



# WATERSHED

FUNDS MANAGEMENT



## One year on from the Market Crash:

**We analyse both downside protection and upside capture; the reason for Watershed's top of the table performance.**

The Watershed Multi-Asset Models finished the March Quarter remaining at the top of the performance tables across all major risk categories - Conservative, Balanced and Growth. The performance tables are referenced below as well as a chart depicting the dollar differential in portfolio total returns between the Watershed Multi-Asset Portfolios versus the average return of our Peer Group since their inception in June 2016.

Address Level 22, North Tower, 459 Collins Street VIC 3000 Phone (03) 9614 8899 ABN 11 166 324 858

[www.watershedgroup.com.au](http://www.watershedgroup.com.au)

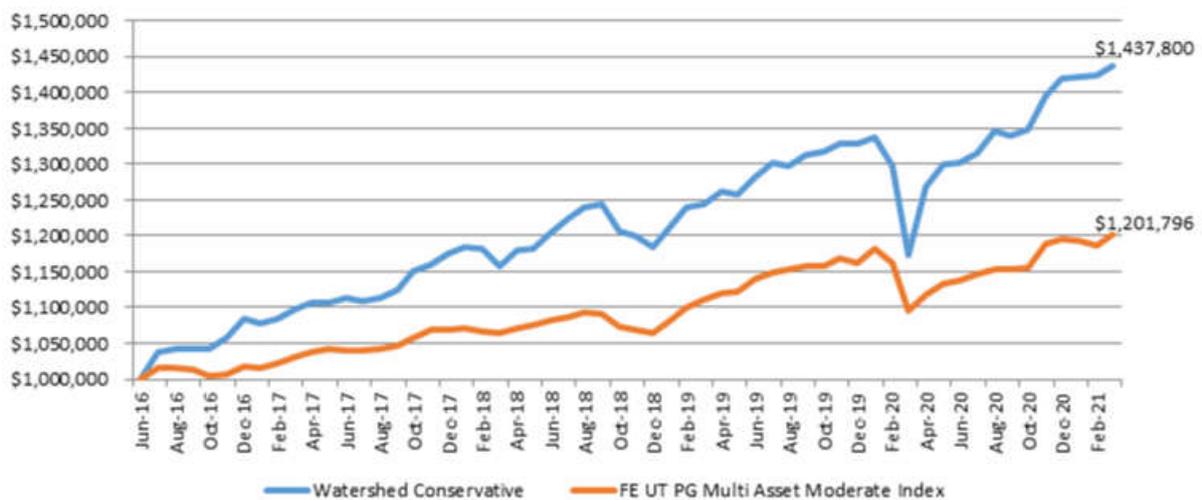
A CORPORATE AUTHORISED REPRESENTATIVE OF WATERSHED DEALER SERVICES PTY LTD ABN 29 162 693 272 AFSL No. 436357

The Peer Group is represented by the FE Peer Group indices which provide the average median return for approximately 134 constituent funds invested in the multi-asset class.

### CONSERVATIVE MULTI-ASSET CLASS

Conservative Mandate	1mnth	3mnth	6mnth	1yr	3yr
WFM Conservative	0.93%	1.28%	7.24%	22.66%	7.47%
Vanguard Conservative Index ETF TR in AU	0.99%	-0.20%	3.33%	9.94%	5.87%
Mercer Conservative Growth	0.98%	0.85%	4.04%	9.54%	4.96%
Russell Conservative	1.16%	0.72%	5.11%	12.65%	4.52%
Elston Conservative Portfolio	1.26%	1.41%	7.00%	14.23%	4.33%
iShares Enhanced Strategic Conservative Portfolio	0.93%	-1.36%	1.09%	5.99%	4.15%
<b>FE UT PG Multi Asset Moderate Index</b>	<b>1.22%</b>	<b>0.58%</b>	<b>4.28%</b>	<b>9.77%</b>	<b>4.15%</b>
Quilla Conservative Income Portfolio	1.68%	0.82%	4.66%	7.90%	3.91%
CFS FC Inv-FirstChoice Conservative	0.97%	1.01%	4.86%	10.43%	3.81%
Evergreen Premier Conservative Portfolio	1.55%	1.00%	5.04%	15.61%	3.69%
Morningstar Conservative Portfolio	0.38%	-0.59%	2.09%	4.30%	2.41%

