

## Watershed Income Portfolio

### Investment Profile

The Watershed Income SMA is a concentrated portfolio of listed debt, hybrid securities and ETF's or LIT's aiming to generate an income return of 2% above the UBS Bank Bill Index net of fees.

A separately managed account, or SMA, is a professionally managed portfolio whereby the investor receives beneficial ownership of the underlying securities.

The Watershed Income portfolio has a bias towards floating or variable rate fixed interest securities to minimise interest rate risk.

The portfolio should be viewed as defensive with minimal capital volatility and is not expected to generate any long term capital growth.

Key Portfolio Features	
<b>Inception</b>	30 Aug 2010
<b>Benchmark</b>	UBS Bank Bill Index
<b>Authorised Investments</b>	Listed Bonds Hybrid Securities Listed Debt
<b>Number of Securities</b>	10-20
<b>Cash Allocation</b>	2-20%
<b>Management Fee</b>	0.44% (inc GST)
<b>Investment Horizon</b>	At least 2 years

#### The Portfolio is designed for investors who...

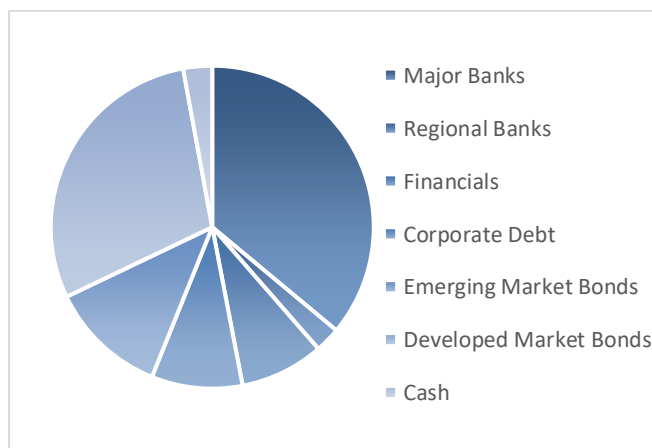
- Seek higher than market, stable, tax-efficient income returns
- Have a medium-term investment horizon and are not expecting any capital gains from their investment

### Portfolio Structure

No.	Company Name	ASX Code
1	US Treasury Bond ETF	USTB
2	BetaShares Aus Gov't Bond ETF	AGVT
3	Vaneck Emerging Income Fund	EBND
4	KKR Credit Income Fund	KKC
5	ANZ Capital Notes 7	AN3PJ

#### GICS Sector by Issuer

<b>Major Banks</b>	35.70%
<b>Regional Banks</b>	2.53%
<b>Financials</b>	8.32%
<b>Corporate Debt</b>	9.37%
<b>Emerging Market Bonds</b>	11.84%
<b>Developed Market Bonds</b>	29.40%
<b>CASH</b>	2.83%
<b>TOTAL</b>	100%



### Performance

Net Performance (%)	1m	3m	6m	1yr	3yr	5yr	7yr	10yr	Inception *
<b>WFM Income Portfolio</b>	0.34%	0.90%	3.65%	7.45%	2.77%	2.95%	3.30%	3.47%	4.52%
<b>WFM Including Franking</b>	-	-	-	8.35%	4.02%	4.31%	4.65%	4.82%	5.87%
<b>UBS Bank Bill Index</b>	0.37%	1.09%	2.19%	4.31%	2.31%	1.59%	1.67%	1.85%	2.42%
<b>Relative Performance</b>	<b>-0.03%</b>	<b>-0.20%</b>	<b>1.46%</b>	<b>4.04%</b>	<b>1.71%</b>	<b>2.72%</b>	<b>2.97%</b>	<b>2.98%</b>	<b>3.45%</b>

\*Inception - August 2010

**Performance Fee Disclosure** The table above sets out the 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.