WATERSHED OVERVIEW

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FUNDS MANAGEMENT

Watershed Funds Management

Watershed Funds Management is a specialist Managed Account provider and has been a pioneer in the delivery of MDA & Managed Account (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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WATERSHED FUNDS MANAGEMENT– A MANAGED ACCOUNT SPECIALIST

- Established in June 2009, WFM is one of the oldest managed account providers:

  All mandates are on Platform (MIS) both personal and super

  Full suite on: Hub24, Praemium, Oneview, Fiducian

  Sector models (or single mandates) on Netwealth, Mason Stevens, Explore Wealth

  1. 4 Sector based SMA's: International Share, Australian Share, Emerging Leaders, Income SMA.
  2. 3 Multi-Asset SMA's: Conservative, Balanced, Growth (built predominantly from the sector SMA's)
  3. Bespoke Portfolio manager for some larger groups
  4. Our Multi Asset Models have significantly and consistently outperformed all of our mainstream (larger) competitors.
  5. ***Active (Dynamic) Management, Low Cost, Strong Performance – delivering practive efficiency***

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MANAGED ACCOUNTS: TECHNOLOGY EVOLUTION

- Our Journey: From IMA portfolio’s under an MDA agreement, to Sector Based SMA’s within IMA portfolio’s, to Multi Asset Portfolio’s including SMA’s and *anything* else (that is liquid, with daily pricing).

Continued Platform technology enhancements:

- Substitution: Customisation / ESG preferences
- Fractionation (large / illiquid investments)

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PORTFOLIO MECHANICS: MULTI-ASSET

Efficient Asset Allocation Management

CODE	NAME	PRICE	LAST SUBMIT WEIGHT(...	CURRENT DYNAMIC WEIGHT(...	NEW WEIGHT(...	CHANGE(%)
W1	WFM International Share ...	461.3672	14.80	15.59	15.59	0.00
Z1	Watershed Australian Sh...	244.3630	27.68	27.22	27.22	0.00
Z2	Watershed Income	200.0612	28.90	26.70	26.70	0.00
Z3	Watershed Emerging Lea...	554.6732	10.61	13.22	13.22	0.00
Z4	Watershed International ...	158.8638	10.81	10.79	10.79	0.00
ZA	Watershed Alternatives	0.8433	3.71	2.95	2.95	0.00
WFM	WFM MF Model Group	11,875.9684	3.49	3.53	3.53	0.00

PORTFOLIO MECHANICS: UNDERLYING INVESTMENT MANAGEMENT (SECTOR SMA)

Add New Asset | CSV Import | CSV Export

CODE	NAME	PRICE	LAST SUBMIT WEIGHT(%)	CURRENT DYNAMIC WEIGHT(%)	NEW WEIGHT(%)	CHANGE(%)
AAPL.NAS	Apple Inc.	178.3225	6.72	7.01	7.01	0.00
AMZN.NAS	Amazon com	4,370.8968	12.48	11.69	11.69	0.00
AXP.NYS	American Express Co	164.6576	3.87	4.17	4.17	0.00
BA.NYS	Boeing Co.	271.1217	1.39	1.55	1.55	0.00
BRK.B.NYS	Berkshire Hathaway	306.6271	7.58	7.02	7.02	0.00
COST.NAS	Costco Wholesale Corp	463.1092	5.43	4.75	4.75	0.00
GOOGL.NAS	Alphabet Inc - Class A Common Stock	2,723.6431	4.16	5.10	5.10	0.00
HD.NYS	Home Depot Inc	363.6079	3.40	2.92	2.92	0.00
INTC.NAS	Intel Corp	75.8614	5.24	5.15	5.15	0.00
JNJ.NYS	Johnson & Johnson	214.4277	5.61	5.33	5.33	0.00

MANAGED ACCOUNTS: THE END RESULT

- This technology now enables us to run diversified, risk based models (or bespoke portfolio's), with over 130 underlying securities: We can manage the portfolio's efficiently at both the asset allocation and underlying sector level / and across all asset classes and regions

- Appendices

MANAGED ACCOUNTS: COMMON PROPERTIES

- The Client is the Beneficial Owner of the underlying assets
- Investment Decisions can be made and implemented without client consent at the time

MANAGED ACCOUNTS: MDA'S

- An Managed Discretionary Account (MDA) is a legal contract between the client and the MDA operator that allows the MDA operator discretion to buy and sell investments on behalf of the client.
  - It is not a financial product but a financial service.
  - The SOA will include an Investment Strategy which sets the portfolio guidelines for the MDA provider and this needs to be updated/agreed to annually.

In our experience MDA's tend to be run as an IMA for larger client accounts but are also the legal structure of some administrative platforms and more broadly available model portfolio services.

The functionality of the MDA will depend on the technology being used to drive it! – but the MDA structure generally enables individual client customisation.

MANAGED ACCOUNTS: IMA

- An Individually Managed Account (IMA), is an “individually” managed portfolio of direct investments- meaning that there can usually be some customisation of the portfolio at the client level.
  - More customisation may mean less efficiency and higher transaction costs.
  - IMA’s are usually suitable for sector based portfolio’s or more concentrated portfolio’s – not necessarily viable for more sophisticated multi asset portfolio’s.

