Milliman Market Monitor - March 2024

Market Commentaries

Equities

● March was a solid month for equities with most major indices posting gains this month. The S&P 500 gained 3.2% this month. Despite markets tempering their expectations regarding when the FOMC would begin to cut rates (and by how many times), the market still saw the FOMC as supportive. The market is forecasting around 3 rate cuts this year which is in line with the US Fed's estimates at the end of 2023.

● European equities also made gains, with the EuroStoxx 50 returning 4.3%. UK Equities recovered from last month and also posted a 4.2% return.

● In Japan, the Nikkei was up 3.1% and the Topix was up 3.5%. Ongoing Yen's weakness continues to help the export-oriented market. Chinese and Hong Kong stocks were more muted this month, with the Hang Seng up 0.2%.

● Aussie equities were also up, with the ASX 200 up 3.3%. Most sectors made gains this month, however, Real Estate stocks were the clear outperformer, up 9.2%.

Fixed Income

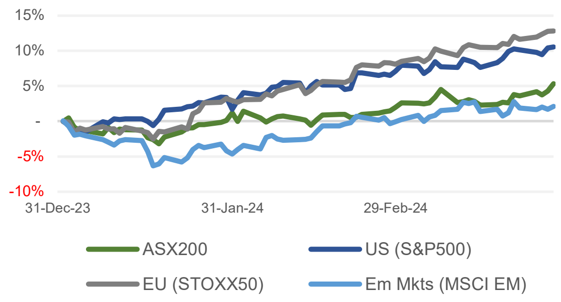
● Fixed Income markets were mixed through the course of this month however yields ultimately fell slightly. After rates initially fell around 15bp, better than expected US retail sales and Feb US CPI data came in slightly higher than expected helping push rates back toward flat. In Japan, the Bank of Japan (BoJ) raised rates away from negative territory.

● The RBA kept rates steady at 4.35%, however, the market is pricing in the next rate move to be a cut rather than a hike. The latest monetary policy statement from the RBA following their March meeting suggested a pivot away from tightening to be more neutral. Overall, Australian Bonds returned 1.2%, and Global Bonds returned 0.8%, respectively, as measured by Bloomberg Aggregate Indices.

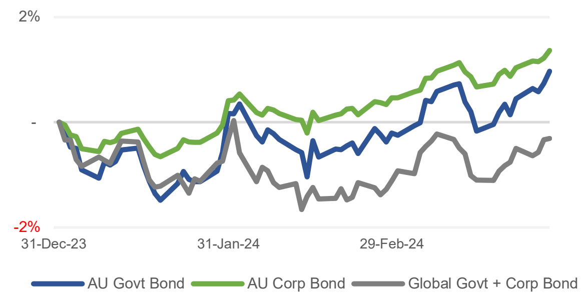
Currencies

● The Aussie dollar strengthened against the US Dollar off the back of a bounce in commodity prices this month. The AUD/USD rate gained 0.3%, closing at 65.21 US cents.

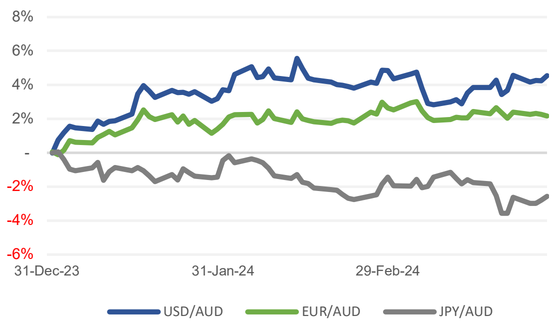
Equities: YTD Total Return[1] %



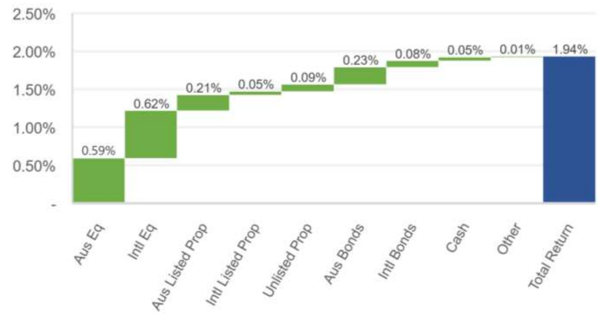
Fixed Income: YTD Return[2] %



Foreign Currencies: YTD Return %



Monthly Return Contribution by Asset Class: Morningstar Aus Multi-Sector Balanced Index