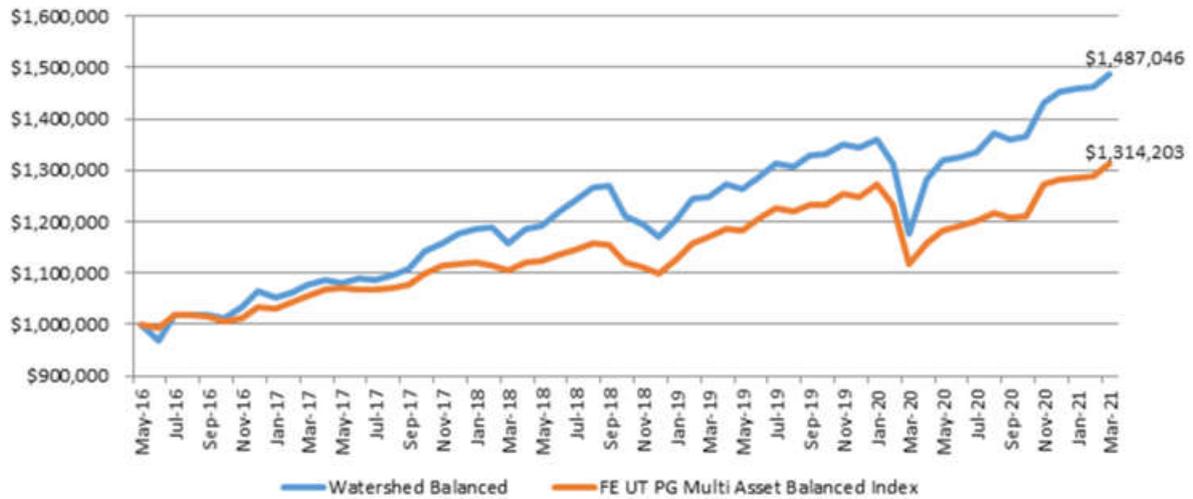
\*Performance numbers are sourced from HUB24 and FE Analytics and are net of fees.



## BALANCED MULTI-ASSET CLASS

Balanced Mandate	1mnth	3mnth	6mnth	1yr	3yr
WFM Balanced	1.59%	2.27%	9.43%	26.49%	8.67%
Vanguard Balanced Index	1.70%	1.23%	6.96%	16.76%	7.63%
Elston Balanced Portfolio	2.53%	3.97%	15.96%	29.85%	6.59%
iShares Enhanced Strategic Balanced Portfolio	2.14%	1.33%	7.40%	16.53%	6.35%
CFS FC Inv-FirstChoice Moderate	1.88%	3.41%	10.80%	21.39%	6.18%
Mercer Moderate Growth	1.51%	1.89%	7.00%	15.27%	6.08%
Quilla Moderate Portfolio	2.41%	1.95%	7.72%	12.74%	5.94%
FE UT PG Multi Asset Balanced Index	1.99%	2.36%	8.84%	17.54%	5.94%
Evergreen Premier Balanced Portfolio	2.16%	2.72%	9.69%	25.11%	5.76%
Lonsec Managed Portfolio – Multi-Asset Balanced	2.64%	1.93%	6.87%	14.44%	5.19%
Morningstar Balanced Portfolio	1.43%	2.21%	8.51%	13.45%	4.59%

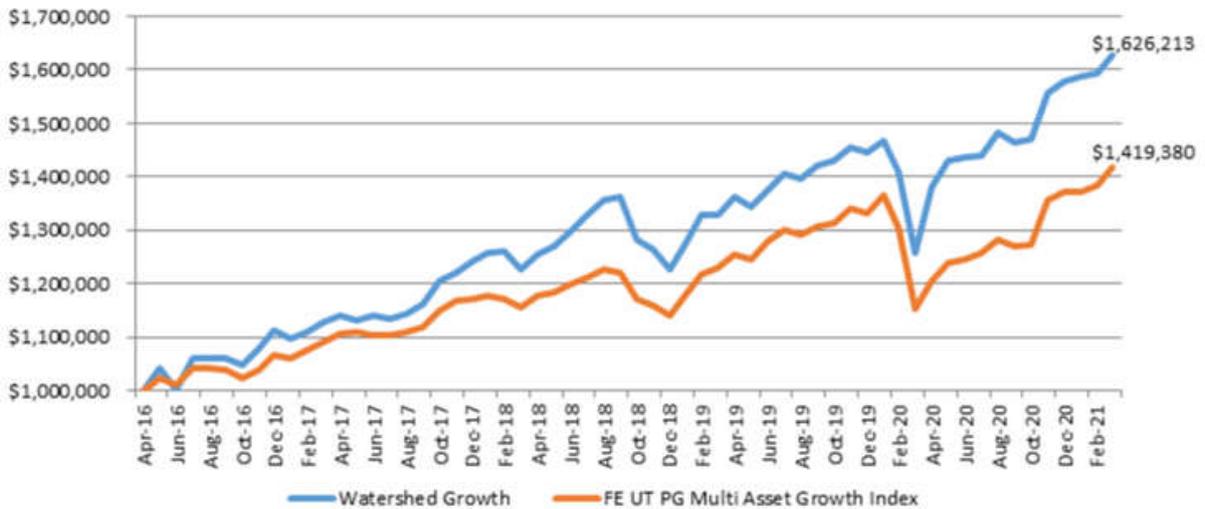
\*Performance numbers are sourced from HUB24 and FE Analytics and are net of fees.



