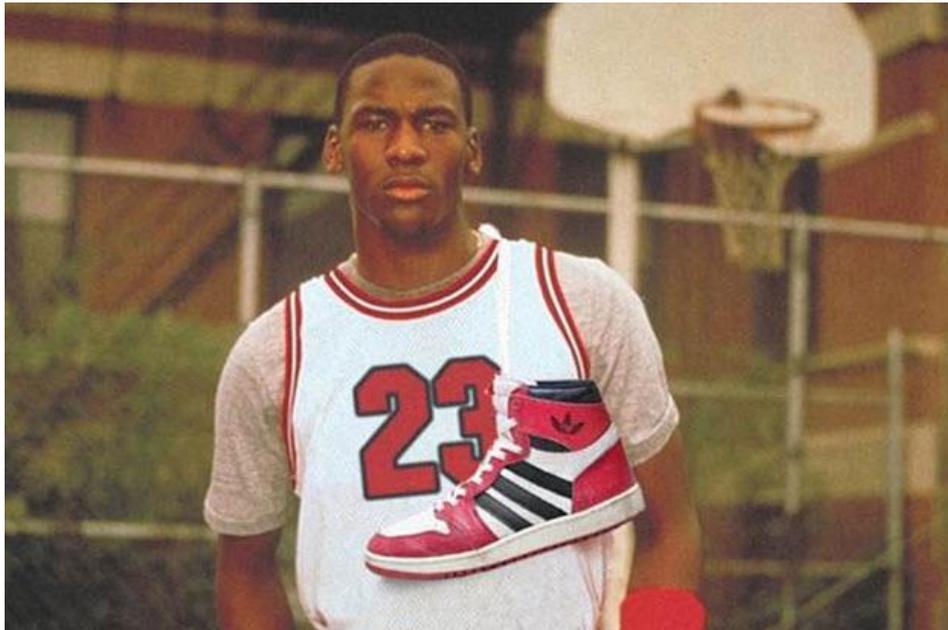




WATERSHED

FUNDS MANAGEMENT



Watershed Emerging Leaders SMA

IDENTIFYING THE NEXT GAME CHANGER

The Watershed Emerging Leaders SMA returned 13.09% for the month of May and 5.44% over the past twelve months, significantly outperforming its benchmark and its industry peers. Carrying a cash weighting of 34% into March, it was able to take advantage of the indiscriminate selling that ensued, and selectively purchase quality stocks at deeply discounted valuations. Fortuitously this opportunistic buying reaped significant benefits swiftly as the market rebounded and the SMA is now up on the Calendar Year to date.

The SMA has consistently delivered returns well above its benchmark and its outperformance rates it at the very upper echelon of small company managers as evidenced in the returns table below:

Mandate	1mth	3mth	6mth	1yr	3yr	5yr
Watershed Emerging Leaders	13.09%	6.35%	-2.18%	5.44%	12.52%	9.67%
Spheria Australian Smaller Companies	7.32%	-5.22%	-15.16%	-12.47%	5.66%	8.40%
Pendal Smaller Companies	4.93%	-1.07%	-6.05%	-0.16%	7.83%	7.89%
Celeste Australian Small Companies	12.61%	-6.88%	-10.37%	-2.96%	3.71%	7.47%
Perennial Value Smaller Companies Trust	11.46%	-11.46%	-15.51%	-5.04%	7.36%	6.80%
Eley Griffiths Small Companies	9.30%	-8.23%	-10.30%	-6.25%	8.46%	6.79%
OC Premium Small Companies	11.89%	-4.27%	-12.43%	-5.33%	6.77%	6.61%
S&PASX Small Ords Accumulation Index	10.59%	-1.91%	-7.67%	-2.91%	7.48%	6.57%
CFS FirstChoice Australian Small Companies	9.65%	-4.40%	-9.17%	-1.73%	7.08%	6.51%
Pengana Emerging Companies	10.08%	-11.40%	-16.09%	-8.19%	3.96%	5.89%
Ausbil Australian Emerging Leaders	9.57%	-2.06%	-9.41%	-5.31%	3.17%	4.54%
Investors Mutual Australian Small Companies	7.85%	-4.39%	-13.08%	-9.35%	1.33%	4.37%
SGH ICE	7.14%	-6.93%	-11.31%	-3.51%	4.34%	4.32%
Novaport Smaller Companies	7.39%	-11.00%	-13.29%	-4.74%	2.74%	2.89%

*Performance figures are as of 31 May 2020 and sourced from FE Analytics

The Watershed Emerging Leaders SMA invests in companies outside the ASX100 with its primary focus being on industrial stocks held within the ASX100-ASX300. The portfolio is concentrated (20-30 stocks) and comprised of what we believe to be the best Australian mid-cap companies with high growth potential. We seek to identify, and selectively invest in, these stocks using a fundamental “bottom-up” stock picking approach. The key hallmarks we look for are:

- An underlying product/service that offers undeniable value to the customer
- An industry position offering a sustainable competitive advantage
- Clearly identifiable growth prospects at both a company and industry level (we devote a large amount of our research time to identify structural shifts at an industry level)
- A strong balance sheet and overall financial position
- Strong and capable management

It often takes time for markets to appreciate the potential upside in smaller companies. For us the challenge remains to ensure we garner an in-depth understanding of the drivers of these businesses before the broader market. If we do this and can successfully isolate the companies delivering a compelling product/service in industries with favourable structural tailwinds, we have a great opportunity to unearth tomorrow’s game changers, and will continue to deliver superior returns to our investors.

As referenced above, this SMA has an outstanding track record of performance over a sustained period and is currently available for investment on the HUB24, OneVue, Fiducian, Praemium and Netwealth Platforms.

If you would like to discuss how this investment can add value to your client portfolios please contact our Business Development Manager, Shantelle Lay on (03) 9614-8899.



Emerging Leaders - IMAP Mid-Cap Equity Finalist

The Watershed Emerging Leaders SMA had another strong month returning **13.09%** in May, which now puts it in positive territory for the Calendar year to date. The May result also outperformed the Small Ordinaries Accumulation benchmark which returned **10.59%**.

This puts the portfolio well ahead over every period since inception, having navigated the recent market volatility very well and generated significant portfolio alpha.



**Australian
Equities Small
Cap
Finalist**
2019 IMAP MANAGED
ACCOUNT AWARDS

[click here to read the SMA update](#)

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..