Returns ending 28 March 2024

	ASX200	US (S&P500)	EU (STOXX)	EM Mkts (MSCI)	AU Govt Bond	AU Corp Bond	Global Bond	USD/AUD	EUR/AUD	JPY/AUD
1 Month	3.3%	3.2%	4.3%	2.2%	1.2%	0.9%	0.8%	-0.3%	-0.5%	-1.2%
3 Month	5.3%	10.6%	12.8%	2.1%	1.0%	1.4%	-0.3%	4.5%	2.2%	-2.6%
1 Year	14.4%	29.9%	20.8%	7.9%	0.9%	4.7%	2.5%	2.6%	2.1%	-10.0%
CYTD	5.3%	10.6%	12.8%	2.1%	1.0%	1.4%	-0.3%	4.5%	2.2%	-2.6%

[1] Equities returns captures both the capital gains as well as any cash distributions, such as company dividends.

[2] AU Govt Bond uses the Bloomberg AusBond Govt 0+ Yr Index, which measures the return of Australian Treasury and Semi-government bonds maturing in 0+ years. AU Corp Bond uses the Bloomberg AusBond Credit 0+ Yr Index, which measures the return of Australian corporate/credit securities maturing in 0+ years. Global Govt + Corp Bond uses the Bloomberg Barclays Global Aggregate Index, which measures global investment grade debt from 24 countries, both developed and emerging markets issuers.

Milliman Market Monitor - March 2024

Upcoming Key Economic Events & Risk Commentaries

● Implied volatility, often viewed as the market's fear index, has decreased for ASX200, S&P 500 and Stoxx 50 and remains below the 25th percentile over the past year. The implied likelihood of the S&P 500 falling more than 10% and 5% in April has remained similar compared to last month, currently sitting at 1% and 5%, respectively.

● The actions over March 2024 in the bond markets overall can be described as a roller coaster, with both the peak and trough being around 15bps away from the start of the month. US Treasury yields were under pressure due to weaker-than-expected Feb ISM (service and employment) and Michigan sentiment data, while the previous NFP figure was revised down. The bond yields started recovering from the middle of the month with better-than-expected US retail sales, PPI data and US Feb CPI figures coming in a touch above expectations, despite the Swiss National Bank cutting its policy rate by 25 bps to stimulate its domestic economy.

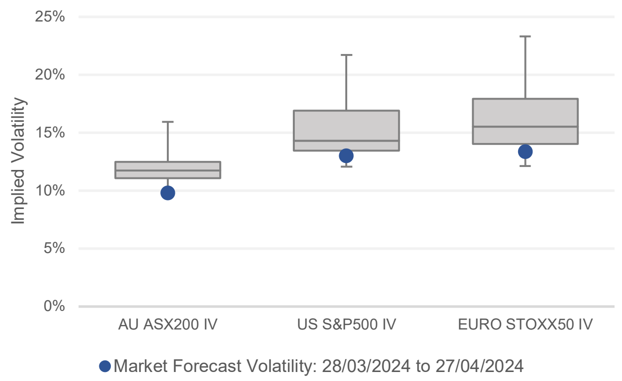
● Developed economies such as the US, Europe and Australia are around the tipping points of monetary policy where policymakers are less worried about uncontrollable inflation than future growth. At the same time, we can expect to see mixed signals from various economic indicators, such as jobs and both business and household confidence surveys. Therefore, global central banks are exercising caution in deciding when to start cutting rates, aiming not to act too early or too late in order to maintain credibility.

● The BoJ raised its official rate for the first time in 17 years, moving away from negative yield, but it emphasised that it is not considering consecutive rate hikes, and this had allowed the Yen to continue weakening against the Dollar and the Nikkei index to climb higher. Australian inflation data was mostly in line due to subsidies, but the domestic labour market has shown to be stronger than expected. Market volatility remains data-driven, and the financial markets have shown the tendency to price in more rate cuts or sooner for future disappointments.

● Overall, both developed equity markets and emerging markets had performed well over March. S&P500 and ASX 200 reached new highs during March on the back of anticipation of the rate cut. The fear Index "VIX" is still below 14, while geo-political tensions are rising, so downside surprises in the global economic data and/or conflict breakouts could lead to market turbulence.

