

Wealth Defender Equities - Objective

The Company aims to outperform the S&P/ASX 300 Accumulation Index by investing in a diversified portfolio of Australian shares (with an ex-ASX top 20 bias over time) and using protection strategies to dynamically protect the portfolio through market cycles, thereby seeking to reduce the magnitude of significant negative returns in falling equity markets.

Actively managed allocation between equities, cash and derivative protection throughout market cycles



Portfolio Performance since listing

Period to 30 October 2017 (Contribution)	Since Inception* (p.a.%)
S&P/ASX 300 Accumulation Index	6.7
Shares Portfolio	4.9
Overlay Portfolio	-2.4
WDE portfolio	2.5
Value Added/Detracted	-4.2
Volatility of Fund	8.8%
Volatility of Index	12.0%
Volatility Improvement (%)	-26%

Portfolio at all times protected in the event of a major market fall

Value style performs better in FY17

As at 31 October 17:	FY18TD (%)	FY17 (%)	Inception to 30-Jun-16	Since Inception* (% pa)
ASX300 Accumulation Index	4.9	13.8	-1.5	6.7
WDE – Stock portfolio return	4.9	15.0	-6.0	4.9
Relative performance	0.0	1.2	-4.5	-1.8

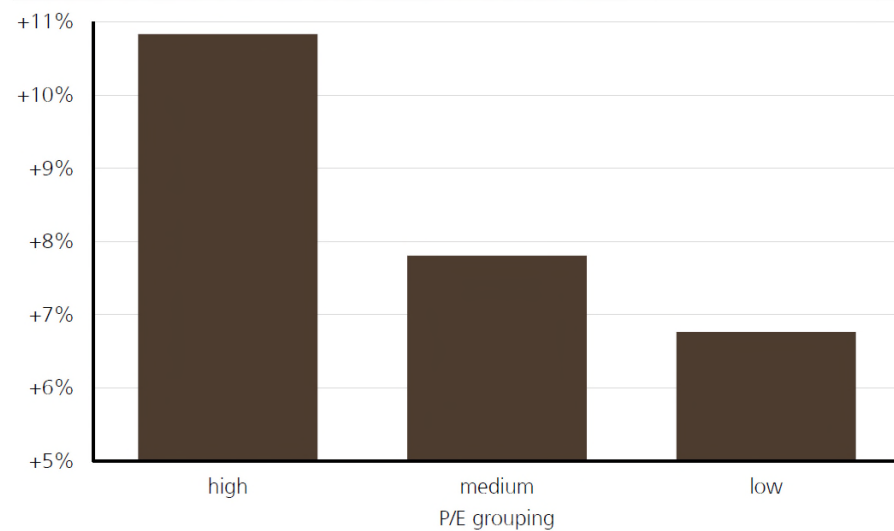
Outperformed in FY17, partial value recovery, benefited from:

- **Overweight resources** – BHP, Rio Tinto, Iluka Resources
- **Overweight mining services** – Downer EDI, Imdex
- **Overweight financials** – Macquarie Group, QBE Insurance, Suncorp
- **Underweight bond sensitives** – REITs, Infrastructure
- **Underweight expensive growth** – Dominos Pizza, TPG Telecom
- **Main detractors:**
 - underweight to lower quality resources stocks and CSL
 - overweight to Vocus Group and Gateway Lifestyle

But still facing headwinds...