## GROWTH MULTI-ASSET CLASS

Growth Mandate	1mnth	3mnth	6mnth	1yr	3yr
WFM Growth	2.09%	2.96%	11.11%	29.14%	9.88%
Vanguard Growth Index ETF	2.41%	2.97%	10.96%	24.00%	9.13%
Mercer Growth	1.98%	3.62%	11.13%	23.90%	8.36%
Quilla Assertive Portfolio	2.93%	3.39%	11.57%	19.88%	7.93%
iShares Enhanced Strategic Growth Portfolio	2.75%	2.78%	10.95%	22.69%	7.65%
CFS FirstChoice Growth	2.47%	4.93%	14.77%	28.97%	7.45%
Russell Growth	3.07%	5.09%	15.71%	29.55%	7.37%
Elston Growth Portfolio	3.00%	4.93%	19.25%	35.93%	7.26%
FE UT PG Multi Asset Growth Index	2.60%	3.51%	11.84%	23.10%	7.12%
Morningstar Growth Portfolio	2.07%	3.51%	12.46%	19.06%	6.20%
Evergreen Premier Growth Portfolio	2.50%	3.36%	10.87%	26.68%	6.15%
Lonsec Managed Portfolio – Multi-Asset Growth	3.06%	2.97%	9.04%	17.57%	5.42%

\*Performance numbers are sourced from HUB24 and FE Analytics and are net of fees.

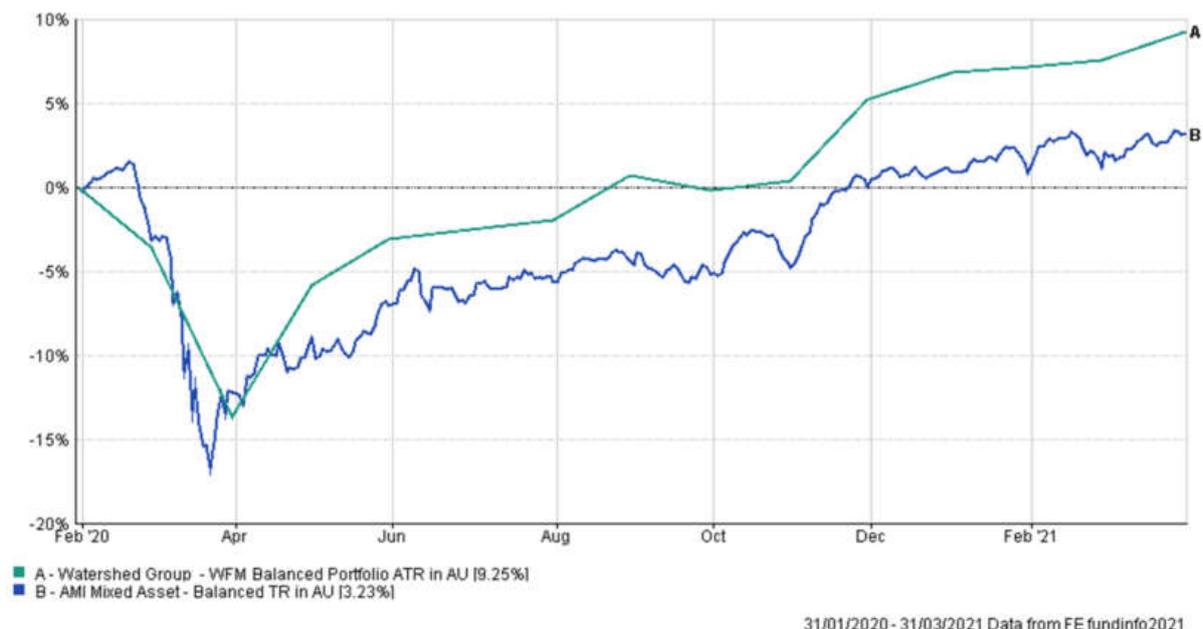


It is interesting to note as we close out the March Quarter that the ASX200 Accumulation Index has rebounded to almost the same level as it was at the close of January 2020 just prior to the ensuing market chaos. We have spoken numerous times over the past year about the importance of cautious portfolio positioning at the start of 2020 and just as equally about the discipline to invest into the dramatic market sell-off. And not only was investing in the market nadir of last year vital but the mix of assets selected at the

time, both in terms of geography and asset class, proved pivotal with their being a significant divergence in subsequent asset class returns.