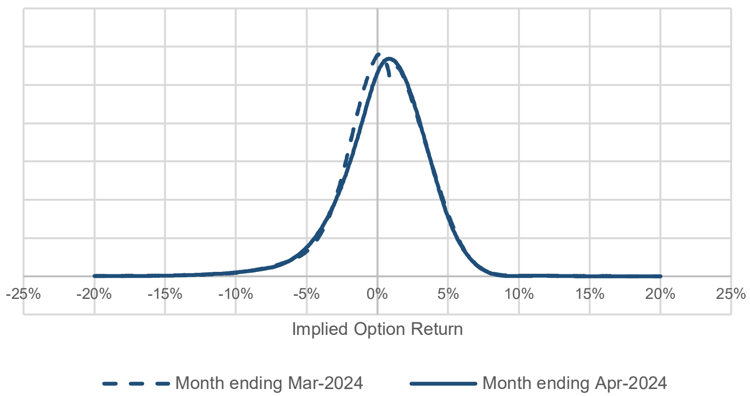
Realised 1 Month Equity Volatility (%)

Implied Volatility[3,4] (IV)



The chart above shows the current market implied volatility for the next month, and compares it against the range of implied volatilities for the past 1 year.

1 Month S&P500 Implied Return Distribution[5]



Implied likelihood[5] of S&P 500:	Month ending Apr-2024	Month ending Mar-2024
Falling more than 10%	**~ 1%**	~ 1%
Falling more than 5%	**~ 5%**	~ 5%

[3]**Implied Volatility (VIX) r**epresents the expected volatility of the index over the next 30 days (starting from the effective date of this report), as derived from the market prices of index options traded on the exchange.

[4]**Box & Whisker Plot** is designed to give readers a quick sense of the range of implied volatility for the past year. The end of the whiskers indicate the maximum and minimum implied volatility for the past year. The box represents the interquartile range (from first to third quartile implied volatility values), and the middle line indicates the median implied volatility value for the past year.

[5]**Implied Return Distribution / Implied Likelihood r**epresents the forecasted return (and its likelihood) of the index over the next 30 days (starting from the effective date of this report), as implied from the market prices of index options traded on the exchange.

Observations on Sustainable Withdrawal Rates

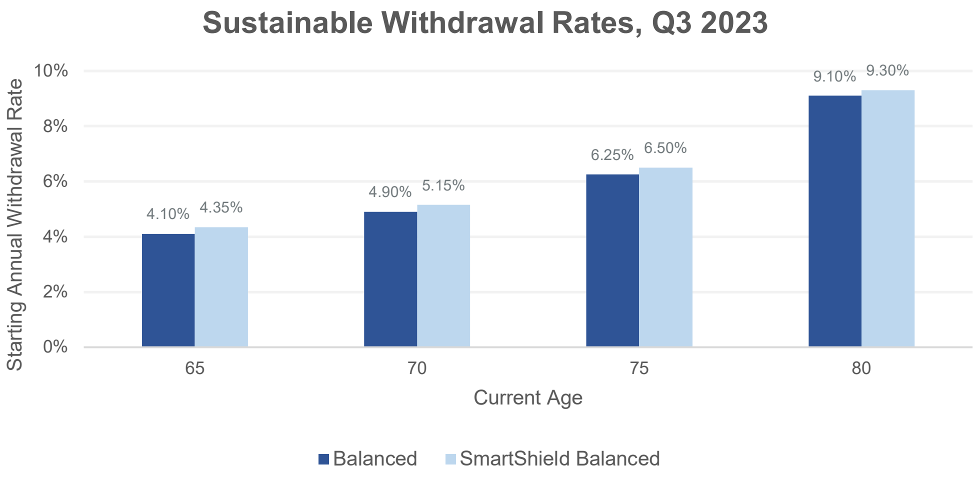
We observe that sustainable withdrawal rates at the end of Q4 2023, are higher compared to Q3 2023.

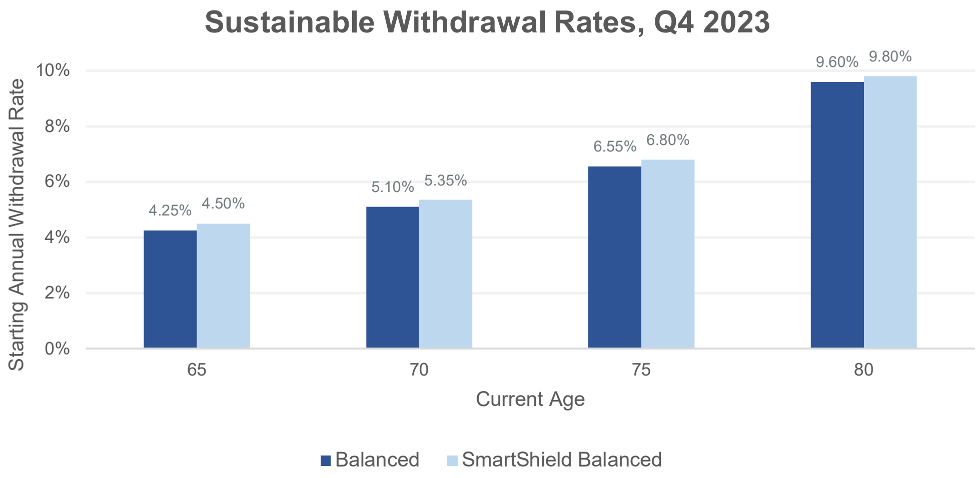
This is primarily driven by lower short-term inflation expectations which allows for marginally higher inflation-adjusted sustainable withdrawal rate.

