

Milliman SmartShield High Growth

Q2 2023

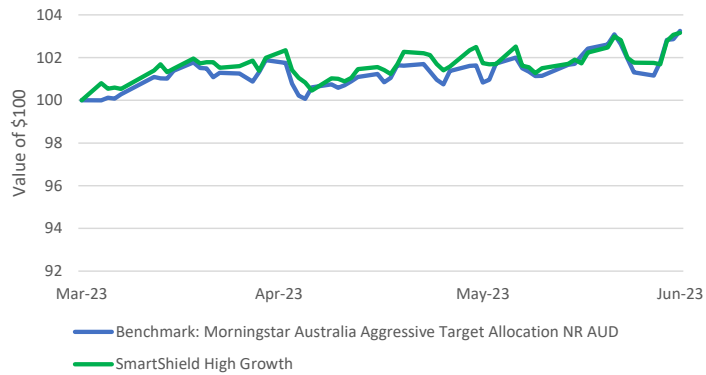


MARKET SNAPSHOT

Q2-2023 kicked off with significant volatility as the markets grew concerned about the repercussions of the failures of Silicon Valley Bank, Signature Bank, and Credit Suisse. In March, markets whipsawed amid widespread anxiety of bank runs and loss of stability within the financial sector. However, swift actions taken by central banks and regulators in the US and Switzerland helped to restore confidence within the financial sector. As markets continued to speculate on future policy decisions by central banks, global equity markets experienced robust growth, with MSCI World ex Australia (AUD) returning +7.6% for the quarter. Conversely, growth in Australian equities remained relatively muted during the quarter, as RBA maintained a more hawkish stance than the market's anticipation and continued to raise rates persistently. ASX 200 recorded a modest uptick of +1% for the quarter.

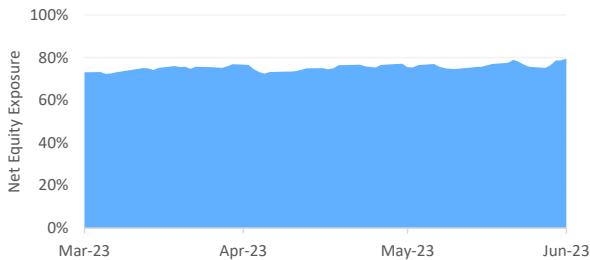
The SmartShield High Growth portfolio demonstrated strong performance throughout Q2-2023, aligning closely with its benchmark as the market experienced an upward trend fueled by growth in international equities. While the Even Keel strategy incurred some costs due to the rise in equities, the portfolio's complementary asset allocation tilt effectively mitigated some of these hedging expenses as intended. As a result, the SmartShield High Growth portfolio delivered a commendable return of 3.16% for the quarter. Although slightly lower than the benchmark's 3.25%, it is important to note that the 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



Despite the undercurrent of concerns over inflation, uncertainties surrounding monetary policy, and the stability of the financial sector during the beginning of the quarter, the market has exhibited a notable level of stability over the past quarter. This can be attributed to the swift actions undertaken by central banks and regulators in addressing these concerns. As a result, SmartShield High Growth portfolio has maintained a relatively stable hedge level, with the net equity exposure fluctuating modestly between 79% and 72% (maximum equity exposure sits at 90%).

The portfolio ended Q2-2023 with the risk management strategy positioned slightly defensively, with the dynamic equity exposure sitting at 79%. This level is expected to provide some dampening of market returns in the short term. In the long-term, the strategy is expected to provide material cushioning if the markets enter a sustained period of drawdown, and participate well on the upside if volatility subsides.

PERFORMANCE OUTLOOK

As we progress into the second half of 2023, the prevailing theme remains one of uncertainty, particularly surrounding the potential occurrence of a recession and the corresponding adjustments that central banks may make to their monetary policies.

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: High Growth