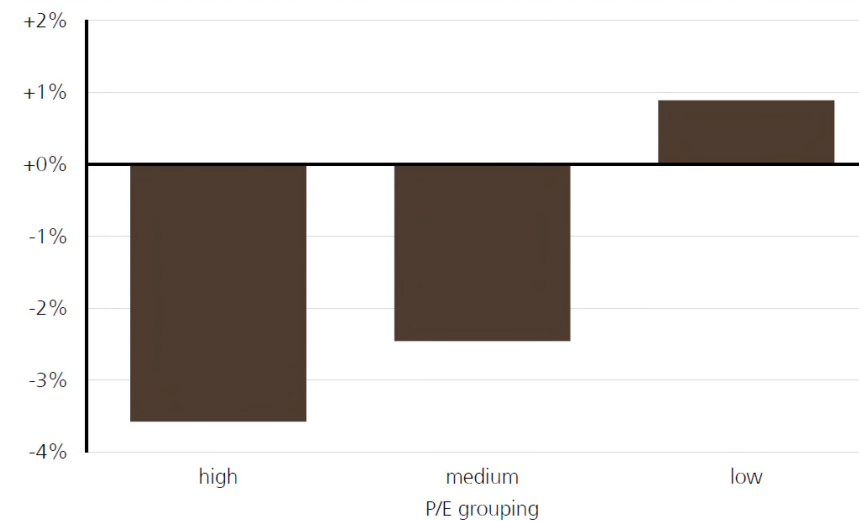
Expensive stocks outperforming – despite earnings expectations declining

