

Clearwater Dynamic Portfolio

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.

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 over time through a Portfolio designed to deliver long term capital growth by investing through investment 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 further research material.
2. Combining growth assets in a manner that provides high-growth returns, but the appropriate diversification to lower some volatility to equity markets. A high tolerance and capacity for risk is 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 and capture the illiquidity premium available.

MANAGER COMMENTARY

The Clearwater Dynamic Portfolio (CDP) fell -0.63% over the month of August in a month which saw volatility return to markets and both Australian and global markets decline in local dollar terms. As the portfolio grows through its initial stages we are cautiously adding to positions to put the portfolio on its best foot forward. The next few months are notoriously unpredictable with trade war concerns and a looming Brexit deadline remaining, which we will use to our advantage and seek attractive entry points. Australian equities were dragged lower, as were our Australian equity managers Allan Gray (-2.4%) and Spheria Smaller Companies (-4.6%) which proved the biggest negative contributor for the month. However our core position in Solaris Long Short (-1.4%) outperformed the index solidly and we introduced Pandal Australian Long Short to the portfolio during the month. The Australian bond exposure held through Legg Mason (+1.5%) performed its defensive role whilst exposures in global equities had mixed returns. The core global equity holding in Northcape Emerging Markets was up (+0.2%) but Fidelity India (-1.9%) and Munro Global Growth (-0.6%) both declined

ECONOMIC AND MARKET COMMENTARY

The US markets finished lower in August (-1.81%) after being down as much as -4.69% mid-month. A spate of less than positive news put pressure on share prices, which included a lack of forward guidance by the Fed at the 1st of August Fed meeting, a Trump tweet regarding the imposition of additional tariffs and the labelling of China as a "currency manipulator" by US treasury secretary Mnuchin on the 5th of August. Markets regained some ground following the Jackson Hole meeting where some clarity was given regarding the expected additional 25bps rate cut (from current 2.25% target, down to 2%). However, risk remains elevated, with respect to global trade, growth and inflation; which is not aided for example, by further tensions with Iran in connection with Saudi drone strikes (resulting in a spike in Crude prices), a looming hard Brexit, and waning growth in the EU and China (noted in August: the ECB to reinstate QE, China engaging in further stimulus). Domestically, trade-tensions and deepening slowdown in China production levels were reflected in a market slide of -2.87%; rates held at 1% however there is speculation that other policy tools and further reductions will be seen this year toward a lower target in the next 12 months

ASSET ALLOCATION

ASSET CLASSES	NEUTRAL ALLOCATION	CURRENT ALLOCATION	VARIANCE
Cash	0%	13%	13%
Fixed Income	10%	10%	0%
Alternative	10%	12%	2%
Property and Infrastructure	10%	0%	-10%
Australian Equity	30%	31%	1%
Global Equity	40%	34%	-6%

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	\$5,000
Redemption liquidity	Approx. 1 – 2 weeks to process; settlement is subject to the underlying investment liquidity

PERFORMANCE REPORT

TOTAL RETURN SUMMARY	1 MONTH	3 MONTHS	SINCE INCEPTION
Clearwater Dynamic Portfolio	-0.63%	1.09%	1.09%
Multisector Growth Investor	-0.71%	3.26%	3.26%
S&P/ASX 200 TR AUD	-2.36%	4.23%	4.23%
MSCI World Ex Australia	0.32%	8.12%	8.12%
BBgBarc Global Aggregate Hdg	2.20%	4.23%	4.23%

PORTFOLIO RISK REPORT

MARKET REPORT

ASSET ALLOCATION

