

# Milliman SmartShield Balanced

Q1 2025

## MARKET SNAPSHOT

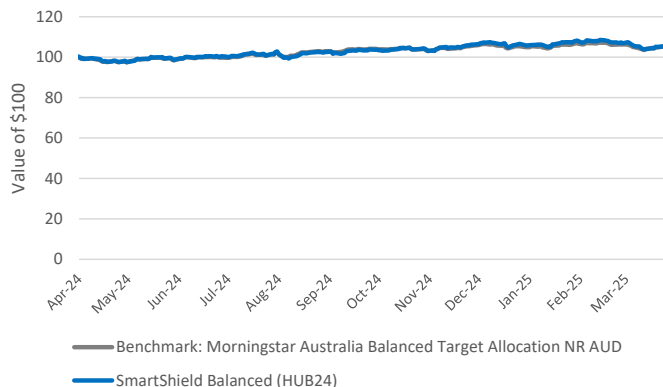
Q1-2025 was a volatile period for investors, as trade tensions led equity markets to deliver mixed returns. US equities, in particular, underperformed as fears of wide-reaching tariffs introduced by the new Trump administration dampened the market's projections for US economic growth. European equities outperformed US stocks as investors rotated out of large-cap US tech, partly due to more optimistic growth prospects in the Eurozone region. The S&P 500 Total Return index returned -4.3%.

In Australia, the ASX 200 hit a record high in February before sinking through March, as corporate earnings were mixed. The RBA cut rates by 25 basis points in their February meeting, marking the start of a new easing cycle. The ASX 200 TR index ended the quarter down -2.8%. Meanwhile, the MSCI World ex Australia (AUD) index yielded a -2.4% return for the quarter.

Throughout this period, the hedge level for SmartShield portfolios marginally increased, reversing some of its growth asset tilt. However, the market decline during the quarter was not significant enough to trigger substantial hedge activity. The SmartShield Balanced portfolio underperformed its benchmark for Q1-2025, delivering a return of -1.54% compared to the benchmark's -0.54%. A-REITs and G-REITs outperformed their equity counterparts during the quarter, contributing -20bps to performance. Net growth asset tilt also added -30bps to the performance. Additionally, a -50bps impact resulted from timing discrepancies between global ETF performance measurements and their index counterparts. This is a temporary effect that is expected to correct itself in the medium term.

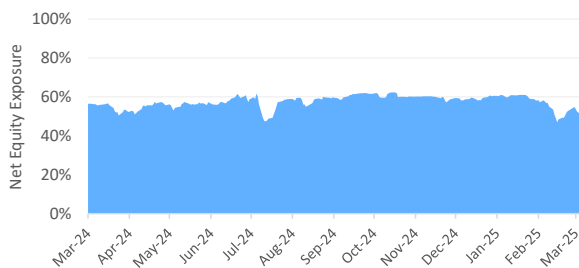


Performance over the year



## 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 Balanced portfolio systematically upheld a low hedge level.

This translated to a steady level in net equity exposure throughout Q1, with the portfolio maintaining close to its maximum allowable level of 60% net equity exposure. 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.

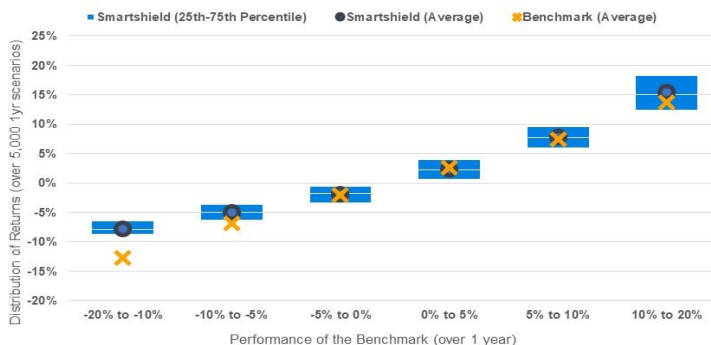
## PERFORMANCE OUTLOOK

As we progress into 2025, the dominant themes will be the impact of the Trump administration's trade policies on economic growth and the potential for a prolonged trade war as other nations, such as China, introduce reciprocal tariffs. Although Trump has announced a 90-day reprieve from most tariffs, equity and fixed income markets are still taking a pessimistic view, and volatility is elevated. Markets are pricing in multiple rate cuts in both the US and Australia this year, as economic growth projections have been revised downward.

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 the current market drawdown persist for an extended period. 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: Balanced



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 Balanced	-2.49%	-1.54%	-1.54%	3.63%	2.78%
Benchmark: Morningstar Aus Balanced Target Allocation NR AUD	-1.86%	-0.54%	-0.54%	4.09%	3.72%

RISK METRICS SINCE INCEPTION	Volatility (Annualised)	Max Drawdown
SmartShield Balanced	6.71%	-12.36%
Benchmark: Morningstar Aus Balanced Target Allocation NR AUD	8.26%	-14.01%

<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

#### 60% GROWTH ASSETS

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

#### 40% DEFENSIVE ASSETS

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

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