Wealth Defender Equities Limited
ACN 602 517 528

ASX Release: Wealth Defender Equities Limited

<u>Wealth Defender Equities Limited announces 31 December 2016 Half-Year results</u>

23 February 2017

Result

Wealth Defender Equities Limited (**ASX: WDE**) today released its half-year report for the period ended 31 December 2016.

Over the first half, the portfolio return before tax was a positive 8.4% compared to the S&P /ASX 300 accumulation return of 10.4%. This result is after all expenses of the Company have been deducted and assuming the reinvestment of dividends.

Wealth Defender Equities Limited (**the Company**) reported an after tax loss of $438,359 for the period. Whilst the Company received dividend income of $2.34m plus substantial franking credits, this was more than offset by the elevated costs that were incurred in the first half in providing protection during periods of significant volatility in the market, predominantly surrounding the Brexit decision and Trump election.

The net tangible asset backing of WDE (**NTA**) rose over the six month period and, as at 31 December 2016, the NTA was $0.91 (per share) before tax and $0.94 (per share) after tax. This is up from the 30 June 2016 figure of $0.86 (per share) before tax and $0.91 (after tax). In addition to the increase in NTA, the Company paid a 2 cent per share fully franked dividend in September 2016.

The increase in NTA per share primarily reflects the appreciation in the value of the Company's long term equity investments.

Dividend

The Board has determined that no interim dividend will be declared in respect to the half year trading results of the Company.

Message from the Chairman

Fellow Shareholders,

Whilst the underlying share portfolio delivered a strong return for the period, a key component of the Wealth Defender Equities investment strategy is to carry a level of protection sufficient to reduce the magnitude of significant negative returns during sharp equity market falls.

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The first half was unusual in the sense that it was impacted by two major political events which significantly increased the level of risks in markets, being the aftermath of June's Brexit vote and the outcome of the November US election.

The heightened level of risk and global uncertainty significantly increased the cost of carrying protection over this period.

While the portfolio would have benefited significantly should these events have led to a sharp sell-off, in both cases the market reacted unexpectedly positively, rallying very strongly in both July and November.

The result of this higher protection cost flowing through the Profit and Loss account was a loss for the period, despite the significant franked dividend income received over the half-year. As a result, the Board has determined that no interim dividend will be payable in respect to the half year.

As Chairman, I am disappointed to be reporting a loss for the period and for the Company not to be paying an interim dividend. However, while this may occur in a given period, it is likely to be less of an issue over the medium-term as the Company accumulates reserves of distributable profits.

Investment Outlook

Since the listing of our Company in May 2015, Perennial Value Management (**the Manager**) has maintained its focus on both long-term value with regards to stock selection – investing in quality companies, underpinned by strong balance sheets and offering attractive valuations – as well as a disciplined approach to risk management with regards portfolio protection. The Manager has avoided many of the recent high-profile market disappointments including Bellamy's, Sirtex, Blackmores and TPG Telecom.

Despite the high level of political uncertainty globally, growth is beginning to improve modestly in many economies. This, combined with the promise of more stimulatory fiscal policies, has seen markets in a buoyant mood both in Australia and globally. In this environment, the Manager sees many good value investment opportunities, particularly at the smaller end of the market to which the portfolio is overweight. As at 31 December 2016, the portfolio was significantly overweight the ex-Top 50, which accounted for 39% of the portfolio compared to 22% of the index. In addition, the Manager expects this backdrop to remain broadly supportive of their moderate value style of investing.

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 their four valuation characteristics: price to earnings, price to free cash flow, gross dividend yield and price to net

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tangible assets.

In addition, through the use of protection strategies to manage downside risk, the portfolio seeks to allow investors to "ride out" volatility and benefit from the long-term growth of equity markets through both dividends and share price appreciation over time, whilst having some protection from the impacts of significant market falls.

Capital Management

The Board reaffirms the Capital Management Policy detailed in the Replacement Prospectus dated 25 March 2015 and is cognisant of the views expressed by Shareholders at the Annual General Meeting in November 2016.

Thank you for your continuing support of our Company.

Mr Alan Schoenheimer
Chairman

For more information visit the Company's website at www.wealthdefenderequities.com.au