Wealth Defender Equities Limited
ACN 602 517 528

INVESTMENT PORTFOLIO UPDATE & NTA REPORT

JUNE 2016

WEALTH DEFENDER EQUITIES AS AT 30 JUNE 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 cushioning the magnitude of negative returns when equity markets fall significantly.
ASX Codes:
WDE WDEO (Loyalty options)
Net Tangable Assets (NTA) 30 June 2016
NTA before tax: $0.8610[β] NTA after tax: $0.9064[β]
Listing Date:
21 May 2015
Shares on Issue
125.7 million
Share Price 30 June 2016
$0.72
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 June 2016. The after tax numbers relate to the provision for deferred tax on the unrealised gains and losses in the Company's investment portfolio.

INVESTOR CONTACTS

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INVESTMENT OVERVIEW & PERFORMANCE

NTA PERFORMANCE AS AT 30 JUNE 2016	1 MONTH %	3 MONTHS %	FYTD %	1 YEAR % P.A.	SINCE INCEPTION^ % P.A
S&P/ASX 300 Accumulation Index	-2.44	3.98	0.87	0.87	-1.52
Wealth Defender Equities*	-2.58	-0.87	-7.96	-7.96	-8.79

*** 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**

- Markets declined in June, with the S&P/ASX300 Accumulation Index (the Index) down 2.4%.
- Resources stocks outperformed and industrials were lower, especially financial stocks.
- Wealth Defender Equities (WDE) was down 2.6%, underperforming the index by 0.2%.
- The protection portfolio generated a positive return over the month adding 0.9%

In line with the objective, WDE 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.

The 2016 financial year has been very difficult for true-to-label value investors such as Perennial Value (the Manager). Irrespective of this, as Manager we recognise that investors will feel somewhat disappointed with our performance over the year and we are as well. What is clear to us however, is that value as a style has been a proven performer over the long term, as is our investment process. This is reflected in the long term outperformance of the Perennial Value Australian Shares Trust of 2.9% per annum above the Index over the last 16 years. This Trust substantially forms the basis of the stock component of WDE. There have been periods where we have seen value perform poorly in the past, such as at the tail end of the pre-financial crisis boom and during the 2012 flight to safety. However, on each occasion, we have remained disciplined, stayed true to our process and the Perennial Value Australian Shares Trust has been rewarded by subsequent strong outperformance. We have no reason to believe that this will not be the case going forward as relative market valuations inevitably normalise.

PORTFOLIO UPDATE

CONTRIBUTION TO RETURN AS AT 30 JUNE 2016	1 MONTH %	3 MONTHS %	FYTD %	1 YEAR %	SINCE INCEPTION^ % P.A
Portfolio Gross Return (WDE) [α]	-2.45	-0.48	-6.47	-6.47	-7.13
Stock Portfolio[#]	-3.35	1.03	-4.07	-4.07	-5.98
Protection Portfolio[#]	0.90	-1.51	-2.40	-2.40	-1.15

[α] Gross Investment Portfolio performance before fees and tax [#] Contribution to Return

There was a high level of volatility in June, with the market not pricing in the events in the UK. On the day of the Brexit result, the protection portfolio performed well, highlighting the benefits of having a permanent overlay in place to cushion the effects of unexpected events. As such, we believe this is a more reliable way of protecting the downside in the long run, rather than trying to time markets or predict decisions like Brexit. For the month, after a strong bounce post the Brexit outcome, the protection portfolio delivered a positive return of 0.9% compared to the stock component which detracted from the portfolio, delivering -3.4%. We continue to focus on the long term cost of protection as it can vary substantially from month to month. Since inception, WDE has carried protection at all times, and to date this has cost 1.1% per annum on an annualised basis. This is within the estimated long term cost of running permanent protection.

