

Clearwater Dynamic Portfolio

INVESTMENT STRATEGY

The investment process is always dynamic, which is why we keep a close eye on our portfolios to ensure that investment objectives are met. Our goal is to help investors create wealth over time through a portfolio designed to deliver long term capital growth by making investments through financial 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 ongoing research into financial markets.
2. Combining growth assets in a manner that provides high-growth returns, but includes the appropriate diversification to lower volatility to equity markets. High tolerance and capacity for risk are 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 to benefit from the illiquidity premium available.

PORTFOLIO MANAGER COMMENTARY

January saw the Clearwater Dynamic Portfolio (CDP) rise 0.18% over the course of the month. Financial markets finished on a low as concerns around the pace of vaccine rollouts, and fears around virus mutations rattled the markets. Nonetheless, the global vaccination program has made steady progress. But it's not a smooth path ahead, and we're likely to face a variety of challenges over the coming months.

We continued to allocate funds to growth assets during January as we received deposits from new investors, and we're now at our target allocation of 90% to growth assets and 10% to defensive assets.

This means we can now benefit enormously from share markets and other growth assets when they are performing well. Of course, the reverse is true when there's a downturn in the markets. However, over the long-term, we're confident that our portfolio will deliver above-average returns.

ECONOMIC AND MARKET COMMENTARY

The recent FOMC meeting saw the Fed's chair, Jerome Powell say he does not see interest rates rising any time soon and that the committee would like to let inflation run above 2% for some time. He also noted the recent optimism in markets primarily due to the vaccine and fiscal stimulus as the main driver for higher asset prices, not the Fed's monetary policy. US equity markets posted gains for most of January, with the major indices hitting fresh all-time highs in the last week of the month. Still, volatility quickly returned in the final days, reportedly driven by retail investors activity in heavily shorted stocks. The ASX200 posted a modest gain in January +0.3%, with Consumer Discretionary (+4.8), Communications (+2.8%) and Financials (+2.3%) leading the way. Real Estate (-4.4%), Industrials (-3.1%) and Health Care (-1.8%) sectors all lagged during the month.

ASSET ALLOCATION REVIEW

ASSET CLASSES	NEUTRAL ALLOC.	CURRENT ALLOC.	VARIANCE
Cash	0%	4%	4%
Fixed Income	10%	9%	-1%
Alternative	10%	13%	3%
Property	10%	12%	2%
Australian Equity	30%	27%	-3%
Global Equity	40%	35%	-5%

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	0.18%	6.47%	8.95%	4.37%	11.89%
Multisector Aggressive Investor	-0.02%	7.19%	9.36%	0.94%	12.10%
S&P/ASX 200 TR AUD	0.31%	11.89%	12.98%	-3.12%	8.70%
MSCI World Ex Australia GR AUD	-0.42%	6.53%	8.77%	1.40%	21.90%
BBgBarc Global Aggregate TR Hdg AUD	-0.57%	0.22%	-0.13%	2.64%	7.49%

PORTFOLIO RISK REPORT

MARKET REPORT

