

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) fell 0.38% over September – a relatively good result considering the ASX 200 lost 3.66% over the same period. Our careful approach of managing the money, along with our manager selection, are the reasons why our marginally negative performance in September was nowhere near as dramatic as the Australian Sharemarket.

While again providing significant protection against share market losses for the month is pleasing, we remain focused on the long-term. This is because, in the short-term, there is always something for financial markets to worry about that will affect returns. Delivering on our objectives over the long-term is how we add value to investors.

We continue to use the available cash to build positions in the portfolio. The allocation to growth assets is moving closer to our target of 90%. This has been a gradual process due to market volatility and risks. It has paid off as can be seen in the September result. Recently markets bounced off their lows, and even some of the economic numbers had improved, both here and abroad post their 2020 second quarter low points. Thoughts were turning toward an economic recovery, although a worsening of the pandemic numbers means this is most likely a long way off.

It is for this reason, combined with the uncertainties of the US election, plus a poor seasonal history for October that we expect to see further opportunities to invest. While we harbor reservations about the near-term outlook, we are much more positive on the medium-term horizon. At some point, the past, current, and future Central Bank and Government measures must begin to deliver significant growth and support for financial markets.

ECONOMIC AND MARKET COMMENTARY

After a couple of consecutive strong months, the US stock market relented in September, retreating 3.9% for the month. Similarly, domestic shares were down on average around 3.6% for the month. The sell-off was driven by a pickup in Covid-19 numbers as well as, uncertainty around the outcome of the upcoming US Presidential Election (3rd of November), a lack of clarity and likely delay of additional Fiscal support. Following the end of the month Trump tested positive for Covid-19 and a narrative of stronger fiscal response from the Democratic party began to emerge. US Stocks have buoyed slightly since. The market, betting odds and polls have since seem to favour Biden over Trump (however mileage has varied with these indicators for example in the 2016 Election and with Brexit). In the meantime, the Fed and other central banks continue to provide support through extensive policy measures and near zero rates.

ASSET ALLOCATION REVIEW

ASSET CLASSES	NEUTRAL ALLOC.	CURRENT ALLOC.	VARIANCE
Cash	0%	8%	8%
Fixed Income	10%	17%	7%
Alternative	10%	1%	-9%
Property & Infrastructure	10%	10%	0%
Australia Equity	30%	25%	-5%
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	-0.38%	3.34%	12.32%	2.49%	4.34%
Multisector Aggressive Investor	0.00%	3.69%	13.43%	0.39%	6.05%
S&P/ASX 200 TR AUD	-3.66%	-0.44%	15.98%	-10.21%	-4.69%
MSCI World Ex Australia GR AUD	-0.26%	3.90%	10.24%	4.85%	15.70%
BBgBarc Global Aggregate TR Hdg AUD	0.37%	0.68%	2.96%	3.48%	7.25%

PORTFOLIO RISK REPORT

MARKET REPORT

