

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

June was another a good month for the portfolio, delivering 0.76%. Over the last quarter of the financial year, we produced 8.69%. This was the recovery period for the markets, but also it was when the CDP began to have meaningful amounts of funds to invest. Over the financial year, our result was around breakeven. While this is not ideal, it is important to keep in mind that the fund will be volatile and impacted share market falls. Despite this, we were able to provide a significant degree of protection against the loss suffered in the Australian Sharemarket, which was 7.68% for the year. Our ability to provide a healthy level of protection and to limit losses that impact the broader financial markets was important to us in this period and demonstrates the extra level of care we did take with investors money when markets fell in response to the Coronavirus.

Currently, we are balancing the news of the deterioration of the virus and the poor economic environment with the continued recovery in share markets. Despite our concerns about the virus and the economics, we have been prepared to continue to carefully invest and capture part of the upside as markets recover. Flexibility is essential when managing portfolios, coupled with close monitoring of the markets and our holdings. This has meant that we have been able to add to growth assets even when the risks are growing. It is well known that markets and even bubbles can persist for extended periods, leaving some investors waiting on the sidelines for falls that may or may not eventuate.

Overall, we continue to maintain a healthy degree of defensiveness and are ready to adapt if the markets lose their appetite for risk.

ECONOMIC AND MARKET COMMENTARY

The Australian share market was up 2.29% for the month of June. Meanwhile, US stocks, on average were up 1.84%. Some marginal improvements to the US economy were noted in terms of unemployment, with statistical estimates beating economic analyst expectations for the second month in a row, however, well over 20 million people remain newly unemployed. Furthermore, China manufacturing, construction and raw materials purchases beat analyst expectations, which has had a positive impact on local markets and exports (with Iron Ore jumping over 10% for the month). Markets in general continue to be fuelled somewhat by the raft of fiscal and monetary policy measures made locally and in countries abroad. For example, a commitment to virtually limitless support from the US Fed has indeed propped up the markets for now, however, volatility remains around 30 after retreating from the recent June high around 40. Historically speaking, this is still very high and indicates significant risk and uncertainty remains in the equity markets and the economy.

ASSET ALLOCATION REVIEW

ASSET CLASSES	NEUTRAL ALLOC.	CURRENT ALLOC.	VARIANCE
Cash	0%	27%	27%
Fixed Income	10%	9%	-1%
Alternative	10%	2%	-8%
Property & Infrastructure	10%	7%	-3%
Australia Equity	30%	22%	-8%
Global Equity	40%	34%	-6%

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	0.76%	8.69%	-2.55%	0.44%	0.97%
Multisector Aggressive Investor	0.85%	9.17%	-6.08%	-1.18%	2.06%
S&P/ASX 200 TR AUD	2.61%	16.49%	-10.43%	-7.69%	-4.27%
MSCI World Ex Australia GR AUD	-1.08%	6.10%	-3.31%	5.74%	11.36%
BBgBarc Global Aggregate TR Hdg AUD	0.48%	2.26%	3.56%	5.17%	6.53%

PORTFOLIO RISK REPORT

MARKET REPORT

