

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 1.65% throughout July – an excellent start to the new financial year and a promising continuation of the strong run we've been seeing recently. As a result, our twelve-month return to 31st July now stands at 19.09%, while the overall return since we started the portfolio in May 2019 has reached an impressive 9.23% per year, after fees. This is an excellent result that's enabling our investors to continue to grow their wealth at an excellent rate.

At the time of writing, lockdowns have once again gripped our nation. The fast spread of the highly contagious Delta variant of the COVID virus has forced the government to change the policy-setting narrative we've been hearing over recent months. Consequently, the objective is now for 70-80% of the nation's population to be fully vaccinated to achieve the desired herd immunity threshold. This percentage is higher than the initial target, so keep in mind that, as with most forecasts about COVID, everything can and will change.

Markets appear to be taking these lockdowns in their stride, with the ASX 200 hitting new highs on a recurrent basis. Nevertheless, we remain somewhat cautious, given that global equity markets are advancing. But we're not out of the woods yet when it comes to the COVID pandemic. While we have ongoing concerns, this is a similar experience to 2020, when despite the significant economic impact, government and Central Bank support overcompensated, which saw markets quickly recover and rise.

In response, we have maintained a slightly elevated cash level this month, and we're looking to deploy this cash shortly should the opportunity arise. One such option we're considering is increasing our current position in the Barwon Healthcare Property Fund. The returns from this investment have been excellent, averaging 8.93% per year from inception to 30th June 2021. By the same token, Barwon has also proven to be a source of stability in periods when share markets have faltered. We will continue to seek such opportunities for the portfolio, particularly those that look to achieve returns above our target objective.

ECONOMIC AND MARKET COMMENTARY

July saw a month-long rally in US equities run into some headwinds in the final week of the month. The Chinese regulatory crackdown on US listed companies began to create some trepidation for investors on those stocks and a heavy IPO issuance persevered. Robinhood's remarkable reception suggested that investors still have an appetite for the plethora of equity supply, with the stock trading up to \$85/share after trading around \$33/share just days earlier.

In Australia, the ASX200 gained +1.2% in July and is up over +14.2% since the beginning of 2021. The ASX200 underperformed indices in the US (+2.5%) and Europe (+1.6%) in July but outperformed Emerging Market (EM) indices which lost ground (-6%) in the month. The losses in EM can be largely attributed to the sell-off in Chinese and Technology stocks on the main, which reverberated locally with Technology (-7.1%), Energy (-2.7%) and Financials (-1.5%) listed on the ASX200 trading lower in the month. The Materials sector gained ground in July (+7.2%), as did Industrials (+4.4%).

ASSET ALLOCATION REVIEW

ASSET CLASSES	NEUTRAL ALLOC.	CURRENT ALLOC.	VARIANCE
Cash	0%	11.5%	11.5%
Fixed Income	10%	4.5%	-5.5%
Alternative	10%	9.6%	-0.4%
Property	10%	10.3%	0.3%
Australian Equity	30%	27.8%	-2.2%
Global Equity	40%	36.3%	-3.7%

INVESTMENT OBJECTIVE

Target return	RBA Bank Bills +6%
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	1.65%	5.25%	9.32%	19.11%	22.32%
RBA Bank Bills +6%	0.50%	1.50%	3.02%	6.17%	14.81%
Vanguard High Growth Index [VAN0111AU]	1.72%	6.18%	14.42%	27.57%	33.63%
S&P/ASX 200 TR	1.10%	5.80%	13.77%	28.55%	23.67%
MSCI World Ex Australia GR	4.06%	10.35%	21.79%	32.47%	48.45%

PORTFOLIO RISK REPORT

MARKET REPORT