Figure 1: Median Total Return YTD by P/E Grouping



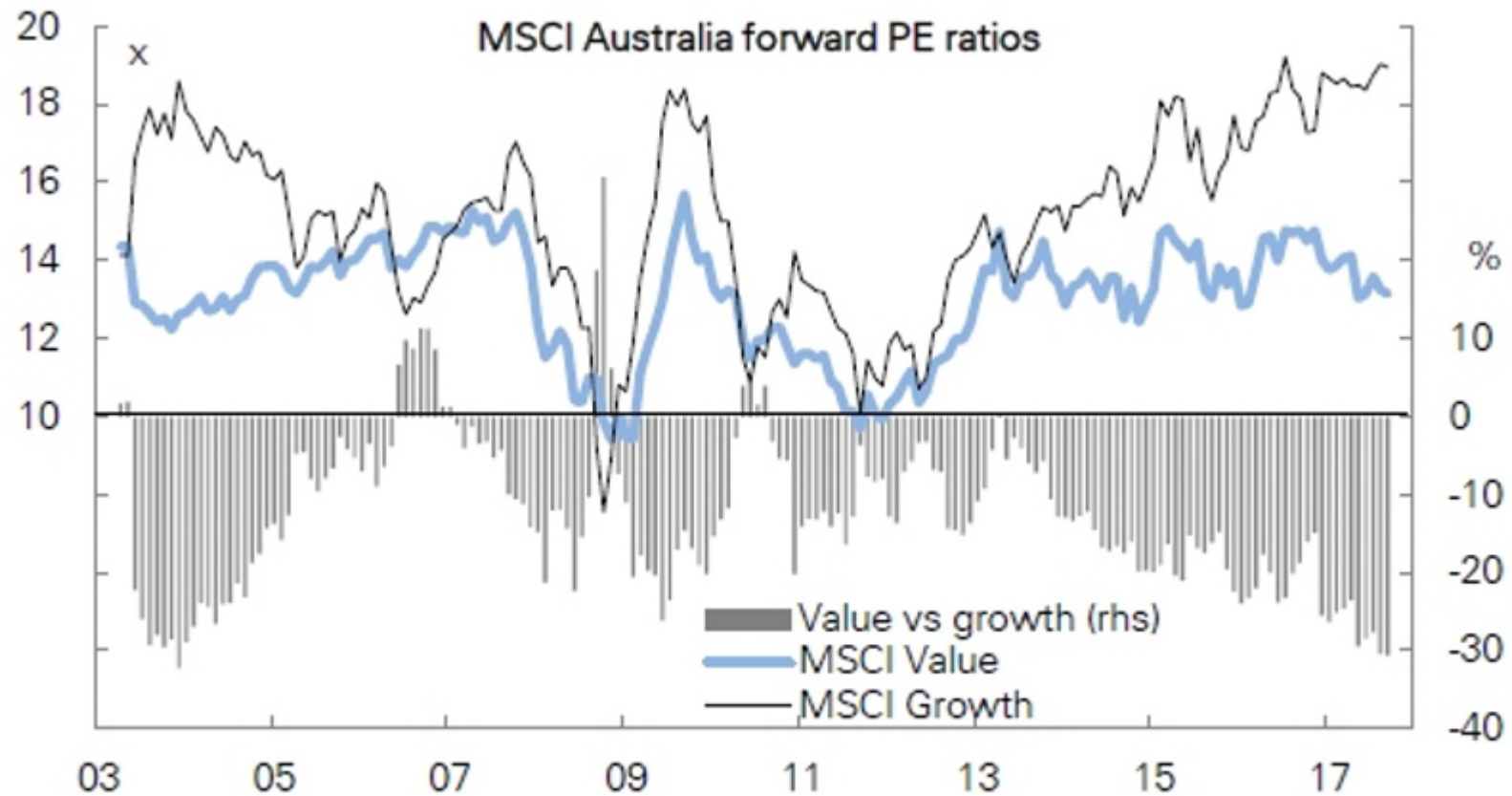
Source: UBS, Factset

Figure 5: Median YTD Revision to FY18 Consensus EPS By P/E Grouping



Source: UBS, Factset

Value now very cheap vs growth



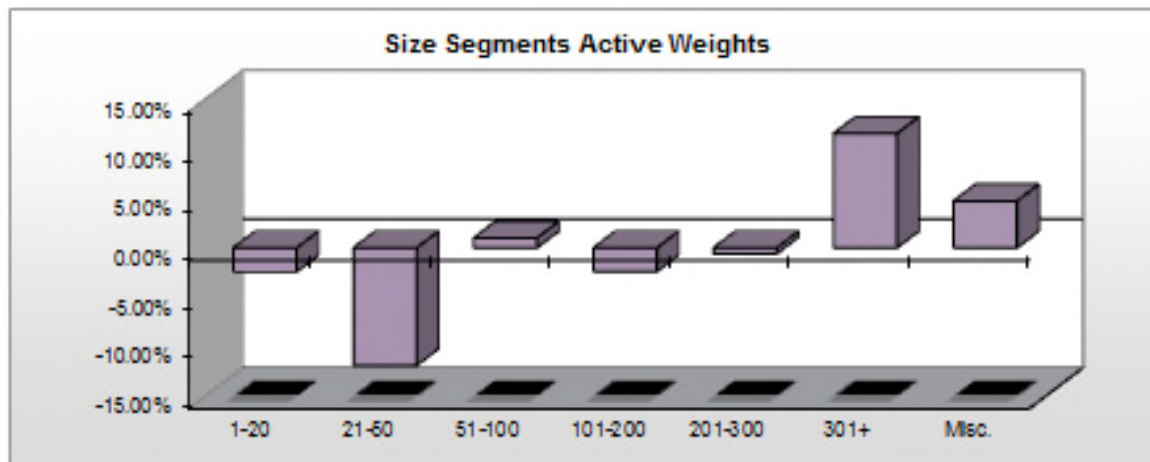
WDE portfolio good value...

Top 10 overweights – FY18 multiples	P/E* (x)	Gross yield* (%)
Gateway Lifestyle	13.5	5.1
Caltex	14.0	5.1
Woodside Petroleum	15.5	7.4
Suncorp	15.7	7.5
Clydesdale Bank	13.4	1.9
Vocus	12.8	0.0
AMP	13.8	7.8
Graincorp	14.8	4.8
Tabcorp	20.4	7.1
News Corp	27.1	1.5
WDE Portfolio average:	14.3	6.1

