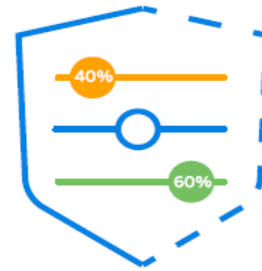


# Milliman SmartShield Moderate

Q1 2024

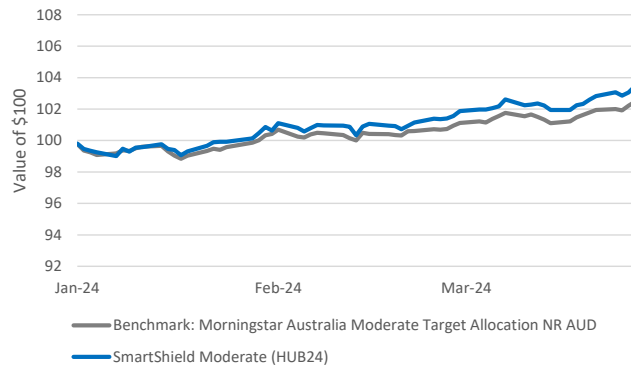


## MARKET SNAPSHOT

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.

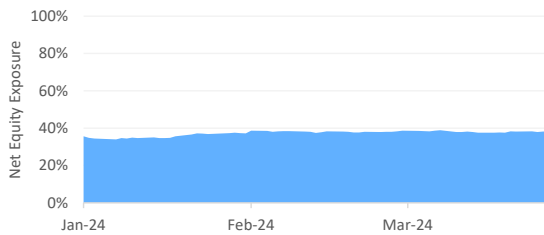
Amidst the robust equity market conditions during Q1, SmartShield Moderate portfolio performed well relative to its benchmark, achieving an outperformance of 98bps during the quarter. Ultimately, SmartShield Moderate portfolio delivered a quarterly return of +3.63% compared to +2.65% for the benchmark. 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

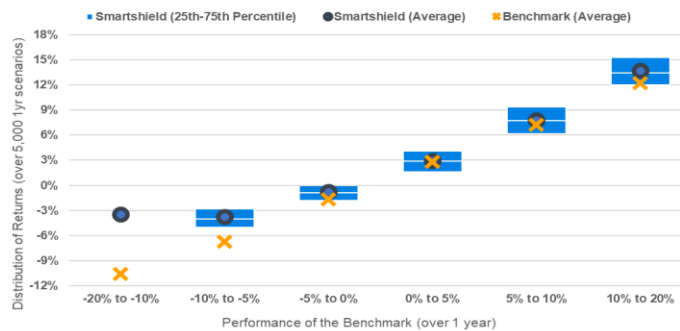
As we progress further into 2024, the prevailing theme will be uncertainty regarding the timing and extent of central bank rate cuts. By the end of Q1 2024, the market was pricing in approximately three rate cuts for the US and only one to two cuts for Australia. Recent gains in the equity market may be at risk of retracement 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 <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 Moderate   | 1.87%                | 3.63%                 | 8.03%    | 7.48%  | 0.90%                             |
| Benchmark: Morningstar Aus Moderate Target Allocation NR AUD | 1.51%                | 2.65%                 | 7.49%    | 6.25%  | 1.41%                             |

| RISK METRICS SINCE INCEPTION                                 | Volatility (Annualised) | Max Drawdown |
|--|-------------------------|--------------|
| SmartShield Moderate   | 5.99%                   | -11.15%      |
| Benchmark: Morningstar Aus Moderate Target Allocation NR AUD | 6.58%                   | -12.25%      |

<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>40% GROWTH ASSETS</b></p> <ul style="list-style-type: none"> <li>Betashares Global Shares</li> <li>Betashares Global Shares Currency Hedged</li> <li>Vanguard Australian Shares</li> <li>Even Keel - Global &amp; Domestic Risk management Classes</li> </ul> <p><b>60% 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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|--|---|
| <p><b>Durand Oliver</b><br/> <b>Head of Distribution</b><br/> Australia<br/> <a href="mailto:durand.oliver@milliman.com">durand.oliver@milliman.com</a><br/> +61 (0) 403 148 057</p> | <p><b>David Zhou</b><br/> <b>Business Development Manager</b><br/> NSW/QLD<br/> <a href="mailto:david.zhou@milliman.com">david.zhou@milliman.com</a><br/> +61 (0) 413 213 240</p> |
| <p><b>For more information about Milliman, please call or visit us at:</b>      +61 2 8090 9100   <a href="http://au.milliman.com">au.milliman.com</a></p>                           |   |

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