

# 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 1.99% during August – backing up good results in the previous months. Yet again, the virus is making the headlines. The financial fundamentals – both domestically and abroad – do not look good. Most were expecting two successive quarters of negative economic growth (thereby meeting the technical definition of a ‘recession’) to occur in response to the enforced lockdowns across most nations. Now, with the virus dragging on and the restrictions impacting the Victorian economy, at least three successive quarters of negative economic growth is looking more likely. This is nearly unprecedented in modern economic times, and one needs to go back close to 100 years (to the Great Depression) to identify anything nearly as devastating from an economic perspective.

Needless to say, given such circumstances, we are still holding defensive assets at a level slightly above the target. However, we have continued to invest cash into growth assets over the last month. As mentioned previously, we remain cautious over the near-term given the headwinds of seasonal vagaries, another divisive US election, and the virus itself for markets to negotiate. Over the medium-term, however, we remain more positive. Indeed, there is a constant tussle within markets between the near-term worries and the brighter medium-term outlook. The promise of a vaccine (whether it manifests or not) and the enormous amount of Government and Central Bank stimulus presently within the system does give some hope toward a brighter 2021.

## ECONOMIC AND MARKET COMMENTARY

On average the largest US companies in the world gained a little over 7% for the month of August. There was some optimism regarding Covid-19 vaccine viability, however the realities are that we have no known way of speeding up the safety testing process. There are still thirty million or more unemployed people (most newly so) in the U.S., many of whom have no foreseeable schedule of when they might return to work. Also remarkable is that the markets closed at an all-time high and continued to rise at the start of September until the much overheated tech sector began to capitulate. The VIX (a.k.a. the fear index) has since hit its highest level (33) since mid-March (80). The vast stimulus measures, both fiscal and monetary have been key drivers for the stock market heading higher. In China a moderate recovery seems to be underway from the data being released, with construction, exports and retail sales looking slightly healthier. Meanwhile, our local share market, on average was just slightly higher, despite the country falling into a technical recession for the first time in 28 years.

## ASSET ALLOCATION REVIEW

ASSET CLASSES	NEUTRAL ALLOC.	CURRENT ALLOC.	VARIANCE
Cash	0%	11%	11%
Fixed Income	10%	18%	8%
Alternative	10%	1%	-9%
Property & Infrastructure	10%	7%	-3%
Australia Equity	30%	24%	-6%
Global Equity	40%	39%	-1%

## 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	1.99%	4.52%	0.86%	3.61%	4.74%
Multisector Aggressive Investor	2.65%	4.79%	-0.22%	1.91%	6.05%
S&P/ASX 200 TR AUD	2.83%	6.04%	-4.48%	-5.08%	-1.07%
MSCI World Ex Australia GR AUD	3.51%	3.05%	1.41%	7.29%	16.00%
BBgBarc Global Aggregate TR Hdg AUD	-0.71%	0.79%	0.82%	2.52%	6.86%

## PORTFOLIO RISK REPORT

## MARKET REPORT