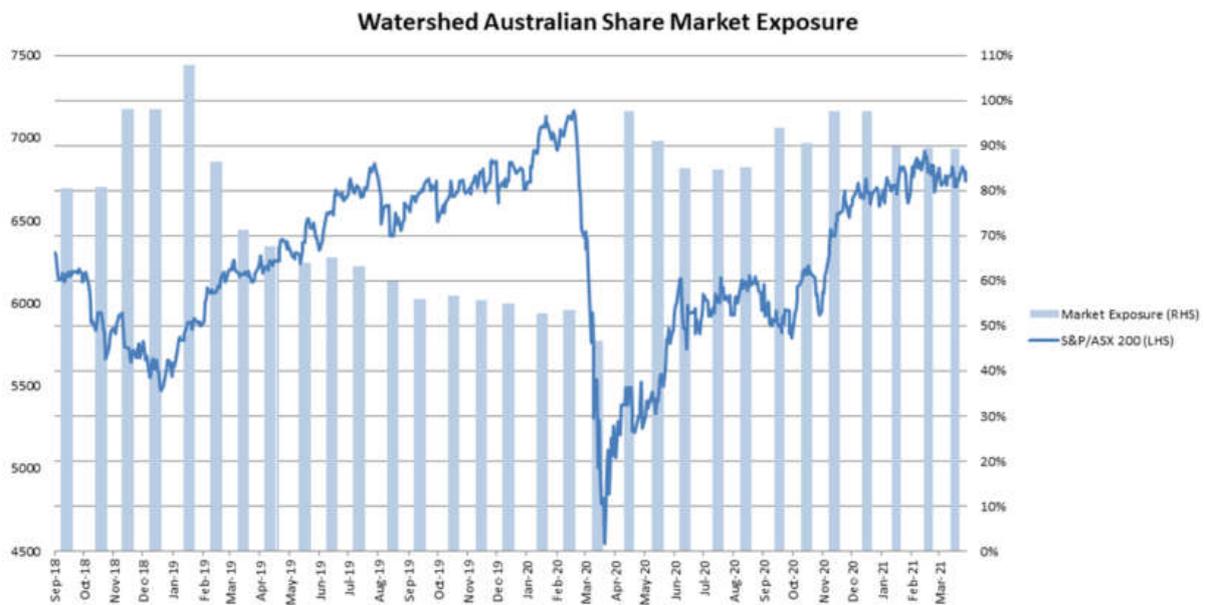
The marked skew in portfolio performance over this time period was mostly reflective of each manager's success in executing this strategy. We are pleased to note that in the period from January 31, 2020 to the close of March 2021 our Balanced Portfolio was able to generate a return of **9.25%** versus the average return of our Peer Group of **3.23%** (and with many peers still deriving negative returns over this time period). But perhaps what has been most gratifying has been our ability to limit the downside drawdown in the March sell-off and achieve amplified returns as the market rebounded.

In the market capitulation of March last year our Balanced portfolio fell by over 3% less than the average of our peers with the Watershed Balanced falling by **-13.62%** versus our Average Peer retracement of **-16.70%**. And in the subsequent market recovery we have been able to generate a return of **22.87%** versus the **19.93%** of our Peer Group. This has provided outperformance of 3% against our Peers on both sides of the ledger providing the net outperformance over this time period of **6.02%** referenced above. These return comparisons sourced from FE Analytics are reflected in the Chart below.



Those who have read our previous communications will know that we are staunch advocates of Active Asset Management and are regularly adjusting our market

exposures to exploit pricing dislocation in times of market strength and market weakness. This has been a key factor behind the success of our multi-asset models and making tactical adjustments to our allocations remains very much at the forefront of our strategic thinking. This is reflected in the chart below that details the adjustments we have made to our Australian Share Market exposure as it has fluctuated over the past three years.



We believe the forthcoming year will again provide us with ample opportunities to provide outperformance for our investors with there remaining economic and market uncertainty, an environment well-suited to the astute tactical asset allocator.

Upward inflation expectations have caused the recent bout in volatility as investors fear the huge amount of global stimulus pumped into markets could see inflation rise ahead of current Central Bank forecasts. This has seen bond yields spike and big sector rotations in equities as expensive structural growth stocks have been sold for economically sensitive value stocks. This is a theme we are watching closely, and with markets seemingly fully priced and the capacity to absorb disappointment only diminishing, we expect any volatility could provide a more attractive entry point.

For further information on our portfolio please contact our BDM Shantelle Lay on 0417 459 842 or [shantellelay@watershedgroup.com.au](mailto:shantellelay@watershedgroup.com.au)

---

### **Performance Fee Disclosure**

All figures & tables stating investment performance returns (AFTER investment management fees, but BEFORE administration fees and taxes) for the Portfolio. 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.

### **FE Analytics Index**

The FE Peer Group Multi-Index Indices offer the average return across circa 150 funds investing with a similar risk mandate, i.e. Balanced.

---

### **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..

---