



WATERSHED

FUNDS MANAGEMENT



Addition of Pimco Trends Fund

Much of our recent commentary has centred around valuations and the fact that markets are effectively priced to perfection in an environment that is anything but certain. Our recent trade updates and portfolio positioning has become progressively more cautious on this thematic as we have increased cash levels and/or added small short positions.

We see this environment as conducive to an alternative exposure where we seek returns non-correlated to traditional equity and fixed interest markets. As such, two weeks ago we invested in the Pimco Trends Managed Futures Strategy. We successfully used this product at the end of 2019 when markets also looked fully priced, and it performed strongly into the Covid induced market sell-off in March 2020. During this period as the ASX200 fell over 30% the Pimco Trends actually rose by over 10%. This helped mitigate our equity losses and also left us in a strong position to exploit market weakness as we were subsequently able to use it as a funding vehicle to purchase heavily discounted equity and fixed interest assets.

As a reminder the Pimco Trends Fund is a managed futures strategy designed to pick up on trends and momentum (in any direction) across major asset classes including commodities, currency, interest rates and equities and most importantly to provide positive returns in equity market downturns. The Fund has successfully achieved this

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

www.watershedgroup.com.au

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

having performed well in market sell-offs and subsequently generating a negative correlation to the MSCI World index since inception. Performance since inception is below:

Aug 2021 Performance	1m	3m	6m	1yr	2yr
Pimco Trends Managed Futures Strategy	2.22%	4.26%	11.09%	16.92%	7.41%
*Inception 13/12/2018					

Trend-following strategies thrive in volatile markets, particularly as persistent equity declines drive risk-reducing behaviour across asset classes. As we get closer to the Federal Reserve announcing its path for tapering and raising interest rates it is likely that volatility across all markets will increase, providing a favourable backdrop for a trend following strategy like this one.

The Pimco addition was funded from share sales in keeping with our objective of reducing our equity market exposure. The initial investment is 50% of our expected allocation to the strategy which will be 3%/5%/7% respectively for the Conservative/Balanced/Growth risk profiles. The current positioning for the Watershed Balanced Fund is below:

Risk Profile - Watershed Balanced	Min %	Neutral %	Max %	Tactical %
CASH	0%	5%	40%	2.50%
FIXED INTEREST / INCOME SECURITIES	20%	35%	60%	28.40%
LISTED PROPERTY	0%	5%	10%	0.00%
AUSTRALIAN SHARES	10%	30%	70%	36.90%
INTERNATIONAL SHARES	10%	25%	60%	29.70%
ALTERNATIVES	0%	0%	15%	2.50%



Our August reports can be viewed [here](#).

If you would like to speak to us and how Watershed can help drive your client's investment returns please contact our BDM Shantelle Lay:

shantellelay@watershedgroup.com.au
0417459842

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.
