

Milliman SmartShield GSS Series - Moderate

Q1 2024

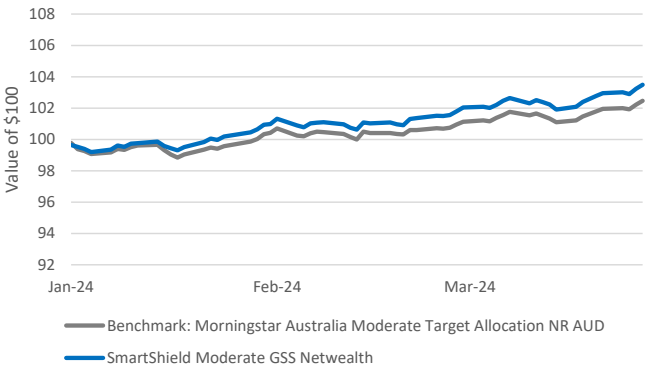


MARKET SNAPSHOT

Strong economic data bolstered equity market returns in the first quarter of 2024. This led investors to grow more confident that the US economy could achieve a 'soft landing' and avoid a recession. In contrast, the fixed-income markets reacted poorly to this news. Traders pared back their bets on the number of rate cuts expected throughout the year. The ASX 200 underperformed other developed markets, posting only a +4.0% return for the quarter. Meanwhile, the MSCI World ex Australia (AUD) index yielded a +13.9% return. Simultaneously, sovereign yields across numerous developed countries rallied. Investors reduced their expected number of rate cuts in developed markets, such as the US, from 5-6 down to 3.

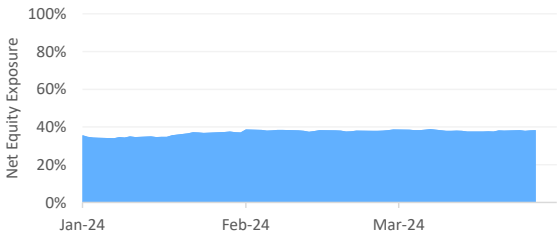
Amidst the robust equity market conditions during Q1, SmartShield Moderate portfolio performed well relative to its benchmark, achieving an outperformance of 167bps during the quarter. Ultimately, SmartShield Moderate portfolio delivered a quarterly return of +4.32% compared to +2.65% for the benchmark. This outperformance was a function of maintaining minimal hedging during the Q1 rally which enabled the tilt towards growth assets to add value to the portfolio.

Performance over the quarter



SMARTSHIELD OVERLAY

Dynamic allocation to equities



Amidst the prevailing market optimism buoyed by robust economic data and the expectation of potential future rate cuts, the SmartShield Moderate portfolio systematically upheld a low hedge level.

This translated to a slight increase in net equity exposure, climbing from 36% at quarter's outset to 38% by the end of the quarter (maximum equity exposure sits at 40%). This level will allow participation in continued 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

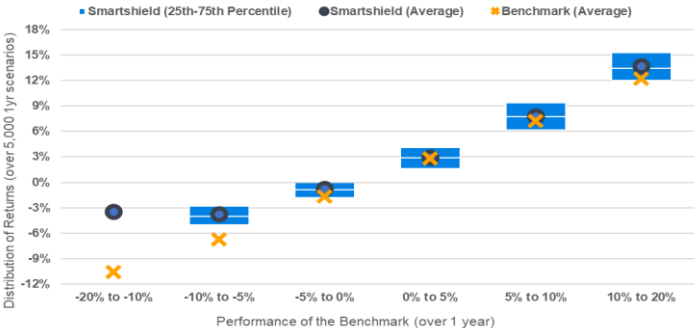
As we progress further into 2024, the prevailing theme will be uncertainty regarding the timing and extent of central bank rate cuts. By the end of Q1 2024, the market was pricing in approximately three rate cuts for the US and only one to two cuts for Australia. Recent gains in the equity market may be at risk of retraction if new economic data suggests inflation is not decelerating as quickly as anticipated. This could lead to central banks biasing away from loosening their monetary policy.

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: Moderate



PERFORMANCE (net of fees ¹)	1 month	3 months	6 months	1 year	Since Inception p.a. ²
SmartShield GSS Series - Moderate	1.68%	4.32%	7.81%	6.93%	1.88%
Benchmark: Morningstar Aus Moderate Target Allocation NR AUD	1.51%	2.65%	7.49%	6.25%	1.13%

RISK METRICS SINCE INCEPTION ²	Volatility (Annualised)	Max Drawdown
SmartShield GSS Series - Moderate	5.28%	-11.18%
Benchmark: Morningstar Aus Moderate Target Allocation NR AUD	6.10%	-12.25%

¹Performances 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.

²Inception Date: 19th Nov 2020

BENEFITS

- Built-in portfolio protection
- Diversified
- Dynamically managed
- Low cost
- Flexibility & control
- Participate in market upside



PORTFOLIO HOLDINGS

40% GROWTH ASSETS

Netwealth Australian Equities Index Fund
Netwealth Unhedged International Equities Index Fund
Netwealth Hedged International Equities Index Fund
Even Keel - Domestic Risk management Classes
Even Keel - Global Risk management Classes

60% DEFENSIVE ASSETS

netwealth Australian Bond Index Fund
netwealth Global Bond Index Fund
Cash

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