...in a market with lots of expensive stocks

Stock not held – FY18:	P/E* (x)	Gross yield* (%)
Transurban	69.2	4.9
Cochlear	39.2	2.2
Blackmores	37.8	3.0
A2 Milk	37.7	0.0
Sydney Airport	36.3	5.2
Bellamy's	34.6	1.2
REA Group	33.6	2.0
Qube Holdings	32.9	3.1
Treasury Wines	31.9	2.1
Seek	29.3	3.7
CSL	29.0	1.7
Aristocrat Leisure	27.0	2.1
Average:	36.5	2.6

December 16 – Increased small caps allocation and concentration



WDE portfolio:	Nov-16	Oct-17
Small cap weighting	14.2	18.9
Stock numbers	86	45

- Small cap limit increased from 20% to 30% from November 17

Increased small caps making a significant contribution

Largest positive contributors December 16 to October 17	Total return
Melbourne IT	+72%
Imdex	+69%
Smartgroup Holdings	+61%
RPMGlobal Holdings	+43%
HFA Holdings	+37%
Prime Media Group	+31%
Iluka Resources	+30%
Caltex	+17%
Crown Resorts	+13%

Current positioning

Overweight:

Offshore earners – Clydesdale, Janus Henderson, HFA, Macquarie, News Corp

Large-cap, low-cost, strong balance sheet resources – BHP, Rio, Woodside

Diversified financials – AMP, Janus Henderson, Macquarie, Suncorp

Infrastructure investment – Macquarie Group

Tourism, leisure – Crown Resorts, Event Hospitality

Macro uncorrelated stocks – Gateway Lifestyle, Integral Diagnostics, Life Healthcare

Neutral:

Major banks – Modest growth but reasonable valuations and sustainable dividends

Underweight:

Expensive defensives – Healthcare, Infrastructure, REITs, Utilities

Portfolio Metrics

Prospective FY18	Price to Earnings (times)	Price to free cashflow (times)	Gross Yield (%)	Price to NTA (times)	Net Interest Cover (times)	3yr EPS growth (%p.a.)
Market Average	15.8	14.6	5.6	2.3	18.5	6.5
WDE	14.3	11.8	6.1	1.9	19.3	4.2
Premium/ (Discount) to Market	(9%)	(19%)	9%	(17%)	4%	(35%)

Portfolio true to label 'Value' style

Protection portfolio – key points

- CY16 difficult conditions for overlay past
- 1 year overlay cost 2.8% in a +15.9 market, or 82% upside participation
- Annualised volatility 26% lower than the index
- General macro risk outlook low, geopolitical risk high

S&P/ASX300 Accumulation Index Overnight movement	-5%	-10%	-15%	-20%	-25%	-40%
Forecast protection portfolio return*	+1.2%	+3.4%	+6.8%	+10.2%	+13.8%	+23.6%
Proportion of fall saved	23%	34%	45%	51%	55%	59%

Portfolio at all times protected in the event of a major market fall

Source: Perennial Value as at 31 October 2017. *Forecast protection portfolio return is calculated as the average expected payoff over 2017 CY17TD in the respective overnight market movement and is based on a range of assumptions. Actual outcomes may differ materially.

Protection portfolio - airbag deploying when needed

Major drawdowns	Intra-month market low %	Protection return %	Proportion of market fall saved	Proportion of market fall >5% saved
Aug-15	-11.7	+4.1	35%	61%
Jan-16	-8.2	+2.5	30%	78%

- 2 material market drawdowns since listing
- **Protection added significant value in each case**
- Proportion of fall saved increases the further the market falls
- Most value added in falls >5%
- **Portfolio annualised volatility 26% lower than the market**

Conclusion

- ▶ Value thematic now working in favour of the equity portfolio
- ▶ Increased concentration in small cap portfolio
- ▶ Overlay cost falling now volatility conditions normalised
- ▶ Defensive strategy which can outperform in a rallying market

Wealth Defender Equities is unique:

- a diversified portfolio of quality Australian companies***
- enhanced by permanent, cost-effective downside protection***
- cheap entry at current discount to NTA***

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