



# WATERSHED

FUNDS MANAGEMENT



## SHOW ME THE MONEY

In an industry where you are often deluged with performance tables it is easy to become somewhat desensitised to what appear to be subtle differences in percentage return. The difference between a 5.5% return and a 6.5% return over a quarter or a year-long period may seem minor. However, when extrapolated over the medium to longer-term this performance differential can have a significant impact on total client returns and their satisfaction level with their investment outcome.

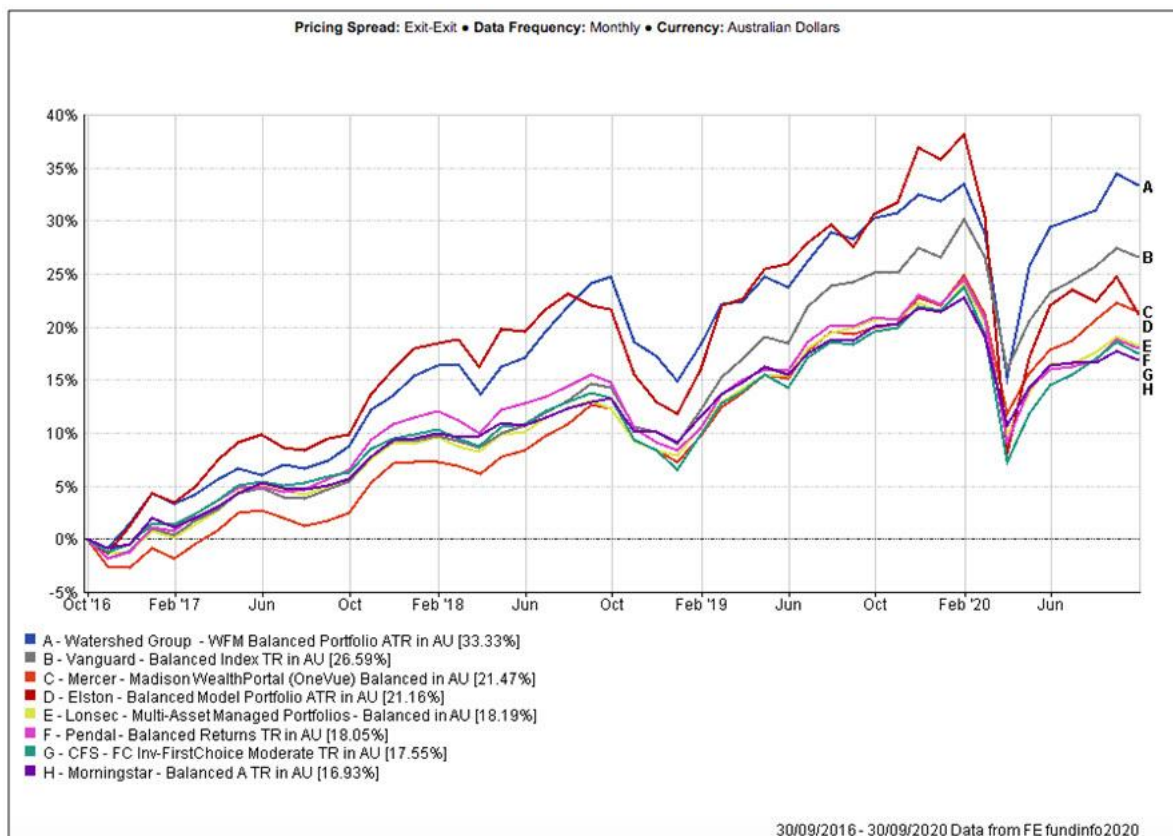
It is salient to regularly look at overall client returns in the same manner that the client generally would – by simply focusing on the bottom-line dollar return. What amount did they invest and what is it worth today? This involves looking at the cumulative total return which compounds annual returns and is often considered a truer measure of client investment outcomes as opposed to the annualised returns used in most performance tables.

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Below we show the Total Returns of the pre-eminent Balanced Multi-Asset Portfolios over the past four years.



This sheds a very stark light on the dollar return differential on what may appear to be relatively small percentage performance variations.