The legal structure can be varied (wholesale client, MDA)

IMA’s can have a broad investment universe including illiquid investments such as TD’s or unlisted alternative assets.

MANAGED ACCOUNTS: SMA

- A Separately Managed Account (SMA) is a portfolio of directly held investments that is professionally managed
  - An SMA is a financial product with the relevant disclosure documents
  - Usually, very little customisation at client level (client portfolio is regularly re-balanced into line with the managers model portfolio weights) – ***all investors must be treated equally***
  - SMA's vary from sector based portfolio's (i.e. Large Cap Australian Share) to diversified or multi-asset portfolio's (either Managed Funds based, ETF based, direct listed investment based or a combination).

MANAGED ACCOUNTS: BENEFITS

1/ Improved Client Outcomes via efficient (quick) implementation of investment decisions

2/ NO ROA's! - more time to service and grow your client base

3/ Reducing Compliance Risk – consistency across client accounts (no drift away from model portfolio due to execution lag or review cycle)

4/ Better / easier Client Communication and Reviews

4/ Transparency

5/ Accessibility or Portability of investments

6/ Can be more tax efficient: individual cost base vs pooled trust

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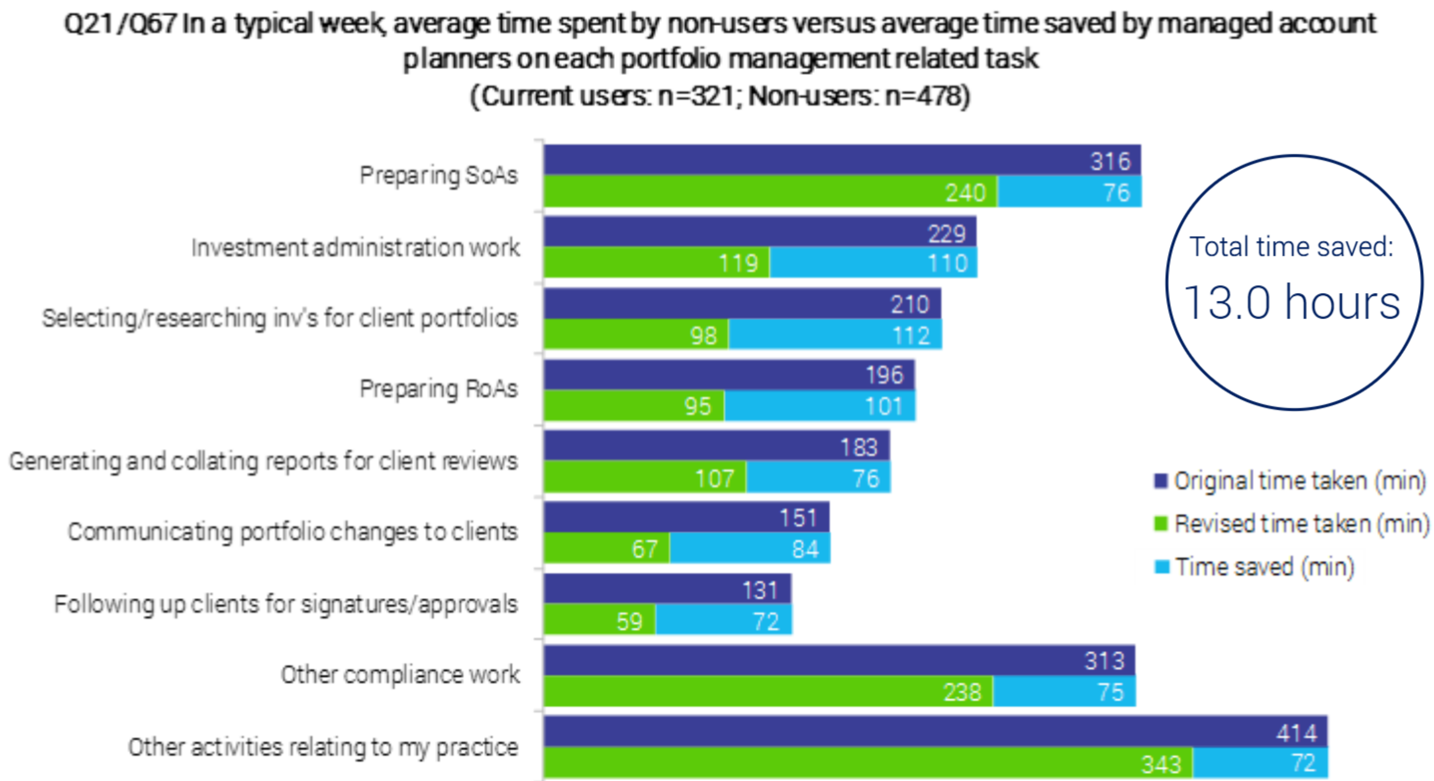
MANAGED ACCOUNTS: BUSINESS EFFICIENCY

