



# WATERSHED

FUNDS MANAGEMENT



## KNOCKING OUT THE COMPETITION

A young Mike Tyson was asked in the early 1980's about his next prospective opponent and their claim that, having dissected his fighting style, they had devised a strategy with which he would be beaten. His dismissive response, though not Shakespearean, was "everybody has a plan...until they get punched in the face".

The PDS for Multi-Asset Managers will also reference an underlying strategy, invariably honed over many years and supported by historical data that will enable them to consistently beat their market index. However these claims, much like exaggerated pre-fight bravado, have little substance if the proponent is unable to execute them in their competitive environment. The strategy may look impressive, it may sound impressive, it may well earn you a nomination for an industry award, but it will amount to little if it is found wanting in terms of execution and performance. And this has never been more apparent than this year with share bourses enduring the market equivalent of a straight right punch to the face. Many 'tried and true' strategies have wilted in the face of the market meltdown and many managers have realised that executing on a strategy is often not as obvious in real-time as it is when dissecting past data.

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

At Watershed we try to have a dispassionate approach to Asset Allocation and strict adherence to process, always mindful that contrarian investment that seems so obvious with the benefit of hindsight, is never as easy in execution. We also believe our cohesive structure where we control portfolio structure at both the Asset Allocation level and underlying Sector level (through the use of our SMAs) gives us a distinct advantage in controlling the portfolio outcomes. It can often be the case that Multi Asset Managers control the asset allocation, but if the underlying managers do not share the same investment view, the decisions can work against each other. This can result in a mixed communication about strategy to the end client. Our structure ensures there is synchronicity to our portfolio construction process from the Asset Allocation level all the way through to individual stock selection which is essential to a coherent strategic approach.

This cohesion, and some astute tactical decision-making, continues to be reflected in our performance results which remain considerably above both our index and a basket of peers. We continue to evaluate the market for opportunities and are constantly questioning and revisiting our assumptions, mindful that ultimately the net worth of any investment strategy will be judged on performance and performance alone.

With that we give you the prevailing Tale of the Tape:

### MULTI-ASSET CONSERVATIVE

Conservative Mandate	1m	3m	6m	1yr	Ann. 3yr
<b>Watershed Conservative Portfolio</b>	<b>2.30%</b>	<b>3.58%</b>	<b>3.80%</b>	<b>3.64%</b>	<b>7.10%</b>
iShares Enhanced Strategic Conservative	N/A	N/A	-1.73%	-0.94%	4.27%
Lonsec Multi-Asset Managed Conservative	0.93%	1.96%	-0.53%	0.19%	3.88%
Elston Conservative Model Portfolio	0.84%	1.79%	-1.33%	0.25%	3.51%
<b>FE Peer Group Multi Asset Moderate Index</b>	<b>0.61%</b>	<b>1.83%</b>	<b>-0.76%</b>	<b>0.10%</b>	<b>3.44%</b>
Morningstar Conservative	0.10%	0.48%	0.09%	1.08%	3.35%
Quilla Conservative Income Portfolio	0.30%	0.95%	-4.97%	-3.94%	2.68%
Allan Gray Australia Stable	1.65%	0.59%	-0.34%	-0.59%	2.56%
Colonial First State Defensive	0.15%	1.25%	0.19%	0.66%	2.55%
Vanguard Diversified Conservative	0.65%	2.14%	0.52%	2.15%	N/A
Zenith Elite Blends - Moderate Portfolio	1.42%	3.30%	0.77%	1.22%	N/A
Evergreen Premier Conservative Portfolio	1.57%	3.63%	-2.00%	-0.16%	N/A

## MULTI-ASSET BALANCED

Balanced Mandate	1mnth	3mnth	6mnth	1yr	3yr
<b>Watershed Balanced Portfolio</b>	<b>2.70%</b>	<b>3.95%</b>	<b>4.43%</b>	<b>4.85%</b>	<b>7.79%</b>
iShares Enhanced Strategic Balanced	N/A	N/A	-3.72%	-3.02%	4.92%
Elston Balanced Model	1.85%	2.19%	-4.33%	-2.31%	4.43%
<b>FE Peer Group Multi Asset Balanced Index</b>	<b>1.39%</b>	<b>2.80%</b>	<b>-1.24%</b>	<b>-0.33%</b>	<b>4.36%</b>
Lonsec Multi-Asset Balanced	1.19%	2.22%	-1.15%	-0.74%	4.28%
Quilla Moderate Portfolio	0.59%	1.52%	-4.03%	-2.86%	4.18%
Morningstar Balanced	0.93%	1.11%	-1.19%	-0.82%	3.86%
Allan Gray Australia Balanced	2.38%	1.19%	-5.42%	-5.17%	2.24%
Vanguard Diversified Balanced	1.48%	3.22%	0.54%	2.39%	N/A
Evergreen Premier Balanced Portfolio	2.82%	5.66%	-0.27%	1.91%	N/A
Zenith Essentials - Balanced Portfolio	2.19%	4.54%	0.45%	0.81%	N/A

## MULTI-ASSET GROWTH

Growth Mandate	1m	3m	6m	1yr	Ann. 3yr
<b>Watershed Growth Portfolio</b>	<b>2.95%</b>	<b>3.72%</b>	<b>5.27%</b>	<b>6.22%</b>	<b>9.01%</b>
iShares Enhanced Strategic Growth	0.00%	0.00%	-4.72%	-4.14%	5.35%
Quilla Assertive Portfolio	1.33%	2.71%	-2.83%	-1.80%	5.23%
CFS FirstChoice Wholesale Growth	1.85%	4.52%	-1.00%	0.35%	5.08%
<b>FE Peer Group Multi Asset Growth Index</b>	<b>1.94%</b>	<b>3.61%</b>	<b>-1.65%</b>	<b>-0.69%</b>	<b>4.98%</b>
Elston Growth Model Portfolio	2.26%	2.54%	-5.21%	-3.15%	4.56%
Pendal Active Growth	2.51%	3.40%	-2.26%	-1.57%	4.49%
Morningstar Growth	1.44%	1.43%	-2.16%	-2.40%	4.10%
Vanguard Diversified Growth Model Portfolio	2.39%	4.23%	0.45%	2.43%	N/A
Evergreen Premier Growth Portfolio	3.12%	5.77%	-0.17%	2.28%	N/A
Zenith Essentials - Growth Portfolio	2.78%	5.13%	0.09%	-0.05%	N/A

\*Numbers are to August 31, 2020 and sourced from FE Analytics and HUB24

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 0417 459 842.

### 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.

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### 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..

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