

Performance as at 30 April 2020



Mandate	1 Month	3 Month	6 Month	1 year	3 years
Growth					
Watershed Funds Management Growth	9.70%	-5.91%	-3.69%	1.96%	6.38%
First State Growth Option	2.45%	-8.46%	-4.38%	-0.05%	5.49%
Qsuper Aggressive Option	1.62%	-8.92%	-6.47%	-0.86%	5.29%
CareSuper Growth	3.18%	-9.96%	-6.55%	-2.35%	5.24%
Australian Super High Growth Option	2.63%	-13.07%	-8.35%	-3.48%	5.11%
Vanguard Wholesale Growth Index	5.20%	-10.38%	-5.92%	-0.91%	4.98%
Quilla Asseritive Portfolio	3.81%	-10.96%	-6.90%	-1.54%	3.70%
Morningstar Growth Portfolio	6.09%	-6.57%	-3.78%	-0.27%	3.55%
FE UT PG Multi Asset Growth Index	4.54%	-11.70%	-8.14%	-3.99%	2.84%
Lonsec Managed Portfolio – Multi-Asset Growth	3.97%	-10.81%	-7.93%	-3.79%	2.82%
Elston Growth Portfolio	9.67%	-17.90%	-13.20%	-8.58%	2.22%
CFS First Choice Growth	5.59%	-12.71%	-9.25%	-5.34%	1.97%
Evergreen Premier Growth Portfolio	5.89%	-11.88%	-7.27%	-3.79%	N/A
Balanced					
Watershed Funds Management Balanced	8.99%	-5.94%	-4.11%	0.98%	5.43%
Qsuper Balanced Option	1.41%	-7.37%	-5.09%	0.03%	5.20%
Australian Super Balanced Option	1.80%	-11.19%	-7.17%	-2.32%	5.18%
Vanguard Wholesale Balanced Index	3.99%	-7.31%	-3.66%	1.31%	4.94%
First State Balanced Option	1.32%	-6.82%	-3.51%	0.16%	4.87%
Quilla Moderate Portfolio	2.39%	-9.25%	-5.94%	-1.11%	3.30%
Lonsec Managed Portfolio – Multi-Asset Balanced	3.36%	-8.29%	-5.75%	-1.64%	2.99%
Morningstar Balanced Portfolio	4.29%	-5.89%	-3.42%	-0.48%	2.74%
FE UT PG Multi Asset Balanced Index	3.61%	-8.99%	-6.10%	-2.41%	2.72%
Elston Balanced Portfolio	8.27%	-15.25%	-11.08%	-6.68%	2.46%
CFS First Choice Multi-Index Balanced	4.51%	-13.78%	-11.64%	-7.87%	1.17%
Evergreen Premier Balanced Portfolio	5.35%	-11.52%	-7.48%	-4.23%	N/A
Conservative					
Vanguard Wholesale Conservative Index	2.93%	-4.19%	-1.50%	3.15%	4.60%
Australian Super Conservative Balanced Option	1.16%	-7.85%	-4.80%	-0.39%	4.57%
Watershed Funds Management Conservative	8.24%	-5.29%	-3.95%	0.45%	4.40%
First State Conservative Growth Option	0.18%	-3.34%	-1.41%	1.15%	3.79%
CareSuper Conservative Balanced	2.31%	-6.68%	-4.28%	-1.18%	3.66%
CFS Colonial First State Conservative	1.48%	-5.33%	-3.17%	0.10%	2.95%
Elston Conservative Portfolio	4.03%	-6.95%	-4.83%	-1.87%	2.50%
FE UT PG Multi Asset Moderate Index	2.10%	-5.40%	-3.39%	-0.27%	2.50%
Lonsec Retirement Managed Portfolio – Conservative	2.78%	-6.73%	-4.90%	-1.23%	2.28%
Quilla Conservative Income Portfolio	1.62%	-8.50%	-5.76%	-1.61%	2.19%
Morningstar Conservative Portfolio	1.58%	-2.74%	-1.31%	0.89%	2.10%
Evergreen Premier Conservative Portfolio	3.37%	-9.49%	-6.51%	-3.67%	N/A



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A CORPORATE AUTHORISED REPRESENTATIVE OF WATERSHED DEALER SERVICES PTY LTD ABN 29 162 693 272 AFSL No. 436357



