

# Milliman SmartShield High Growth

Q4 2023

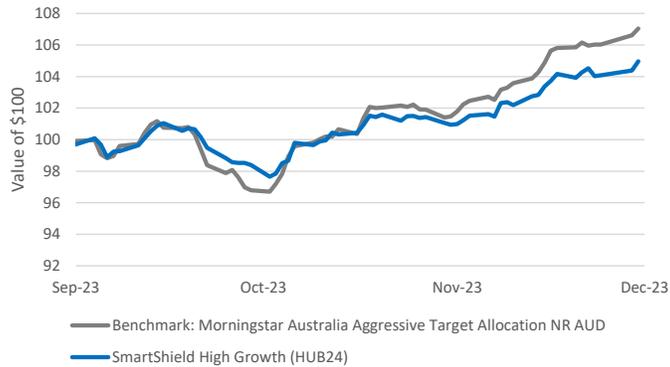


## MARKET SNAPSHOT

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 High Growth portfolio delivered a quarterly return of +5.02%, compared to +7.03% 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 High Growth portfolio systematically reduced its hedge level.

This adjustment translated to an increase in net equity exposure, climbing from 72% at quarter's outset to 83% by the end of the quarter (maximum equity exposure sits at 90%). 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 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: High Growth