As shown above, if a client were to have invested \$1,000,000 into the Watershed Balanced Portfolio four years ago, they would have received \$333,300 (33.33%) in total return in the ensuing period (factoring both income and growth). This is \$67,100 more than our closest competitor (26.59% or \$265,900) as shown on the chart above and around \$150,000 more than the lower half of the peer group. Industry-leading returns are obviously pivotal to client satisfaction. And whilst impressive brochures, attractive risk metrics and old, large brand names have some appeal to clients at the end of the day they are going to be most attentive when you “show them the money”.

We welcome any comparison to your existing portfolio provider and if you would like to know more about our industry-leading Managed Accounts and how they can deliver greater returns for your clients please contact our BDM Shantelle Lay on...

Our Quarterly Updates for our Multi-Asset Portfolios and Sector SMA's are attached below.

If you would like to discuss how these investments can add value to your client portfolios please contact our Business Development Manager, Shantelle Lay on (03) 9614-8899 [shantellelay@watershedgroup.com.au](mailto:shantellelay@watershedgroup.com.au).



#### Conservative – diversified multi-asset model

The Watershed Conservative Multi-asset portfolio returned 2.95% for the quarter outperforming the FE Peer Group Multi-Asset Moderate Index 1.71%. This brings the portfolio back into the black for the 2020 calendar year to date and places us at the very upper echelon for managers across the Conservative risk profile for all longer-term periods.

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



#### Balanced - IMAP Multi Asset Class Finalist

The Watershed Balanced Multi-asset portfolio returned **2.43%** for the quarter outperforming its benchmark the FE Peer Group Multi-Asset Balanced Index by **1.03%**. The portfolio is now back in the black for the calendar year and has delivered returns that have beaten almost every other competitor in this asset class which has been testimony to astute and decisive tactical asset allocation throughout incredibly turbulent markets.

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



**Multi Asset Class**  
Finalist  
2019 IMAP MANAGED  
ACCOUNT AWARDS



#### Growth – diversified multi-asset model

The Watershed Growth Multi-asset portfolio returned **1.82%** for the quarter slightly underperforming its benchmark the FE Peer Group Multi-Asset Growth Index by **0.03%**. The portfolio has returned **8.01%** over the past three years and **9.00%** since inception which see it delivering industry-leading growth returns. Our timely switch from defensive to growth positioning throughout the past 12 months has ensured this portfolio has continued to deliver impressive returns.

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

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### International Share - IMAP International Equity Winner

The Watershed International Share portfolio rose by **3.4%** (in AUD) in the quarter slightly underperforming its benchmark the MSCI World Index by **0.4%**. This gives the SMA a 12-month return to September of **11.1%** whilst its benchmark the MSCI World Index (excluding Australia) rose by **4.3%** during that time, providing a very significant **6.8%** in outperformance for the year. We believe the portfolio's focus on quality, financially strong companies with plenty of cash and low debt leave it well positioned to continue to deliver outperformance in prevailing volatile markets.



**International  
Equities  
Winner**  
2019 IMAP MANAGED  
ACCOUNT AWARDS

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

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### Australian Share

The Watershed Australian Share portfolio fell during the September quarter along with the broader market. The portfolio returned **-2.2%** for the quarter, slightly lagging the index which only retraced **0.44%**. The portfolio remains strongly ahead over the last 12 months, outperforming the index by **4.33%** and has been very active in deploying and harvesting cash in severe market gyrations.



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

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

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### Emerging Leaders – IMAP Mid-Cap Equity Finalist

The Watershed Emerging Leaders SMA had another strong quarter leading to a monstrous 6 months in terms of performance from the market lows at the end of March. The portfolio gained **10.41%** during the quarter, significantly outperforming the small ordinaries which rose **5.66%**. The significant bounce was attributable to actively buying stocks in market weakness and owning a diversified portfolio of stocks with strong balance sheets set to emerge from the pandemic in a stronger position and having likely gained market share in their respective industries.



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

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

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### Income

The Watershed Income SMA had another strong quarter returning **4.71%** and outperforming its benchmark the UBS Bank Bill Index by **4.68%**. The portfolio is now back in black for the past 12 months and is **0.48%** ahead of benchmark including franking. Both as Hybrid and Credit exposures have rebounded strongly during the course of the last 6 months and our decision to add to these holdings during the market selloff has brought the cost base for both listed credit securities well below the current NTA.

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

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### 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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