WATERSHED

FUNDS MANAGEMENT

TWO OUT OF THREE AIN'T BAD

- **Exceptional Outperformance across the board for Watershed SMA's in April and the year to date**
- **Diversified Models at the top of the table in two out of three of the major categories**
- **Dynamic Management drove significant buying of equities and credit during March that we believe sets us up very well for the year ahead**

The beginning of 2020 has been nothing short of tumultuous with the Australian Share market enduring a coronavirus-induced collapse of 38% during the March Quarter swiftly followed by a 22% rebound as we moved into April. The market now seems divided about whether or not this rebound is sustainable and the trajectory that World indices will take over the rest of the year. However, irrespective of your view on the market outlook, this period has proven one thing resoundingly – active portfolio management at both the asset allocation and stock-specific level is absolutely paramount to delivering outperformance in turbulent markets. Any investor who was overweight equities leading into the market route only to panic with the market in free-fall and reallocate this capital to cash will have suffered heavy losses on both sides of the ledger, and these losses will not be easily recovered. The past six weeks have presented some exceedingly difficult circumstances, and never has a portfolio manager's dispassionate adherence to process and strategy been more important.

As mentioned in previous Watershed communications, through much of 2019 and early this year we had been “fading the rallies” as asset classes across the board were trading at the top end of historical valuations buoyed by record low interest rates and government stimulus. We gradually reduced our equity weighting and in the absence of compelling value in traditional asset classes increased cash weightings and chose to introduce an Alternatives exposure in December 2019. Alternatives generally deliver returns non-correlated to traditional assets and fortuitously as markets plummeted, and even defensive assets weakened, this position returned a positive 17%. We sold this position after the market retracement believing it had served its purpose and with value suddenly now on offer elsewhere (everywhere) we deployed this into Credit (our Income SMA) that had been heavily sold-down.

Our sector-specific SMA's also entered the March Quarter defensively positioned and holding overweight cash positions that had been gradually accumulated over the preceding six months. Whilst holding elevated cash levels is never easy when every asset class is surging, we remained convinced that prices were being driven more by liquidity pressure than underlying valuation and forward earnings and at some point an appreciable sell-off would materialise. Whilst certainly not having predicted COVID-19 or the devastating effect it would have on world share markets, we were in an ideal position to invest into the carnage it unleashed. As markets tumbled we took the opportunity to progressively deploy our excess capital in high-quality companies with business models and balance sheets well positioned to withstand any fallout from the coronavirus – and at depressed valuations that are very rarely seen. By the end of March we had fully invested all mandates.

This activity in terms of tactical asset allocation and stock selection has paid handsome dividends and has seen our Watershed Multi-Asset Class SMA deliver returns that are at the very top of multi-asset class performers as evidenced by the Scoreboard above. To be at the top of the table in two out of three of the major diversified categories (and very close to the top in the other) is extremely gratifying and a real credit to our Investment Team.

We have spoken before about the benefits of having synchronicity between the Asset Allocation and stock selection decision-making process and how this is simply not possible with the “manage-the-manager” approach employed by many of our competitors. Never has this been more apparent than in recent months when in order to achieve the best results it has been imperative that there is a consistent and coherent investment process from asset allocation through to underlying stock selection.

We anticipate market volatility and investor anxiety is likely to remain at elevated levels for some time and that astute Asset Allocation and stock-selection decisions will be vital to successfully navigating investment markets in the year ahead.

If you would like to speak to the Watershed Team on what has driven these industry-leading results, please contact Shantelle Lay on (03) 9614 8899.

Performance Fee Disclosure

The performance returns have been calculated on a daily basis taking into account brokerage costs, and are accumulated for the period shown. Returns are shown as annualised if the period is over 1 year, or as total returns otherwise.

Watershed Funds Management

Watershed Funds Management is a specialist Managed Account (MDA & SMA) Provider and has been a pioneer in the delivery of these portfolio solutions to financial advisers. Watershed leverages the expertise of a highly credentialed investment team to form a global thematic view that determines asset class and sector allocations. Our investment committee structure differs for each SMA and is chaired by an individual with niche expertise and a proven track record for managing portfolios within that asset class. With a research process that is both rigorous and thorough we have been able to deliver strong historical returns across our full suite of Managed Accounts.

An investment in a Watershed Managed Account provides professional and active investment management with full transparency of holdings, transactions and structure. Watershed seeks to form a collaborative relationship with advisers, actively communicating portfolio strategy in the current market environment so that advisers are better equipped to communicate with their clients..
