

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) rose 1.71% after fees over the month of July an excellent start to the financial year and significantly outperforming the ASX 200, which rose 0.50%.

The personal and economic news surrounding the COVID Crisis has continued to deteriorate in recent months. The infection and death rates are worse than at any stage of the crisis. Economically, the US GDP figure fell by a massive 32.9% annualised pace. However, the US is not alone. Many countries experiencing second waves of the virus are encountering equally disastrous second waves of economic figures. It is, therefore, a little odd that in writing about such dire economic circumstances that the CDP should be doing so well. Much of this has to do with some of our managers - such as Munro Global, Northcape Emerging Markets, Hyperion Global and Fidelity India performing at above-average levels.

Still, we need to keep in mind that the financial markets are being driven by more than profits and valuations. Liquidity from Central Banks and Government Support is driving markets, and these type of markets are notoriously fickle. So, we remain cautious over the near term - even though we are far more positive on the medium-term given the degree of stimulus in the system. Between here and Christmas global markets have to deal with a US election, 2nd wave effects enforcing lockdowns across major economies and a traditional seasonal period (August through October) that is prone to bouts of extreme volatility. The Investment Committee continues to put money to work, but does so cautiously, balancing risk and returns.

ECONOMIC AND MARKET COMMENTARY

The US markets were up in July by 5.5% while domestic shares were up around 0.5% on average. The US economy has not significantly improved and there is little leading markets higher other than the substantial actions taken by the Fed in terms of monetary policy and the fiscal measures implemented by government. There is, perhaps optimism by some that a safe and viable vaccine may be found earlier than expected (for instance in Russia, where the safety measures required in the West were bypassed as they inoculated people in scale). Meanwhile however, in China, GDP has rebounded slightly and they have avoided a technical recession. China infrastructure and industry has increased which has boosted iron ore prices and will benefit our domestic resources sector. Despite the above, there remains a reasonable amount of risk and uncertainty in the markets. For example, the VIX (sometimes referred to as "the fear indicator") remains high at around 22 which is still somewhat above the 12 to 15 range it has averaged in the several years before the pandemic.

ASSET ALLOCATION REVIEW

ASSET CLASSES	NEUTRAL ALLOC.	CURRENT ALLOC.	VARIANCE
Cash	0%	18%	0%
Fixed Income	10%	12%	2%
Alternative	10%	1%	-9%
Property & Infrastructure	10%	7%	-3%
Australia Equity	30%	23%	-7%
Global Equity	40%	38%	-2%

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	1.71%	5.23%	-4.20%	0.95%	2.69%
Multisector Aggressive Investor	1.01%	4.89%	-6.98%	-1.56%	3.31%
S&P/ASX 200 TR AUD	0.50%	7.62%	-14.25%	-9.87%	-3.79%
MSCI World Ex Australia GR AUD	0.64%	3.00%	-6.77%	3.98%	12.07%
BBgBarc Global Aggregate TR Hdg AUD	1.03%	1.79%	2.77%	5.52%	7.62%

PORTFOLIO RISK REPORT

MARKET REPORT

