

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

June was an excellent month for the Clearwater Dynamic Portfolio (CDP), which saw a solid investment return of 3.09%. Since the CDP started back in May 2019, our longer-term numbers, per year and after fees have reached: 1 year 19.16% and 2 years 9.12%. It's important to keep in mind that this period includes the worst of the COVID-19 impact on the economy. And as you can see, we have withstood the challenge this presented and delivered excellent returns.

Due to our strong performance, we believe it's unnecessary to make changes to the portfolio at this point in time. Therefore, we have focused on managing the timing and allocation of the additional funds that investors add to the portfolio.

This means that around twice a month, the investment committee discusses adding to a number of our existing holdings after considering the recommendations from our portfolio manager, Steph Williamson. We then proceed to implement the transactions agreed.

In the weeks ahead, we'll be adding to our holding in the Barwon Healthcare Property Trust. Barwon is raising more capital to acquire other health facilities. As a result, we're applying to make additional investments in the fund. The fund has performed very well, delivering consistent returns since it commenced in 2014. We expect the sector to perform well, and we're impressed by the thoroughness of the manager.

ECONOMIC AND MARKET COMMENTARY

Stock markets in the US rounded out the first half of 2021 close to or at record highs as the economy continued to pick up the pace with more people returning to work. Monetary and fiscal stimulus remaining at historic levels provided a consistent tailwind to markets, and there's little to show either will be removed any time soon. In Australia, the ASX200 gained +26.9% in the 12-months to June 30 2021, while the All Ords Index had its best year since 1987 in the same period. YTD, the ASX200, has gained around +11%, showing a slightly weaker second-half performance. On the final day of trading on June 30, the ASX200 index closed at 7,313 points, up slightly on the day.

The benchmark S&P500 finished the first half with a total return of above 15% after a lacklustre start in January, stringing together five straight months of gains. The Russell 2000 (+17.5%) and Russell Microcap (+28.8%) indices have outperformed broadly. The Nasdaq 100 (+13.2%) underperformed slightly in H1, after posting a record outperformance in 2020 of around +30% vs the S&P500. The Tech index came back into favour in June, as a swing back into Growth assets started to take place late in the month while the VIX index fell back to levels not seen since before the start of the pandemic.

ASSET ALLOCATION REVIEW

ASSET CLASSES	NEUTRAL ALLOC.	CURRENT ALLOC.	VARIANCE
Cash	0%	5.7%	5.7%
Fixed Income	10%	7.2%	-2.8%
Alternative	10%	14.7%	4.7%
Property	10%	10.3%	0.3%
Australian Equity	30%	27.1%	-2.9%
Global Equity	40%	35.0%	-5.0%

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	3.09%	5.68%	7.74%	19.18%	20.34%
10% per annum	0.80%	2.41%	4.88%	10.00%	21.96%
Vanguard High Growth Index [VAN0111AU]	2.61%	7.56%	12.65%	26.92%	31.37%
S&P/ASX 200 TR	2.26%	8.28%	12.88%	27.78%	22.33%
MSCI World Ex Australia GR	4.74%	9.47%	16.54%	28.11%	42.66%

PORTFOLIO RISK REPORT

MARKET REPORT

