

INVESTMENT PORTFOLIO UPDATE & NTA REPORT

OCTOBER 2015

**WEALTH DEFENDER EQUITIES
AS AT 31 OCTOBER 2015**
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 cushioning the magnitude of negative returns when equity markets fall significantly.

ASX Codes:

WDE
WDEO (Loyalty options)

Listing Date:

21 May 2015

Shares on Issue

125.8 million

Share Price 31 October

\$0.87

Loyalty Options

Vesting date: 23 November 2015
Expiry date: 23 November 2016

Dividend Frequency

Half Yearly

Number of Stocks

35 to 100

Cash Limits

0 to 50%

Suggested Investment Timeframe

5+ years

INVESTMENT OVERVIEW & PERFORMANCE

NET TANGIBLE ASSETS (NTA)	AMOUNT
NTA before tax	\$0.8973
NTA after tax	\$0.9274

The NTA does not include or adjust for Loyalty Options.

Loyalty Options will vest on the vesting date of 23 November 2015 if and only if, the applicant holds the same or a greater number of Shares as applied for in the IPO.

The NTA per share is at 31 October 2015. The before and after tax numbers relate to the provision for deferred tax on the unrealised gains in the Company's investment portfolio.

- In a highly volatile environment such as we have seen recently, it remains prudent to carry a high level of protection in case of a significant sharp fall in the markets.
- Perennial Value Management (the Manager) believes they are well positioned to protect the portfolio against any major market fall in the months ahead.

PERFORMANCE AS AT 31 OCTOBER 2015	MONTH %	QUARTER %	SINCE INCEPTION^ % P.A.
WDE*	1.62	-6.76	-6.20
S&P/ASX 300 Accumulation Index	4.42	-6.37	-4.82

^ Inception date 21 May 2015

* Performance before fees and tax

After a weak August and September, the market rallied strongly in October. The S&P/ASX300 Accumulation Index (the Index) returned 4.42% in the month whilst Wealth Defender Equities Limited (the Company) delivered a return of 1.62%. While this is an uncharacteristically large lag in a rallying market, it was predominantly driven by the strong defensive positioning in the protection portfolio. The manager believes that in a highly volatile environment such as has been seen recently, it remains prudent to carry a high level of protection in case of a significant sharp fall in the markets.

Since inception, the portfolio has carried protection at all times. However, as with the outperformance we saw in August's weakness when the protection portfolio helped the Company to outperform by 3%, we will occasionally experience significant deviations from the index in a strong market as was the case this month.

Part of the relative under performance of the protection portfolio over the month was driven by the very high level of volatility in the share market over August and September. This meant that the cost of insurance was greater than normal and, as a result, we held relatively more cash than usual which dragged on performance as the market rallied.

Represented by the graph on the next page and shown by the blue line, volatility has decreased significantly over October. The benefit of this is that now we are able to buy protection at much better prices than before and over the last few weeks we have done exactly that.

INVESTOR CONTACTS

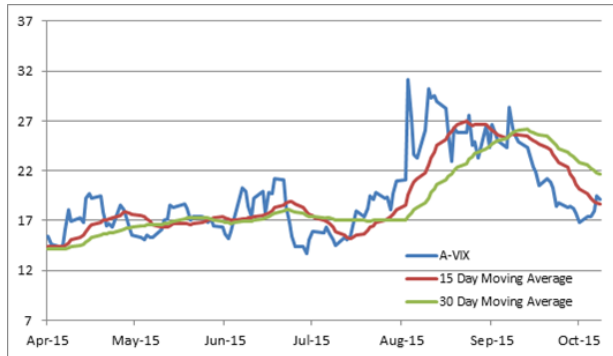
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AVIX: Last Six Months



Source: Perennial Value Management

MARKET UPDATE

Globally markets were strong with S&P500 up 8.3%, FTSE up 4.9%, Nikkei up 9.8%, and Shanghai Composite up 10.8%. Commodity prices were generally stable, the Reserve Bank of Australia (RBA) left the cash rate unchanged and the Australian Dollar (AUD) increased 1 cent to 71 US cents.

Sector performance was mixed, with energy (up 8.0%) the best performing sector, followed by utilities (up 6.9%), healthcare (up 6.2%), consumer discretionary (up 6.2%), industrials (up 5.1%) and financials (up 5.0%), while telecommunications (down 2.8%), consumer staples (up 0.5%) and information technology (up 0.6%) lagged.

The best performing stock in the portfolio was BlueScope Steel (up 23.9%) after announcing that it had reached agreement with the Government and unions to achieve the necessary cost reductions to continue steel production at Port Kembla as well as moving to full ownership of its strongly performing US operation. Other strong performers included NewsCorp (up 19.0%), CIMIC Group (up 18.0%) after delivering a strong Q3 trading update and confirming full-year guidance, Sandfire Resources (up 17.6%) and Crown Resorts (up 15.8%) after announcing at their AGM that the year had started strongly for their Australian casinos. Metcash (up 13.3%) rallied on optimism around their turnaround strategy and Macquarie Group (up 11.8%) rose after delivering a strong H116 result which saw Earnings per Share (EPS) up 53% and the dividend increase by 23%. Henderson Group (up 11.4%) also performed well after reporting strong quarterly fund inflows.

