

INVESTMENT PORTFOLIO UPDATE & NTA REPORT

September 2016

**WEALTH DEFENDER EQUITIES
AS AT 30 SEPTEMBER 2016**
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 Codes:

WDE
WDEO (Loyalty options)

Net Tangible Assets (NTA) 30 September 2016

NTA before tax: \$0.8759^β
NTA after tax: \$0.9145^β

Listing Date:

21 May 2015

Shares on Issue

126.3 million

Share Price 30 September 2016

\$0.78

Loyalty Options

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

^β The NTA does not include or adjust for outstanding Loyalty Options. The NTA per share is at 30 September 2016. 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 30 SEPTEMBER 2016	1 MONTH %	3 MONTHS %	FYTD %	1 YEAR %	SINCE INCEPTION [^] % P.A
S&P/ASX 300 Accumulation Index	0.51	5.24	5.24	13.50	2.52
Wealth Defender Equities*	0.19	4.04	4.04	2.46	-4.56

* 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.

- The market rose slightly in September, with the S&P/ASX300 Accumulation Index (the Index) up 0.5%.
- Resources performed strongly up 5.8%, while defensive sectors underperformed.
- Wealth Defender Equities (WDE) returned 0.19%, underperforming the Index by 0.32%.

In line with the objective, the portfolio is invested in a diversified portfolio of financially sound companies and carries a level of protection sufficient to reduce the magnitude of significant negative returns during sharp equity markets falls.

CONTRIBUTION TO RETURN AS AT 30 SEPTEMBER 2016	1 MONTH %	3 MONTHS %	FYTD %	1 YEAR %	SINCE INCEPTION [^] % P.A
Portfolio Gross Return (WDE) ^α	0.31	4.42	4.42	4.17	-2.83
Stock Portfolio [#]	0.44	6.31	6.31	9.66	-0.61
Protection Portfolio [#]	-0.13	-1.89	-1.89	-5.49	-2.22

^α Gross Investment Portfolio performance before fees and tax.

[#] Contribution to Return.

MARKET ACTIVITY

The international markets were mixed with the S&P500 down 0.1%, Nikkei 225 down 2.6% and Shanghai Composite down 2.6%, while the FTSE 100 rallied up 1.7%. Metal prices rallied, with nickel up 8.3%, copper up 5.4% and aluminium up 3.7%, while iron ore declined 1.0% over the month. The oil price closed up 7.9% and gold increased 0.5%. The Federal Reserve left rates unchanged, as did the Reserve Bank of Australia (RBA), with the cash rate remaining steady at 1.5%, while the Australian Dollar (AUD) finished the month up one cent at 77 US cents.

During September, the better performing sectors included metals and mining (up 8.1%), materials (up 5.7%) and consumer staples (up 1.6%), while REITs (down 4.3%), telecommunications (down 4.0%) and utilities (down 3.2%) underperformed.

PORTFOLIO UPDATE

Stocks which performed strongly included miners BHP (up 10.5%) and Rio Tinto (up 8.4%) as well as Downer (up 10.0%) with its mining services exposure and Wesfarmers (up 3.9%) which stands to benefit from the strong recovery in coal prices. We see good medium-term value in the large-cap end of the resources market, with their strong balance sheets, tier one assets and management focus on cost and capex reduction. Should the current strength in commodity prices continue, the sector is likely to see significant upgrades to consensus

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earnings forecasts. Other strong performers over the month included Crown Resorts (up 2.9%), with some signs of an improvement in Macau and AGL Energy (up 2.7%), which outperformed after announcing a buy-back, increasing the dividend payout ratio and providing positive FY17 earnings guidance at their AGM.

Stocks which detracted from performance tended to be offshore exposures which have been weighed down by the persistently high Australian dollar, including QBE Insurance (down 6.4%), Clydesdale Group (down 5.8%), Resmed (down 5.5%) and Westfield Corporation (down 4.8%). We remain comfortable with the outlook for each of these stocks.

On the protection side, we saw volatility levels remain low, although there was a brief spike around the 12th of September following some unexpectedly hawkish commentary from one of the Federal Reserve members. For the month the protection portfolio was down a small amount mostly due to the lack of movement in the market, and the continuing fall in volatility. As always our focus will remain on managing the long run cost and, most importantly, making sure the portfolio is well protected for significant, sharp drawdowns.

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.

The probability of a rate rise in the US continues to be pushed out but not removed. There is currently a 60.0% chance the Federal Reserve will move this calendar year. Whilst volatility remains low, the commentary that monetary policy globally is working as desired. Last month we said low volatility can store up volatility for the future, and we believe this to still be the case. We currently have a normal level of protection in place and this is still costing significantly less than it has over the past year.

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.

INVESTOR WEBINAR

The WDE investor update webinar was held on Tuesday 27 September. To watch the webcast please visit our website. (www.wealthdefenderequities.com.au)

FINAL DIVIDEND PAID

The final dividend for the year of 2.0 cents per share was paid on Friday 30 September.

ANNUAL GENERAL MEETING

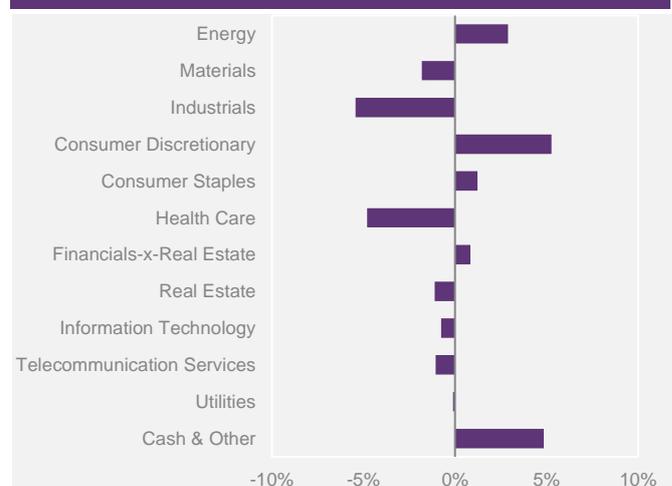
The Annual General Meeting will be held on Wednesday 9 Nov 2016 at Dexus Place, Level 5, 1 Margaret Street, Sydney. Shareholders who are unable to attend the meeting or would prefer to register questions in advance are invited to do so by logging onto www.linkmarketservices.com.au and select 'Vote Online'.

TOP 20 HOLDINGS

Stock name	Portfolio Weight %	Index Weight %
BHP Billiton Limited	6.4	4.9
Commonwealth Bank	6.3	8.5
Westpac Banking Corporation	5.3	6.7
National Australia Bank	5.3	5.0
ANZ Banking Group Limited	4.5	5.5
Telstra Corporation	3.8	4.3
Macquarie Group Limited	3.7	1.9
Wesfarmers Limited	3.5	3.4
Woolworths Limited	3.1	2.0
Rio Tinto Limited	2.8	1.5
AMP Limited	2.8	1.1
Woodside Petroleum	2.8	1.4
QBE Insurance Group	2.5	0.9
AGL Energy Limited	2.2	0.9
Lendlease Group	2.1	0.5
Stockland	2.1	0.8
Caltex Australia	2.0	0.6
Amcor Limited	2.0	1.2
Cybg PLC	2.0	0.2
Westfield Corporation	1.9	1.3

Source: Perennial Value Management

SECTOR ACTIVE WEIGHTS



Source: Perennial Value Management