

Clearwater Dynamic Portfolio

INVESTMENT STRATEGY

The investment process is a dynamic one that aims to ensure that the investment objectives of the Portfolio are met. In short, the aim is to help investors create wealth over time through a Portfolio designed to deliver long term capital growth by investing through investment cycles. This is done by:

1. Positioning the Portfolio with the appropriate asset mix to achieve the investment objectives based on forward looking scenarios, asset class valuation models, and further research material.
2. Combining growth assets in a manner that provides high-growth returns, but the appropriate diversification to lower some volatility to equity markets. A high tolerance and capacity for risk is required.
3. Investing across different markets, investment managers and strategies using a rigorous due diligence process.
4. Using both direct and indirect investments, with the ability to invest a portion of the Portfolio in less liquid assets and capture the illiquidity premium available.

PORTFOLIO MANAGER COMMENTARY

The Clearwater Dynamic Portfolio (CDP) had a strong month of performance in January 2020, delivering +3.46%. Global share markets had a solid start to the New Year but momentum began to fade in the last week of the month on growing concerns regarding the spread of the Coronavirus and the drag on global growth. Along with the fear of global contagion, January was a dramatic month with increased volatility which saw rising tensions between Iran and the US, the oil price fall sharply, the gold price rise and the impeachment of Donald Trump. The Nasdaq index was the only global index to make gains for the month; however Australian equities completely bucked this trend, rising almost +5%, assisted by the performance of domestic bonds and the fall in the \$A vs. USD. Against this backdrop it was pleasing to see all of the holdings within the CDP deliver solid positive performance in January. Within the domestic equity component of the Portfolio the best performing strategies were the long short managers Solaris (+3.6%) and Pental (+3.3%). Spheria Small Companies (+2.1%) also had a good month as did Allan Gray (+1.4%). Our diversified Emerging Market exposure through Northcape (+3.5%) delivered a significant outperformance over the index thanks to their quality and defensive characteristics and clear underweight to China. Fidelity India also returned an strong +6.2%. The global equity strategies were led by our new addition to the Portfolio, Hyperion Global Growth, which returned an impressive +8.9%. Other global equity managers returned the following - Munro Global Growth (+5.6%), Loomis Sayles (+4.7%) and Barwon Global Listed Private Equity (+1.0%). RARE Infrastructure Income and Legg Mason Australian Bond Fund returned +4.0% and +2.2% respectively whilst delivering diversification from our pure equity strategies. Most of our exposures to global assets are unhedged and benefited from the fall in the \$A during the month.

ECONOMIC AND MARKET COMMENTARY

The US markets finished down slightly for the month of January (-0.16%) whereas domestic markets finished up (+4.89%) and China finished down (-11%). The worlds markets began 2020 on a relatively positive note in anticipation of a "Phase 1" US-China trade deal being closed and ready to sign by mid-month (aside from short-lived elevation in geopolitical regarding Iran). However, on the 17th of January, markets reacted to the 2019-nCov virus, the Coronavirus originating in Wuhan, China and spreading to other provinces and abroad with a pullback. Despite the near flat finish for the month, the US has been somewhat resilient and made new all-time highs since the outbreak. Similarly, the Australian markets have also posted all-time highs. China has responded with heavy stimulus measures and analysts, at time of writing, are expecting a February peak in the virus, followed by a relatively swift recovery. However, uncertainty regarding global impact of China's likely zero Q1 growth persists. Furthermore, market risk (by measure of the VIX at around 15%) remains above the historical low-end of its range, indicating a need for caution regarding risk assets and the potential for risk to escalate further.

ASSET ALLOCATION REVIEW

ASSET CLASSES	NEUTRAL ALLOC.	CURRENT ALLOC.	VARIANCE
Cash	0%	24%	24%
Fixed Income	10%	12%	2%
Alternative	10%	4%	-6%
Property & Infrastructure	10%	14%	4%
Australia Equity	30%	20%	-10%
Global Equity	40%	26%	-14%

INVESTMENT OBJECTIVE

Target return	To exceed the Lonsec Traditional Core Model Portfolio High Growth after fees, over a 10 year period.
Timeframe	7 to 10 years
Defensive / Growth	10% defensive / 90% growth
Min Investment	\$1,000
Redemption Liquidity	Approx. 1 - 2 weeks to process; settlement is subject to the underlying investment liquidity

MANAGER PROFILE

Clearwater Portfolio Management (CPM) - As Portfolio Manager CPM has responsibility for the day to day operations and management of the Clearwater Dynamic Portfolio. CPM oversees the portfolio research and the portfolio construction process. To assist in portfolio research and construction, CPM has engaged specialists to lead the process. CPM also operates an Investment Committee that includes these parties, along with representatives from DMG Financial Planning Pty Ltd and is chaired by the CEO of CPM.

PERFORMANCE REPORT

	1 Month	3 Months	6 Months	1 Year	Since Inception
Clearwater Dynamic Portfolio	3.46%	5.10%	5.38%	-	7.20%
Multisector Aggressive Investor	2.51%	4.95%	6.15%	-	11.40%
S&P/ASX 200 TR AUD	4.98%	6.07%	5.10%	-	12.20%
MSCI World Ex Australia GR AUD	4.38%	8.47%	11.54%	-	20.21%
BBgBarc Global Aggregate TR Hdg AUD	1.81%	1.32%	2.68%	-	4.73%

PORTFOLIO RISK REPORT

MARKET REPORT

