

INVESTMENT PORTFOLIO UPDATE & NTA REPORT

SEPTEMBER 2018

**WEALTH DEFENDER EQUITIES
AS AT 30 SEPTEMBER 2018**
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: \$0.9723[ⓑ]
NTA after tax: \$0.9982[ⓑ]

Listing Date:

21 May 2015

Shares on Issue

126.07 million

Share Price

\$0.94

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

[ⓑ] The NTA per share is at 30 September 2018. 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 2018	1 MONTH %	3 MONTHS %	FYTD %	1 YEAR %	SINCE INCEPTION [^] % P.A
S&P/ASX 300 Accumulation Index	-1.19	1.50	1.50	14.03	7.76
Wealth Defender Equities*	0.57	1.38	1.38	9.10	2.20

*Returns shown for the Company have been calculated on the growth of Net Tangible Assets (NTA) after taking into account 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.

- The portfolio performed well in September, outperforming by +1.8% as the market became more favourable towards value stocks after a long period of being dominated by expensive growth and momentum stocks.
- Resources moved higher, up +5.2%, on robust commodity prices, while the industrials declined, down -2.7%, with many expensive stocks pulling back from recent highs and banks weaker on continuing Royal Commission concerns.
- Offshore markets were also positive, with the S&P500 +0.4%, FTSE100 +1.0%, Nikkei 225 +5.5% and Shanghai Composite +3.5%.

CONTRIBUTION TO RETURN AS AT 30 SEPTEMBER 2018	1 MONTH %	3 MONTHS %	FYTD %	1 YEAR %	SINCE INCEPTION [^] % P.A
Portfolio Gross Return (WDE) [ⓐ]	0.68	1.75	1.75	10.83	3.95
Stock Portfolio [#]	0.89	2.09	2.09	12.37	6.01
Protection Portfolio [#]	-0.21	-0.34	-0.34	-1.54	-2.06

[ⓐ] Gross Investment Portfolio performance before fees and tax.

[#] Contribution to Return.

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

MARKET REVIEW - AUSTRALIA	%	Global, Currency & Commodities	%
S&P/ASX300 Accumulation Index	-1.2	S&P500	+0.4
Energy	+4.3	Nikkei 225	+5.5
Materials	+4.1	FTSE100	+1.0
Industrials	-2.1	Shanghai Composite	+3.5
Consumer Discretionary	-3.8	RBA Cash Rate	1.50
Health Care	-7.3	AUD / USD	+0.0
Financials-x-Real Estate	-2.2	Iron Ore	+5.6
Real Estate	-1.5	Oil	+6.8
Information Technology	-0.6	Gold	-0.9
Telecommunication Services	+2.7	Copper	+5.0
Utilities	-3.1		

INVESTOR CONTACTS

T | +61 1300 554 474

A | Link Market Services
Locked Bag A 14
Sydney South, NSW 1235

E | invest@wealthdefenderequities.com.au

W | www.wealthdefenderequities.com.au

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PORTFOLIO UPDATE

The resources sector was the standout over the month, with Rio Tinto (+8.3%) after announcing a \$3.2bn buy-back program. In addition to continued healthy commodity prices, ongoing capital returns are a key part of our investment thesis supporting our positive view on the sector. BHP (+7.2%) is also cum-capital return following the sale of its shale assets while Woodside Petroleum (+4.6%) and Origin Energy (+3.9%) both rallied on the positive oil price outlook and tightening LNG market.

Mining services companies performed strongly with Ausdrill (+9.6%) rallying as investors digested the benefits of its recent takeover of competitor Barmingo. Other holdings which outperformed over the month included Vocus Communications (+15.1%) as the market's confidence in the turnaround under the new CEO increased.

The portfolio benefited from being underweight on valuation grounds in a number of expensive growth stocks including CSL (-11.0%), A2 Milk (-11.0%), Treasury Wines (-9.4%) and Transurban (-5.5%) all underperforming over the month. We have long argued that many of these stocks are trading on excessive valuations and at risk of being de-rated at some point.

The major banks underperformed marginally, delivering an average return of -2.1%. Sentiment towards the sector is still negative due to the combination of the Royal Commission and concerns around the outlook for the housing market. However, while the growth outlook for the banks is definitely very muted, they are trading on attractive valuations and offering compelling dividend yields.

The main detractors from performance were Suncorp (-6.6%), Star Entertainment (-3.7%), Lendlease (-4.1%) and Janus Henderson (-2.7%).

Currently, in line with our view of the market, a significant level of protection remains in place. This is partly due to the relatively uncertain geopolitical outlook, and also as we are a long way through a bull market with valuations generally not considered particularly cheap.

