

# Milliman SmartShield Growth

Q3 2024

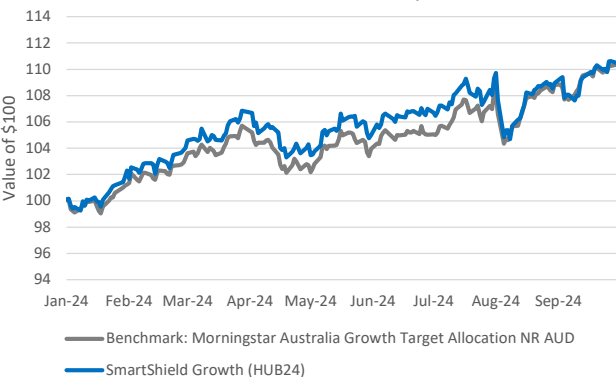


## MARKET SNAPSHOT

The third quarter of 2024 was overall positive for equities. Markets initially fell sharply at the start of August due to softening economic data raising fears of a recession; however, markets quickly bounced back and rallied through the quarter. The Fed began its easing cycle, aggressively cutting rates by 50bps, which helped fuel markets. In contrast, inflation in Australia remains stickier than in other developed economies, so the RBA has kept rates steady. Despite this, the ASX 200 performed quite well, posting a 6.5% return this quarter. Meanwhile, the MSCI World ex Australia (AUD) index yielded a +1.9% return.

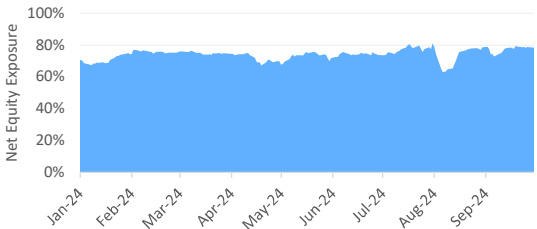
The SmartShield Growth portfolio underperformed its benchmark this quarter, returning +3.27% compared to the benchmark's +5.09%. Despite this quarterly lag, the year-to-date performance remains ahead of the benchmark, posting a return of +10.49%, compared to the benchmark's +10.35%. The underperformance this quarter can be attributed to three main factors. Firstly, Australian and Global REITs outperformed equity indices this quarter, reversing their underperformance from earlier in the year. Secondly, there was a temporary discrepancy between ETF performance and its benchmark due to time-zone differences and the timing of distributions, which is expected to smooth out over the longer term. Lastly, there were some hedging costs incurred during the sharp V-shaped recovery in August. Over the calendar year, the first two temporary factors have evened out, with the SmartShield portfolio capturing all of the market's gains.

Performance over the year



## SMARTSHIELD OVERLAY

Dynamic allocation to equities



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

This translated to a steady level in net equity exposure, fluctuating between 63% during the quick sell-off in August to 80% by the end of the quarter (maximum equity exposure sits at 80%). This positioning allows the portfolio to benefit from 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

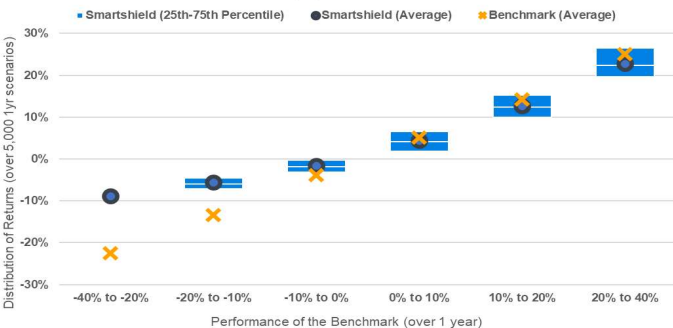
As we progress into the end of 2024 and the start of 2025, the dominant themes will be the upcoming US election campaign and uncertainty surrounding future interest rate movements. Recent gains in overseas markets, such as the US, may be at risk of retracement following the outcome of the US election. Recent inflation data in Australia suggests that inflation is more persistent than initially expected, which may lead the RBA to adopt a less dovish tone, potentially delaying any future rate cuts further into 2025.

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>	YTD	1 year	Since Inception p.a. <sup>3</sup>
SmartShield Growth	1.42%	3.27%	10.49%	15.59%	4.76%
Benchmark: Morningstar Aus Growth Target Allocation NR AUD	1.41%	5.09%	10.35%	17.45%	6.27%

RISK METRICS SINCE INCEPTION	Volatility (Annualised)	Max Drawdown
SmartShield Growth	7.52%	-12.96%
Benchmark: Morningstar Aus Growth Target Allocation NR AUD	10.91%	-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

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



### PORTFOLIO HOLDINGS

#### 80% GROWTH ASSETS

Betashares Global Shares  
Betashares Global Shares Currency Hedged  
Vanguard Australian Shares  
Even Keel - Global & Domestic Risk management Classes

#### 20% DEFENSIVE ASSETS

BetaShares Australian High Interest Cash  
Vanguard Australian Fixed Interest  
Vanguard Global Aggregate Bond AUD Hedged  
Cash

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