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The strongest performers included Stockland Property Group (up 6.7%), Crown Resorts (up 3.8%) after announcing a planned restructure, and AGL Energy (up 3.8%) as the mindset of the market shifted in favour of defensive quality. Leading iron ore giant, Rio Tinto (up 1.8%) followed the higher iron ore prices. A recent addition to the portfolio, Westfield Holdings (down 0.7%) did comparatively well, notwithstanding its UK exposure. QBE Insurance declined (down 16.2%), and other financial stocks were also weak, given the cautious sentiment concerning global equity markets, with AMP (down 8.5%) and Macquarie Group (down 8.0%). We remain comfortable in the outlook for each of these companies.

MARKET ACTIVITY

The initial turmoil in global markets following the unexpected Brexit decision subsided and there was some recovery at month end: the S&P500 up 0.1%, FTSE100 up 4.4% and Shanghai Composite up 0.4% although the Nikkei 225 was weak, down 9.6%. The Federal Reserve left rates unchanged and metal prices were strong, with iron ore (up 8.0%) and copper (up 2.7%), partially retracing last month's declines. Brent oil remained steady and the Australian Dollar firmed slightly to 74.5 US cents (up 3.0%).

Defensive industrial sectors outperformed with utilities (up 5.6%) and REITs (up 3.5%) standing out. Our underweight stance in these sectors worked against WDE. The metals and mining sector (up 3.4%) was helped by higher metals prices and the gold sector (up 22.0%) rose sharply, reflecting a higher gold price (up 8.8%), due to the likely postponement of US interest rate rises and heightened economic uncertainty.

OUTLOOK

The overall portfolio continues to exhibit the Manager's 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.

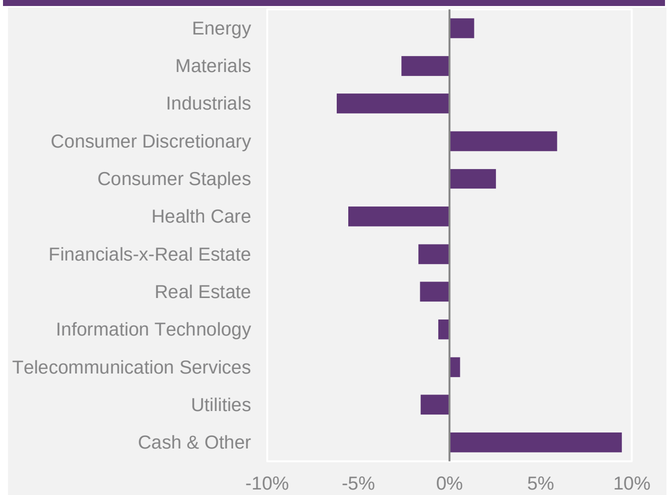
As always, our focus will continue to be on investing in quality companies which are offering attractive valuations, while carrying a level of protection sufficient to reduce the magnitude of significant negative returns during sharp equity markets falls.

TOP 20 HOLDINGS

Stock name	Portfolio Weight %	Index Weight %
Commonwealth Bank	6.7	9.1
Telstra Corporation	6.1	4.8
Westpac Banking Corporation	5.7	7.0
BHP Billiton Limited	5.2	4.3
National Australia Bank	4.9	4.8
ANZ Banking Group Limited	4.5	5.0
Wesfarmers Limited	3.9	3.2
Woolworths Limited	3.2	1.9
Woodside Petroleum	3.1	1.4
Westfield Corporation	2.8	1.4
AMP Limited	2.8	1.1
Macquarie Group Limited	2.6	1.7
QBE Insurance Group	2.4	1.0
Rio Tinto Limited	2.3	1.4
Stockland	2.1	0.8
Suncorp Group Limited	2.0	1.1
Lendlease Group	1.7	0.5
GrainCorp Limited	1.7	0.1
Harvey Norman	1.6	0.2
Crown Resorts Limited	1.6	0.3

Source: Perennial Value Management

SECTOR ACTIVE WEIGHTS



Source: Perennial Value Management