

# **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

The Clearwater Dynamic Portfolio (CDP) rose 2.06% in April. Despite some managers struggling in previous months due to inflation fears, this result illustrates significantly better performance. A performance that can also be put down to company profit reporting season both here and overseas, leading to a more rational tone for sharemarkets across the board.

The good news is that our one-year return to the end of April sat at 19.08%. The returns we've delivered are well ahead of target and have been achieved with far less volatility than the sharemarkets.

Only two funds posted negative returns for the month, and the losses were minimal. The JCB Global Unhedged Bond Fund lost 1.34% in the month due mainly to the strength of the Australian dollar. Fortunately, we have only allocated a small portion of the fund to this holding, so the impact is minimal. The other was Allan Gray Australian Equities. This fund lost 0.63%, which is entirely understandable after its recent strong run. These losses were more than offset by gains in all the other holdings, several of which added over 5% each last month.

We have continued to use the available cash from new investors to add to existing holdings and target our allocation of 90% of the fund to growth assets. This approach will provide increased opportunities to capture gains and continue to improve our returns. The downside, of course, is that it's an approach that will lead to more volatility as a higher allocation to growth brings higher risk as well as higher returns.

Despite the recent strong performance, we remain vigilant. We continue to closely monitor the markets, our asset allocation, and our holdings. As always, we are maintaining our regular investment committee meetings and frequently meet with managers.

# **ECONOMIC AND MARKET COMMENTARY**

US equities again pushed to record highs in April against the backdrop of an increasingly dovish Federal Reserve, improving economic data, strong earnings from big US corporates and the ever-improving vaccination rollout to combat the COVID-19 pandemic, with total US vaccinations breaking the 100 million mark during the month of April.

Once again, the Federal Reserve conveyed its intent to keep interest rates close to zero for the foreseeable future to support the economic recovery for the COVID-19 pandemic after first slashing rates over one year ago. The US unemployment rate remained at 6.0%, despite more than 2 million fewer Americans in the labour force compared to pre-COVID levels. The Federal Reserve expects the economy to perk up in the months ahead, with some investors worried about the fast return of inflation in the economy.

The ASX 200 gained 3.47% in April, though underperforming the 5.24% rise in the S&P500.

The AU 10Y yield finished the month at 1.79% but experienced significant volatility during the month. Business and consumer sentiment in Australia moved back above pre-COVID levels as the economy continues to recover. The Australian housing market remained in focus, building approvals for the month up an astonishing 21.6% m/m.

## ASSET ALLOCATION REVIEW

ASSET CLASSES	NEUTRAL ALLOC.	CURRENT ALLOC.	VARIANCE
Cash	0%	4%	4%
Fixed Income	10%	8%	-2%
Alternative	10%	12%	2%
Property	10%	12%	2%
Australian Equity	30%	29%	-1%
Global Equity	40%	36%	-4%

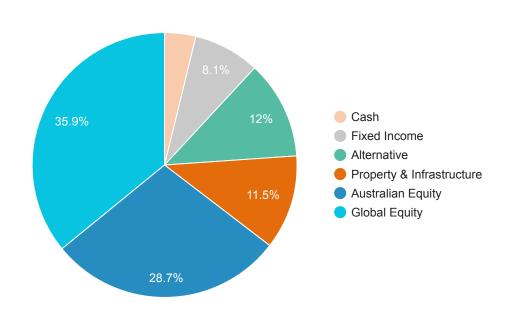
Marin Investment objective					
Target return	To exceed the Lonsec Traditional Core Model Portfolio High Growth after fees, over a 10 year period.				
Timeframe	7 to 10 years				
Defensive / Growth	10% defensive / 90% growth				
Min Investment	\$1,000				
Redemption Liquidity	Approx. 1 – 2 weeks to process; 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 REPO	•				
	1 Month	3 Months	6 Months	1 Year	Since Inception
Clearwater Dynamic Portfolio	2.06%	3.87%	10.59%	19.09%	16.22%
Multisector Aggressive Investor	3.69%	5.39%	13.84%	26.66%	18.42%
S&P/ASX 200 TR	3.47%	7.53%	20.32%	30.75%	16.89%
MSCI World Ex Australia GR	3.23%	10.36%	17.56%	23.63%	34.52%
BBgBarc Global Aggregate TR Hdg	0.24%	-1.74%	-1.53%	-0.11%	5.62%





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