

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 5.33% over November as markets rebounded strongly on news of the progress of the COVID-19 vaccine. At the time of writing, there are at least three definite vaccines that could be rolled out in the short-term. This is heartening news – especially for those living in the Northern Hemisphere – where second and third waves are having such a negative impact on the markets.

At our November Investment Committee meeting, we made several changes to the portfolio as news of successful trials for various vaccines emerged. We have been able to invest the cash inflows and position the portfolio for growth as we anticipate that the global economy will improve as a vaccine is progressively rolled out during 2021. Investment markets that traditionally look six to nine months ahead have also anticipated this growth potential. Moreover, it has been accepted, without question, that it was news surrounding a vaccine that was a key driver behind the strong November rally.

As part of our recent changes, we have placed an additional investment in the Inception Judo Trust. This Trust invests in Judo Capital, one of Australia's newest banks. As covered in last month's commentary, the fund is performing exceptionally well. We now have confirmation that the investment will show an increase in value of approximately 20% when the figures are updated shortly. On top of this change, we made an additional allocation to the strongly performing Barwon Healthcare Property Fund. We also added to the Aquasia Private Investment Fund, which continues to perform well, delivering a return of approximately 8% per year.

These three investments only have periodic opportunities to invest and are not usually available to the public. Our relationships with the managers and our ability to invest larger amounts mean that we can gain access to these opportunities on your behalf, via the portfolio. We have also been regularly adding to other holdings as investment money has become available.

As you can see, we have made several changes. The reason behind these adjustments is to progressively reposition the CDP for brighter times ahead as the world emerges from the tyranny of COVID-19.

ECONOMIC AND MARKET COMMENTARY

Positive news related to COVID-19 vaccines and fresh hopes for US fiscal stimulus breathed new life into risk assets in November. The Dow and S&P 500 posted fresh all-time highs yet again while US Treasury yields backed up to the highest rates since March. The Dollar remained under considerable pressure, highlighted by the Euro which punched through the 1.20 mark vs the USD, providing a broad headwind for Gold and US multinationals. Crude oil tracked to the highest levels this spring, up +27% on the month as OPEC+ producers reached a deal to gradually raise output by 500K barrels per day per month, beginning in early 2021.

ASSET ALLOCATION REVIEW

ASSET CLASSES	NEUTRAL ALLOC.	CURRENT ALLOC.	VARIANCE
Cash	0%	12%	12%
Fixed Income	10%	10%	0%
Alternative	10%	11%	1%
Property & Infrastructure	10%	9%	-1%
Australia Equity	30%	26%	-4%
Global Equity	40%	33%	-7%

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	5.33%	5.69%	10.46%	6.65%	10.69%
Multisector Aggressive Investor	8.46%	8.02%	12.90%	4.28%	13.43%
S&P/ASX 200 TR AUD	10.21%	8.23%	14.76%	-1.99%	7.07%
MSCI World Ex Australia GR AUD	7.47%	6.01%	9.24%	5.91%	22.98%
BBgBarc Global Aggregate TR Hdg AUD	0.53%	0.90%	1.70%	4.53%	7.82%

PORTFOLIO RISK REPORT

MARKET REPORT

