

DMG DIVERSIFIED 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 carefully over time through a Portfolio designed to do well in rising markets but also limit major losses in difficult market conditions. 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. Combining defensive and growth assets in a manner that provides a level of protection, but not immunity, in periods when stock markets fall.
2. Investing across different markets, investment managers and strategies using a rigorous due diligence process,
3. Focusing on preserving capital by aiming to limit major capital losses during difficult market conditions, through the use of alternative investments and portfolio protection strategies, and taking a medium to long term approach.
4. Using both direct and indirect investments

PORTFOLIO MANAGER COMMENTARY

It's fair to say that 2020 was a year like no other. And a year many would prefer to forget! That said, the DMG Diversified Portfolio (DMGDP) rose by 1.12% in December as the promise of a COVID recovery continued to buoy the markets.

Throughout 2020 the DMGDP performed well – rising 7.71% over the calendar year, which far eclipsed the 1.12% total performance of the Australian Sharemarkets top 200 companies.

We were delighted with the way our defensives worked so well during the March quarter, mainly because this was the time when the COVID selloff was at its peak. However, while seeing good short-term results is always a good thing, our primary focus is to consistently deliver value over the long term.

Since we started the portfolio, our return has been 6.69% per year after fees, which is a good result. Having said that, when you bear in mind that to get higher returns, you have to take on more risk, some may say, the performance of the fund has been excellent.

Delivering strong, consistent returns for our investors drives our Investment Committee. All up, we can look back on 2020 as a job well done. Even though the COVID crisis threw up plenty of challenges along the way.

Looking to the months ahead, our outlook for 2021 remains positive. Still, we realise we're by no means out of the woods yet, and we remain vigilant as both good and bad global events unfold. Our present concern is the efficacy and logistics of the global vaccine rollout. Will it be the true panacea that markets believe it to be? Or will we be facing disappointment down the track?

These concerns have led us to maintain a slightly elevated cash position within the DMGDP. However, we put some of this cash to work in November as news of successful vaccine trials hit the media. In the meantime, we feel there's still the need to maintain a degree of caution until a clearer picture of 2021 emerges.

ECONOMIC AND MARKET COMMENTARY

The markets ended the year on an optimistic note with US stocks posting substantial gains in the month of December and finishing the year at fresh record highs. European bourses such as Germany's DAX didn't share the same optimism, eking out a meagre 3.5% gain for the year, while France's CAC and the UK's FTSE were down double-digits for the year, handing the UK the worst performance since the 2008 GFC. A drawn-out Brexit negotiation resulted in late-stage concessions to get a deal across the line which rubbed salt in Britain's wounds. December also saw the US managing to avoid a government shutdown as President Trump reversed course and signed the budget and Covid relief bill into law on the last Sunday of the month. Prospects for boosting the aid package for US consumers quickly faded as Senate Republicans railroaded Trump's late push to raise direct payments to \$2,000 per person.

ASSET ALLOCATION REVIEW

| ASSET CLASSES | NEUTRAL ALLOC. | CURRENT ALLOC. | VARIANCE |
|---------------------------|----------------|----------------|----------|
| Cash | 0% | 2% | 2% |
| Fixed Income | 20% | 29% | 9% |
| Alternative | 10% | 0% | -10% |
| Property & Infrastructure | 10% | 8% | -2% |
| Australian Equity | 25% | 21% | -4% |
| Global Equity | 35% | 40% | 5% |

INVESTMENT OBJECTIVE

| | |
|----------------------|--|
| Target return | Bank Bills + 4.0% per year, after fees |
| Timeframe | Minimum 5 years |
| Defensive / Growth | 30% defensive / 70% 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 DMG Diversified 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 | 1 Year | 2 Years | 5 Years | Inception PA |
|-------------------------------|---------|----------|--------|---------|---------|--------------|
| DMG Diversified Portfolio | 1.12% | 4.84% | 7.70% | 11.40% | 6.08% | 6.69% |
| RBA 30 Day Bank Bill + 4% | 0.33% | 1.01% | 4.35% | 4.92% | 5.47% | 5.83% |
| Multisector Growth Investor | 5.19% | 4.86% | 2.01% | 7.62% | 6.62% | 7.59% |
| Multisector Balanced Investor | 3.61% | 3.57% | 2.37% | 6.59% | 5.48% | 6.05% |

PORTFOLIO RISK REPORT

MARKET REPORT

