

# Milliman SmartShield Growth

Q4 2023

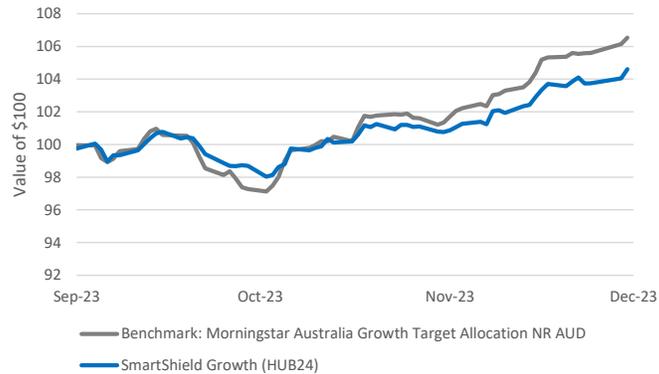


## MARKET SNAPSHOT

The final quarter of 2023 delivered strong returns for investors across multiple markets, mainly driven by the expectation that central banks would begin rate cuts sooner than previously anticipated, stemming from signs of a deceleration in inflation. Notable performances include the ASX 200, which recorded an impressive +7.7% return for the quarter, and the MSCI World ex Australia (AUD) index, yielding a commendable +5.3%. Simultaneously, sovereign yields across numerous developed countries experienced a rapid decline as a response to the end of the monetary tightening cycle.

Within the quarter, the equity market witnessed a decline in October, followed by a V-shaped recovery in November and December. The fluctuations inherent in this V-shaped rebound led to some hedging costs for the SmartShield portfolios during the quarter. Ultimately, SmartShield Growth portfolio delivered a quarterly return of +4.62%, compared to +6.43% for the benchmark. It is worth noting that the SmartShield portfolio achieved this return with lower volatility than the benchmark, reflecting its ability to effectively manage risk.

Performance over the quarter



## SMARTSHIELD OVERLAY

Dynamic allocation to equities



As a result of the prevailing market optimism fueled by the anticipation of an end to the tightening monetary policy and potential future rate cuts, the SmartShield Growth portfolio systematically reduced its hedge level.

This adjustment translated to an increase in net equity exposure, climbing from 55% at quarter's outset to 70% by the end of the quarter (maximum equity exposure sits at 80%). This level will allow participation in potential market upswings should it persist. However, the strategy remains poised to elevate the hedging level swiftly, in the event of a sustained and material market downturn.

## PERFORMANCE OUTLOOK

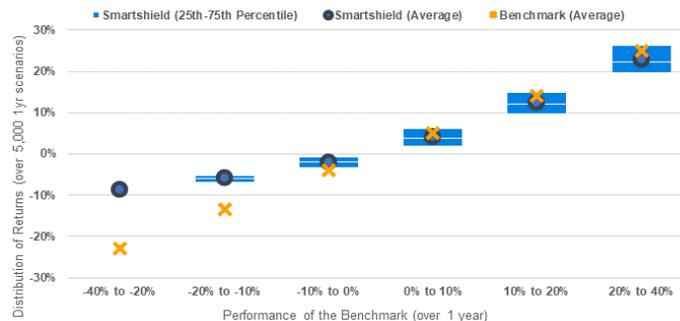
As we progress into the new year, the prevailing theme will be uncertainty regarding when and by how much central banks will cut rates in 2024. At the end of 2024 market participants were pricing in between 5 to 6 rate cuts in the US, Eurozone and the UK and between 2 to 3 in Australia. The recent gains may be at risk of retracement if new economic data comes out to suggest a more resilient economy than expected, leading to central banks not needing to cut rates as quickly.

As we move through this environment, managing risk is as important as ever, giving investors the confidence to stay invested, whatever the market conditions.

As a result of the SmartShield overlay's ability to dynamically adjust the hedge levels, the portfolio is well positioned should we enter into a case of a sustained market drawdown.

The portfolio's tilt toward growth assets will also allow it to participate on the upside once volatility and sentiment recovers to normal levels.

Simulated 1yr performance: Growth



PERFORMANCE (net of fees <sup>1</sup> )	1 month <sup>2</sup>	3 months <sup>2</sup>	6 months	1 year	Since Inception p.a. <sup>3</sup>
SmartShield Growth	3.26%	4.62%	3.87%	8.79%	3.01%
Benchmark: Morningstar Aus Growth Target Allocation NR AUD	4.24%	6.43%	5.07%	11.76%	4.82%

RISK METRICS SINCE INCEPTION	Volatility (Annualised)	Max Drawdown
SmartShield Growth	7.81%	-12.96%
Benchmark: Morningstar Aus Growth Target Allocation NR AUD	11.66%	-19.08%

<sup>1</sup>Performances are calculated net of underlying investment cost and management fee. Fees applied on the benchmark = 90bps, it represents the average management fee charged by investible multi-asset diversified portfolios as published by Morningstar research.

<sup>2</sup>Aside from hedging strategy performance, short term performance relative to the benchmark differs due to imperfect performance tracking of the underlying sector ETFs against its benchmark on a month to month basis. This is mainly caused by difference in the period that performance is accounted for between various time zones, as well as difference in effective date of dividend distributions relative to the benchmark. These effects will largely be 'washed-out' when looking at a longer time horizon (e.g. 1 year).

<sup>3</sup>Inception Date: 3rd Mar 2020

BENEFITS	PORTFOLIO HOLDINGS
<ul style="list-style-type: none"> <li>Built-in portfolio protection</li> <li>Diversified</li> <li>Dynamically managed</li> <li>Low cost</li> <li>Flexibility &amp; control</li> <li>Participate in market upside</li> </ul> 	<p><b>80% GROWTH ASSETS</b></p> <ul style="list-style-type: none"> <li>iShares S&amp;P 500</li> <li>iShares MSCI EAFE</li> <li>Vanguard Australian Shares</li> <li>Even Keel - Global &amp; Domestic Risk management Classes</li> </ul> <p><b>20% DEFENSIVE ASSETS</b></p> <ul style="list-style-type: none"> <li>BetaShares Australian High Interest Cash</li> <li>Vanguard Australian Fixed Interest</li> <li>Vanguard Global Aggregate Bond AUD Hedged</li> <li>Cash</li> </ul>

### Key Contacts

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