OUTLOOK

Despite the ongoing negative political atmosphere, the economic backdrop continues to be positive, both domestically and offshore, with healthy growth and low unemployment in most major regions. This is supportive of ongoing moderate corporate earnings growth, healthy resources demand and financial system stability. The portfolio is exposed to this dynamic through its positions in the

TOP 20 HOLDINGS

Stock name	Portfolio Weight %	Index Weight %	Active Weight %
BHP Billiton Limited	7.4	6.5	0.9
Commonwealth Bank	7.0	7.3	-0.3
Westpac Banking Corporation	5.7	5.6	0.1
ANZ Banking Group Limited	5.5	4.8	0.7
National Australia Bank	4.5	4.4	0.1
Woodside Petroleum	3.6	2.1	1.5
Woolworths Limited	3.2	2.1	1.1
Telstra Corporation	2.8	2.2	0.6
TABCORP Holdings Limited	2.4	0.6	1.8
GPT Group	2.3	0.5	1.8
Ausdrill Limited	2.3	0.1	2.2
Origin Energy	2.2	0.8	1.4
Amcor Limited	2.2	0.9	1.3
Aristocrat Leisure	2.1	1.1	1.0
Macquarie Group Limited	2.0	2.3	-0.3
Vocus Group Limited	1.9	0.1	1.8
Janus Henderson Group PLC	1.8	0.2	1.6
Rio Tinto Limited	1.7	1.9	-0.2
QBE Insurance Group	1.6	0.9	0.7
Imdex Limited	1.5	0.0	1.5

large-cap, low-cost resource stocks, the major banks and a range of quality industrials. We continue to avoid those sectors of the market where valuations are high and those which are exposed to the risk of rising interest rates such as Healthcare, REITs and Infrastructure.

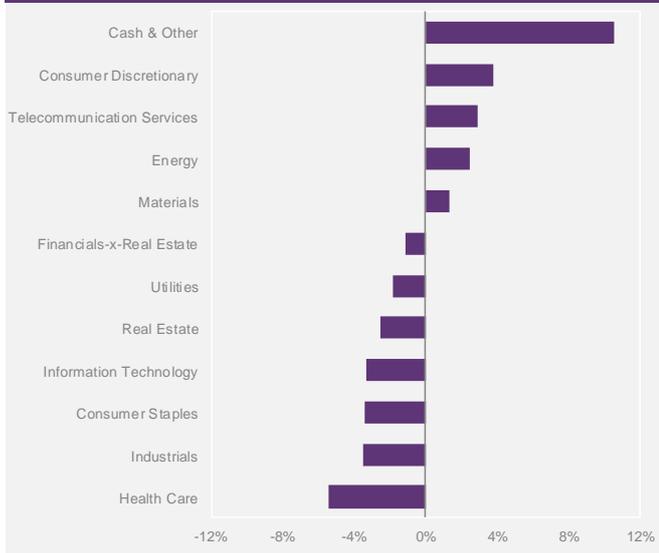
The portfolio continues to exhibit Perennial Value's true to label value characteristics, with the portfolio offering better value than the overall market on each of our four valuation characteristics: price to earnings, price to free cash flow, gross dividend yield and price to net tangible assets.

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

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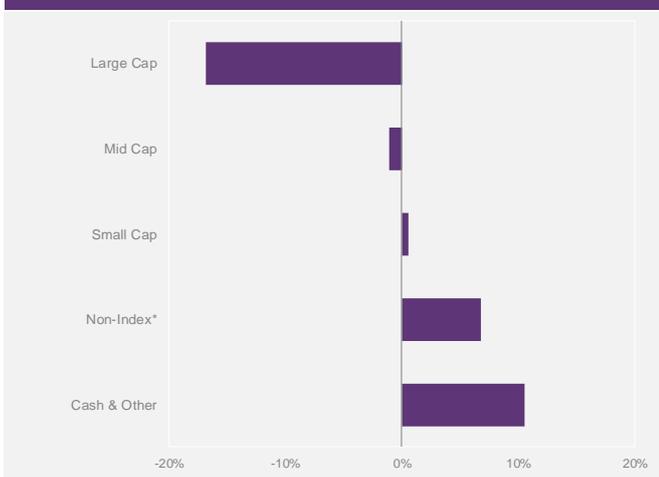
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SIZE SECTOR ACTIVE WEIGHTS



Source: Perennial Value Management

SECTOR ACTIVE WEIGHTS



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

SUSPENSION OF SHARE BUY-BACK

On 26 September the Company announced that it would instruct its broker, Baillieu Holst, who is acting on behalf of the Company in relation to the share buy-back process which commenced on Monday, 28 May 2018, to formally suspend any buying on behalf of the Company via the on-market buy-back immediately. The last day shares were bought back under the buy-back was 24 August 2018 and all shares purchased under the buy-back have been cancelled. No Shares have been purchased in the period since the announcement of the Off-Market Takeover Bid for WDE by WAM Capital Limited on 30 August 2018.

FINAL DIVIDEND AND SUSPENSION OF DRP

The Final Dividend for WDE for the 2018 Financial Year of 2 cents per share will be paid on Friday 19 October.

The company also announced on 26 September that the DRP has been suspended until further notice and that the DRP will not be applied to this dividend payment. All shareholders currently registered to participate in the DRP will receive a cash dividend either via direct credit or cheque.

OFF-MARKET TAKEOVER BID FROM WAM CAPITAL LIMITED

On 26 August the Company issued a Target Statement in response to the WAM Capital Limited Bid. The Non-Executive Directors of WDE recommended that shareholders Accept the Offer by WAM Capital Limited (ACN 086 587 395) to acquire their shares in Wealth Defender Equities Limited (ACN 602 517 528) in the absence of a superior proposal from another party.

Further, on 5 October 2018, WAM Capital announced an extension of the Offer Period in respect to the Off- Market Bid to 21 October 2018.

IF YOU HAVE ANY QUESTIONS ABOUT THE OFFER, PLEASE CONTACT WEALTH DEFENDER EQUITIES' INVESTOR SERVICES ON 1300 910 051 or invest@wealthdefenderequities.com.au