With regards to housing-related stocks, we still see value in stocks held within this sector and, as mentioned in our September commentary, believe that investors generally have become too bearish on the domestic housing outlook. During the month, Stockland (up 5.2%) delivered an update which confirmed that it is on track for 6.0-7.5% EPS growth in FY16 with land sales of 6,000 lots and Harvey Norman released strong first quarter FY16 sales results with like-for-like sales up 7.1% and pre-tax profit up 27.8%.

These results, together with the reported acceleration in Bunnings sales, reinforce our continued positive outlook for the housing market, both in terms of new completions coming through and renovations.

In recent months, the banking sector has also been caught up in this negative sentiment, and during the month ANZ (up 0.5%), NAB (up 0.6%) and Westpac (up 6.2%) delivered their full-year results. While the results showed subdued earnings growth, a clear positive was the very good credit quality in their Australian business, with arrears trends continuing to improve. The recent mortgage rate rises clearly demonstrate the pricing power of the major banks and at current prices, having just completed capital raisings, we think they offer reasonable value, with a sector average FY16 gross dividend yield of 8.8%. The portfolio has participated in the recent capital raisings of each of the major banks and this has had the effect of increasing exposure to both the banking and, by default, housing sector too. To offset this and to ensure that the portfolio is not unduly exposed to the housing sector, holdings were selectively trimmed elsewhere in stocks including Boral and Harvey Norman.

In the other stock specific news, Lend Lease held an investor day during the month. We were impressed by the depth of management who presented and the company reiterated the low settlement risk that they have in their residential apartment portfolio. This latter issue has been weighing on the share price recently. CIMIC Group (formerly Leighton) has continued to win new projects, including Leighton Contractors, with its alliance partners, being selected as a preferred consortium to deliver the Roe 8 Highway Project in Perth. Navitas also held an investor day and highlighted the underlying growth rate for education, a circa US\$6 trillion market, which is forecast to grow at an annual rate of 8%.

PORTFOLIO UPDATE

In terms of portfolio activity, a feature of the first half of the month was a rebound in the materials and resources sectors. We took the opportunity to selectively reduce exposure to this sector via a number of holdings, including Iluka, RIO, South32 and Sims Group. The portfolio remains mildly overweight to resource companies, with balance sheet strength a key criteria of the selected stocks held in this sector. The portfolio sold out of Asciano at an average price of \$8.55 and it closed the month lower at \$8.20.

In addition to taking up entitlements in the Westpac share issue, proceeds were reinvested across existing holdings including Crown Resorts and Metcash. Suncorp Group was introduced to the portfolio. The Suncorp Group consists of a strong multi-brand general insurance business with leading market shares in Australia and New Zealand, a growing regional bank on the Eastern seaboard and a conservatively positioned life company. The personal lines insurance business is particularly strong with good systems and it has a low cost motor car repairer model which will perform even more competitively in a rising auto spare parts

cost environment. The share price has largely tracked sideways over the past year and we were particularly attracted to the prospective FY16 gross yield of 9.6% underpinned by a surplus capital position.

WDE Key Investment

TOP 20 HOLDINGS		
Stock name	Portfolio weight %	Index weight %
Westpac Banking Corp.	8.03	7.50
Commonwealth Bank	7.35	9.43
National Aust. Bank	6.81	5.70
ANZ Banking Grp Ltd.	6.33	5.63
BHP Billiton Limited	5.95	5.32
Telstra Corporation	5.45	4.75
Woolworths Limited	3.50	2.20
Macquarie Group Ltd.	3.43	2.06
QBE Insurance Group	2.55	1.30
Wesfarmers Limited	2.55	3.19
AMP Limited	2.48	1.22
Woodside Petroleum	2.45	1.51
AGL Energy Limited	2.37	0.81
RIO Tinto Limited	2.14	1.55
News Corp.	1.79	0.05
Stockland	1.72	0.68
GrainCorp Limited	1.56	0.12
Cimic Group Ltd.	1.54	0.20
Crown Resorts Ltd.	1.48	0.31
Aristocrat Leisure	1.36	0.39

Source: Perennial Value Management

OUTLOOK

Going forward we believe markets will remain volatile given the continuation of general uncertainty around central bank actions and the generally negative sentiment around China. Perennial Value believes the portfolio is well positioned to protect against any major market fall in the month ahead.

ANNUAL GENERAL MEETING

The inaugural Annual General Meeting (AGM) for the Company was held on Tuesday, 27th October 2015. Copies of the Chairman's and the Manager's updates are available from the [Company website](#).

VESTING OF LOYALTY OPTIONS

Options issued under the prospectus will vest at 7.00pm (Sydney time) on 23rd November 2015 (Vesting Date). Options will vest on the basis of one Option for every Share issued under the Offer, if, on the Vesting Date, the Option holder holds the same or a greater number of Shares as the number of Shares issued under the Offer. If the Option holder holds less Shares than were issued under the Offer, all of their Options will lapse. Further details are available on the [Company website](#).

WDE Portfolio Profile

ASSET ALLOCATION		
Sector	Portfolio Weight %	Index Weight %
Energy	3.56	4.29
Materials	14.86	13.90
Industrial	3.27	7.96
Consumer Discretionary	12.18	4.72
Consumer Staples	8.35	6.84
Health Care	0.30	6.48
Financials-x-Real Estate	39.43	38.75
Real Estate	4.78	8.40
Information Technology	0.31	1.06
Telecommunication Services	5.69	5.29
Utilities	2.45	2.32
Cash & Others	4.84	-

Source: Perennial Value Management

Rounding accounts for small +/- from 100%