On average, planners who use managed accounts save 13 hours per week on portfolio management related tasks



Investment Trends 12

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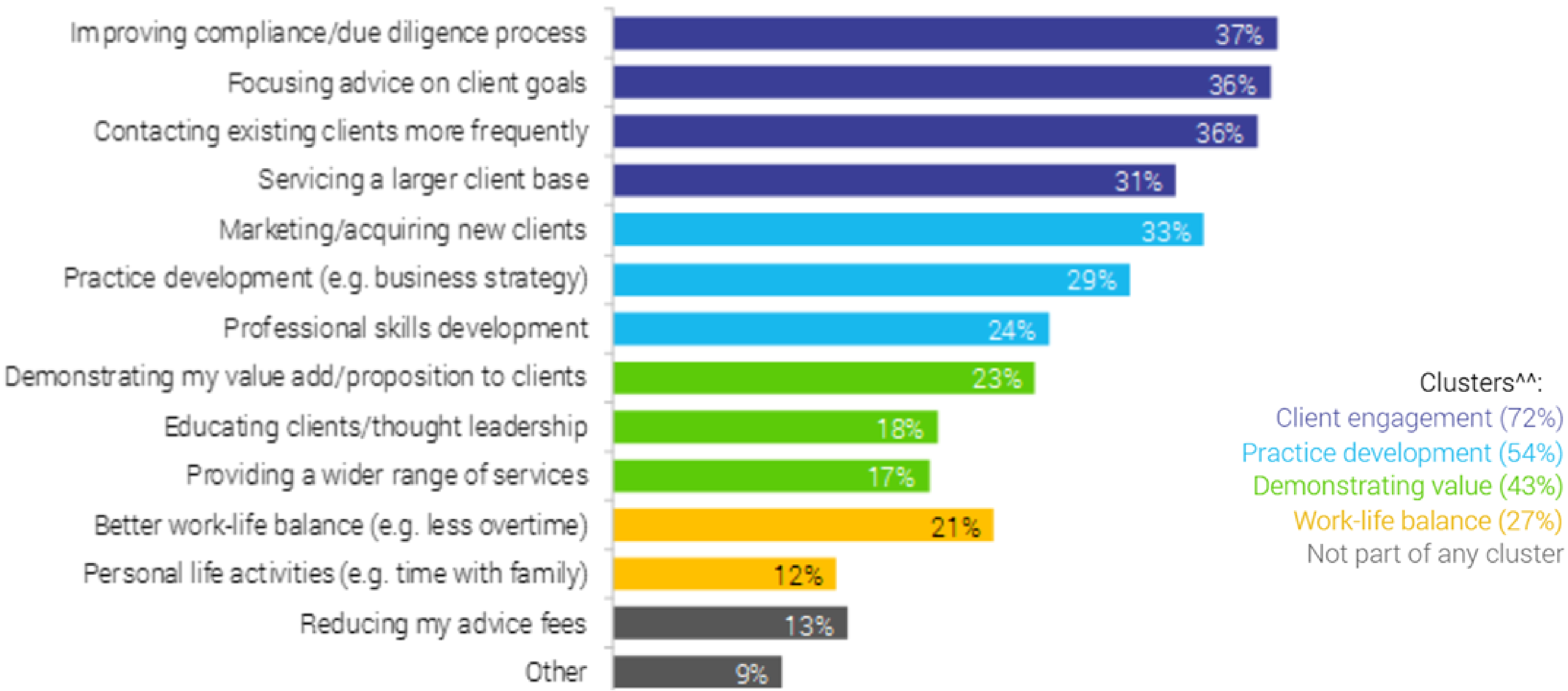
MANAGED ACCOUNTS: BUSINESS EFFICIENCY

Q22 How have you spent the time saved by adopting managed accounts? (Multiple responses permitted)
Among current managed account planners [n=327]



EFFICIENCY PRACTICE EXAMPLE

- 1 Practice: Bespoke MDA solution:
- 1 Adviser (4 day's per week)
- 1 Admin Staff (4 day's per week)
- $112m FUM, 80 clients

Normal Structure: more clients means more staff

WHAT ARE THE KEY CONSIDERATIONS WHEN CHOOSING A MANAGER?

- Is there a good investment team (engine) behind it!
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- What are you trying to achieve for your clients and practice?

  - More efficient management for a sleeve? (direct shares)-SMA
  - More efficient management for whole portfolio? Dynamic Asset Allocation? Multi Asset Portfolio's (Core & Satellite)
  - Lower costs?
  - Etc etc

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WHAT ARE THE KEY CONSIDERATIONS WHEN CHOOSING A MANAGER? – THE PUSHBACK

- What’s my job?
- Concentration (manager) Risk?

NAVIGATING MARKETS

- In this world of extremely low or negative interest rates and extraordinary central bank and government stimulus we have seen increased volatility: - shorter sharper cycles
- - Looking at the starting point in this cycle – We expect even more of the same

Key question: What is the best structure, service or portfolio management solution to help you navigate markets for your clients?

Questions

Open Discussion

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Thank you for your time today, and feel free to call or connect with us.

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