

Watershed International Share Portfolio

Investment Profile

A Professionally Managed Portfolio of International Shares

The Watershed International Share Portfolio is a separately managed account, or SMA, actively managed by Watershed Funds Management. SMAs are professionally managed portfolios of direct shares whereby the investor receives beneficial ownership of the underlying securities.

Investment Objective

The objective of the Watershed International Share Portfolio is to provide attractive investment returns over the medium and long-term while reducing the risk of permanent capital loss. The Portfolio consists of investments in high-quality global businesses whose shares are listed on major global stock exchanges. The Portfolio aims to outperform the MSCI World Index (excluding Australia) over a rolling three-year period by 2 - 3% per annum.

Key Portfolio Features	
Inception	4 January 2010
Benchmark	World Index (ex Aus)
Authorised Investments	Medium to Large Cap Listed International Shares
Number of Stocks	15-25
Cash Allocation	0-20%
Tracking Error	5% to 11% per annum
Investment Horizon	At least 5 years

The Portfolio is designed for investors who...

- Seek long term capital growth & portfolio diversification
- Have a longer-term investment horizon of at least five years and accept the risk of price fluctuations.

Performance

Gross Performance (%)	1m	3m	6m	1yr p.a.	3yr p.a.	5yr p.a.	7yr p.a.	Inception* p.a.
WFM International Share Portfolio in US\$	2.1%	7.2%	18.7%	50.4%	15.9%	15.9%	13.0%	14.8%
MSCI World Index (ex Aus) in US\$	2.2%	5.1%	19.9%	51.3%	12.5%	13.4%	9.8%	10.4%
Relative Performance in US\$	(0.1%)	2.1%	(1.2%)	(0.9%)	3.4%	2.5%	3.2%	4.4%
WFM International Share Portfolio in A\$	5.0%	8.4%	11.2%	22.6%	16.6%	16.2%	16.2%	16.5%
MSCI World Index (ex Aus) in A\$	5.1%	6.3%	12.4%	23.5%	13.2%	13.7%	13.0%	12.1%
Relative Performance in A\$	(0.1%)	2.1%	(1.2%)	(0.9%)	3.4%	2.5%	3.2%	4.4%

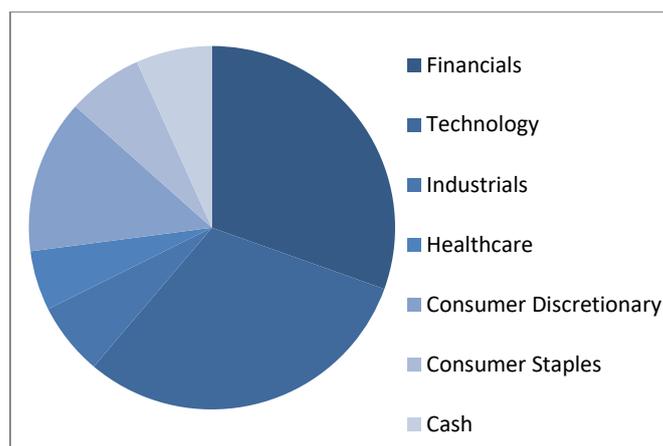
*Inception since January 2010

Portfolio Structure

No.	Company Name	Ticker
1	Microsoft	MSFT
2	Amazon	AMZN
3	Berkshire Hathaway	BRK-B
4	JP Morgan Chase	JPM
5	Apple Inc.	AAPL
6	Intel Corp	INTC
7	PayPal Holdings Inc	PYPL

Sector Allocation

Financials	30.47%
Technology	30.68%
Industrials	6.46%
Healthcare	5.31%
Consumer Discretionary	13.70%
Consumer Staples	6.68%
Cash	6.70%
TOTAL	100.0%





Quarter in Review

Performance Summary

- Measured in US Dollars, the MSCI World Index (excluding Australia) rose by **5.1%** in the March quarter and rose by **51.3%** for the 12 months ended March
- Measured in US Dollars, the Watershed International Share portfolio rose by **7.2%** in the March quarter outperforming its benchmark index by 2.1%, and rose by **50.4%** for the 12 months to March underperforming its benchmark by 0.9%
- Measured in Australian Dollars to account for the effects of changes in the US\$/A\$ exchange rate, the MSCI World Index (excluding Australia) rose by **6.3%** in the March quarter and rose by **23.5%** for the 12 months ended March
- Measured in Australian Dollars to account for the effects of changes in the US\$/A\$ exchange rate, the Watershed International Share portfolio rose by **8.4%** in the March quarter outperforming its benchmark index by 2.1%, and rose by **22.6%** in A\$ for the 12 months ended March underperforming its benchmark by 0.9%.

Performance Commentary

- The new year has seen investor confidence bolstered by the rollout of worldwide vaccine programs and the continuing fiscal aid from federal governments and central banks. At the end of the quarter, U.S. President Biden unveiled a US\$2.3 trillion infrastructure plan plus higher corporate taxes to pay for the package
- There was also some frenzied trading in parts of the equity market. Early in the quarter it came from individual investors on Reddit and Robinhood, and in late March it was Archegos Capital Management's highly leveraged bets that put its banking counterparties under pressure
- For the March quarter, the S&P 500 gained 5.8% and the Nasdaq added 2.8%. Australia's ASX 200 ended the quarter 3.1% higher, and other major equity markets other than China's Shanghai also rose in the quarter
- During the March quarter, the AUD weakened by 1.3% against the US dollar and was mixed against other major currencies.

Performance Attribution for Quarter

Top Contributors	Key Detractors
JP Morgan Chase & Co	Amazon
Wells Fargo	Apple
Bank of America	Nestle
Alphabet	Costco
Intel	

Investment Environment

- The international economy is recovering faster than many economists have projected, powered by growth in the U.S. and China, and by the accelerating pace of vaccinations in many developed countries
- Federal Reserve officials now expect the U.S. economy to recover more quickly than they did a few months ago, according to new projections released. They sharply raised their forecast for economic growth anticipating that the Covid-19 vaccination campaign and trillions of dollars of fiscal stimulus will propel the U.S. economy to its fastest expansion since the early 1980s. Officials now expect U.S. gross domestic product to expand 6.5% in 2021, measured from the fourth quarter of last year to the same period of this year
- At the end of the quarter, U.S. President Biden unveiled a US\$2.3 trillion infrastructure plan. The measure, which comes after Mr. Biden signed a US\$1.9 trillion coronavirus relief bill into law, is the first of a two-part economic plan that he hopes to move through Congress in coming months. A second plan focused on childcare, healthcare and education will be released in April
- It is worthwhile noting that households in most parts of the world have increased their savings significantly during 2020 as they spent less on dining out, travel and entertainment. Economists predict that some of the accumulated household savings will be spent in 2021, creating a tail wind for the global economy
- We see some heightened risks in the investment environment driven by unconventional central bank policies and very high levels of government debt and anticipate that the recent higher market volatility will remain.