Using the SmartShield series of portfolios as an example, we have illustrated that additional sustainable withdrawal rates are achieved when we add a risk management strategy to the portfolios.

By controlling the level of volatility and reducing the impact of sustained market drawdowns, solutions such as the SmartShield portfolios which employ a risk management strategy, can reduce the exposure to sequencing risk and result in higher sustainable withdrawal rates for retirees.

In March, Milliman's SmartShield portfolios maintained an average hedge level of approximately 2% for Australian equities and 11% for global equities.





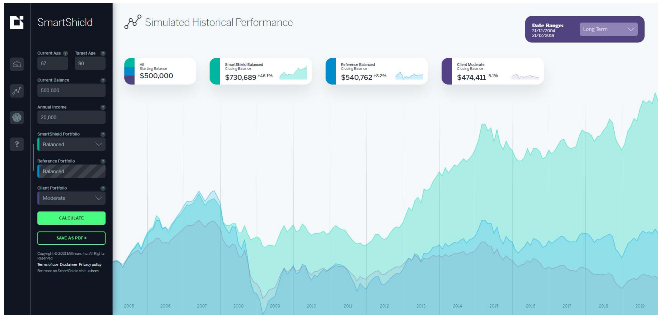
Sustainable Withdrawal Rate is defined as the maximum amount that can be withdrawn from a portfolio each year with a 90% certainty that this rate can be sustainably withdrawn (adjusted for inflation) until the target age of 90. An additional constraint introduced is for the potential shortfall to be less than 5 years. Note the withdrawal rate is calculated with regards to future projections of 5,000 stochastic scenarios. Further information on the assumptions used to generate these scenarios can be found via our portfolio simulator, which is free to access at https://smartshield.millimandigital.com/.

For example, a 4% sustainable withdrawal rate for a 70 year old retiree with $500k balance means the retiree can withdraw $20k in the first year. And for each subsequent years, the amount the retiree can withdraw is $20k plus any increase due to projected inflation (CPI).

SMARTSHIELD™ SIMULATOR – FREE ACCESS FOR FINANCIAL ADVISERS

Built for financial advisers and complementary to Milliman's SmartShield portfolios, the Simulator strengthens your client conversation by:

- Calculating the likelihood of meeting retirement goals
- Illustrating the impact of experiencing a market crash scenario e.g. the GFC or Covid-19



Simple to sign-up and FREE to access CLICK THIS LINK: https://smartshield.millimandigital.com/Identity/Account/Register

If you would like more information on the content in this report, or more information about our SmartShield Managed Account portfolios, please call us on +61 (0)2 8090 9100 | or visit **advice.milliman.com**

Favourable SQM RESEARCH

LIMITATIONS & DISCLAIMERS

Milliman Pty Ltd ABN 51 093 828 418 AFSL 340679 (Milliman AU) for provision to Australian financial services (AFS) licensees and their representatives, [and for other persons who are wholesale clients under section 761G of the Corporations Act]. Not for public use or distribution.

Past performance is not indicative of future results. Recipients must make their own independent decisions regarding any strategies or securities or financial instruments mentioned herein.

Milliman Pty Ltd does not make any representations that products or services described or referenced herein are suitable or appropriate for the recipient. Many of the products and services described or referenced herein involve significant risks, and the recipient should not make any decision or enter into any transaction unless the recipient has fully understood all such risks and has independently determined that such decisions or transactions are appropriate for the recipient.

Any discussion of risks contained herein with respect to any product or service should not be considered to be a disclosure of all risks or a complete discussion of the risks involved.

The recipient should not construe any of the material contained herein as investment, hedging, trading, legal, regulatory, tax, accounting or other advice. The recipient should not act on any information in this document without consulting its investment, hedging, trading, legal, regulatory, tax, accounting and other advisors.

Milliman Pty Ltd does not ensure a profit or guarantee against loss.