



# WATERSHED

FUNDS MANAGEMENT



## December Scoreboard

The Watershed Multi-Asset Portfolios rounded out a very strong Calendar Year 2021 in the December Quarter outperforming our competitors and respective benchmarks in every risk category as shown in the performance tables below.

We have spoken often over recent months of our intent to remain active in what we anticipate to be volatile investment markets and during the quarter we made a number of positional changes in our underlying SMA mandates.

In November our Australian Share SMA divested its holding in Sydney Airports and Endeavour Group given what we believed to be constrained upside on takeover price and valuation grounds

respectively. These funds were deployed into a number of resource shares after the sector had endured a sharp sell-off that we felt was overdone. We topped-up our existing holdings in BHP, Rio Tinto and Woodside Petroleum and introduced a new position in Mineral Resources, a WA-based business offering high quality exposure to mining services, iron ore and lithium. Our timing proved highly successful and the resource sector rallied strongly into the year-end and early January, so much so that we felt that the portfolio should again move to a neutral/underweight to commodities/energy and partially lock-in what were significant short-term gains.

Within our International Share SMA we reduced our technology exposure in October by taking part profits in Intel and Microsoft and increased our exposure to the banking sector given our view on interest rate rises occurring earlier than anticipated in the US. We also chose to increase our cash position on market valuation grounds.

Our Emerging Leaders SMA pleasingly outperformed the Small Ordinaries Accumulation Index despite holding a significant, defensive cash weighting. Consistent with our sectoral repositioning in the Australia Share SMA we recently reduced exposure to Independence Group and Mineral Resources after a period of outperformance whilst maintaining a healthy weighting in both assets. These funds were utilised to progressively take positions in both Uniti Group and Pinnacle Investments, businesses that we believe have highly attractive outlooks.

Complementing all of this is our alternatives exposure via the Pimco Trends Managed Fund. Trend following strategies thrive in volatile markets, capitalising on more persistent market trends and fits into our macro view that volatility will be a persistent feature for markets in 2022 as central bank tightening looms and an unpredictable pandemic weighs on investor sentiment.

Our SMA's all hold reasonable cash positions and are defensively positioned. We believe this is prudent with the spectre of rising rates, softer Chinese economic data and the withdrawal of global economic stimulus likely to cause continued market volatility which whilst unpleasant in the short-term, provides the opportunity to deliver outperformance. We currently have plenty of ammunition to exploit any market dislocation as we head into the new year.

Mandate	1mth	3mth	6mth	1yr	3yr	5yr
<b>WFM Conservative</b>	<b>1.32%</b>	<b>2.01%</b>	<b>3.96%</b>	<b>10.12%</b>	<b>9.30%</b>	<b>7.14%</b>
Vanguard Conservative Index	0.38%	0.99%	1.44%	4.51%	7.11%	5.60%
Russell Conservative	1.12%	1.29%	1.99%	5.99%	6.36%	4.92%
Elston Conservative Portfolio	0.91%	0.11%	2.01%	4.83%	5.86%	4.62%
<b>FE UT PG Multi Asset Moderate Index</b>	<b>1.00%</b>	<b>1.10%</b>	<b>1.96%</b>	<b>5.59%</b>	<b>5.81%</b>	<b>4.40%</b>
Quilla Conservative Income Portfolio	1.36%	1.78%	2.46%	6.95%	5.79%	4.21%
CFS FC Inv-FirstChoice Conservative	0.91%	0.63%	0.98%	4.49%	5.18%	3.84%
InvestSense Diversified Portfolio 2	0.63%	0.30%	1.26%	3.69%	4.50%	3.38%
Morningstar Conservative Portfolio	0.37%	-0.93%	-0.45%	0.64%	2.73%	2.30%
Evergreen Premier Conservative Portfolio	1.10%	1.51%	2.70%	6.96%	6.47%	N/A
iShares Enhanced Strategic Conservative	0.51%	-0.15%	0.56%	1.76%	4.89%	N/A
<b>WFM Balanced</b>	<b>1.47%</b>	<b>2.39%</b>	<b>4.95%</b>	<b>13.08%</b>	<b>11.59%</b>	<b>8.63%</b>
Elston Balanced Portfolio	1.69%	0.31%	5.02%	12.08%	10.63%	7.77%
Russell Balanced	2.19%	3.18%	4.51%	14.69%	10.76%	7.65%
Vanguard Balanced Index	0.98%	1.93%	2.90%	9.02%	10.16%	7.61%
CFS FC Inv-FirstChoice Balanced	2.01%	2.27%	3.08%	12.76%	10.74%	7.43%
<b>FE UT PG Multi Asset Balanced Index</b>	<b>1.54%</b>	<b>1.84%</b>	<b>3.15%</b>	<b>10.10%</b>	<b>8.71%</b>	<b>6.43%</b>
Quilla Moderate Portfolio	1.95%	2.89%	3.81%	11.04%	8.70%	6.32%
InvestSense Diversified Portfolio 3	0.85%	0.45%	2.01%	6.54%	6.90%	4.89%
Morningstar Balanced Portfolio	0.91%	-0.09%	0.76%	5.85%	6.11%	4.69%
Evergreen Premier Balanced Portfolio	1.75%	2.61%	4.65%	12.75%	10.72%	N/A
iShares Enhanced Strategic Balanced	1.01%	1.29%	2.75%	9.32%	9.16%	N/A
Lonsec Managed Portfolio Multi-Asset Balanced	1.77%	2.74%	4.82%	12.38%	8.69%	N/A

<b>WFM Growth</b>	<b>1.60%</b>	<b>2.74%</b>	<b>5.83%</b>	<b>15.48%</b>	<b>13.73%</b>	<b>9.93%</b>
Vanguard Growth Index	1.50%	2.89%	4.27%	14.03%	12.96%	9.42%
Russell Growth	2.56%	3.76%	5.24%	18.11%	12.50%	8.86%
Elston Growth Portfolio	1.99%	0.48%	6.22%	15.07%	12.27%	8.83%
Quilla Assertive Portfolio	2.39%	3.77%	5.06%	15.70%	11.74%	8.27%
CFS FC Inv-FirstChoice Growth	2.29%	2.73%	3.71%	15.05%	11.99%	8.19%
<b>FE UT PG Multi Asset Growth Index</b>	<b>2.10%</b>	<b>2.94%</b>	<b>4.61%</b>	<b>14.50%</b>	<b>11.22%</b>	<b>8.03%</b>
InvestSense Diversified Portfolio 4	1.03%	0.60%	2.77%	9.44%	9.21%	6.31%
Morningstar Growth Portfolio	1.44%	0.58%	1.50%	8.74%	8.21%	6.27%
Evergreen Premier Growth Portfolio	2.28%	3.18%	6.11%	16.44%	12.61%	N/A
Lonsec Managed Portfolio Multi-Asset Growth	1.83%	3.13%	5.37%	15.32%	9.76%	N/A
iShares Enhanced Strategic Growth Portfolio	1.27%	2.10%	4.06%	13.74%	11.60%	N/A

### *Watershed Funds Management*



Our December Quarterly 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:

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For those who missed it, you can access a recording of our WEBINAR on 25-Jan 2022 and slide deck below.

[\*What impact will inflation have on interest rates and markets 2022\*](#)

[\*Slide Deck\*](#)

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## Watershed Funds Management

Watershed Funds Management is a specialist Managed Account provider and has been a pioneer in the delivery of Managed Account (MDA & SMA) 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 Managed Account (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 SMA's.

An investment in a Watershed SMA 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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## **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 average returns across circa 150 funds with a similar risk mandate, i.e. Balanced.