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Press release

Milliman’s SmartShield managed accounts surpass \$100m as advisers seek solutions to tackle market volatility

Milliman’s SmartShield managed accounts, which offer dynamic protection against market downturns, have passed \$100 million in funds under management.

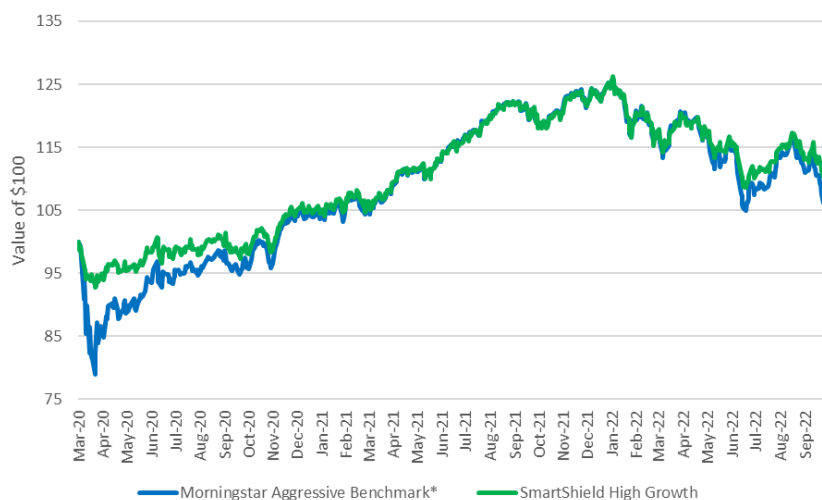
This milestone shows growing demand among advisers and clients for a low-cost solution to protect portfolios against market crashes and volatility without giving up the potential upside.

Milliman Principal and Head of Investment Solutions Asia-Pacific, Victor Huang, said the SmartShield managed accounts were successfully launched to the retail market just as the COVID-19 market downturn hit in early-2020.

“The COVID-19 downturn offered up a real-world situation to test the strategy. It demonstrated to investors how effective dynamically hedging their portfolios against significant market downturns can be. Global insurers, pension funds and wealth management firms have successfully used these techniques for decades. Through SmartShield, retail investors have been able to protect their portfolios in the same simple and low-cost way.”

Milliman’s Financial Risk Management (FRM) practice is a global leader in managing financial risk, providing investment advisory, hedging and consulting services on approximately \$A246 billion in global assets. Milliman FRM has a well-established track record of over two decades, navigating the past three market crises. It employs more than 200 professionals across four offices globally, helping protect the portfolios of insurers, pension funds, and wealth management firms around the world.

SMARTSHIELD HIGH GROWTH – PERFORMANCE SINCE INCEPTION



¹Performances 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. Past performance is not indicative of future performance.

The four SmartShield portfolios (Moderate, Balanced, Growth and High Growth) have been designed to provide a cushion against downturns and volatility (rather than a hard guarantee). The dynamic risk management strategy is implemented using futures contracts to ensure it is low cost and liquid, while providing investors with strong participation in bull markets.

Contrarian Group Financial Planning Certified Financial Planner, Damian Liddell, says the SmartShield strategy suits his retiree clients, particularly given this year's challenging market conditions.

"The market is really choppy at the moment – we're long overdue for a pullback," he says. "Property and share markets have been propped up by falling interest rates for a long time. Now that rates are rising, it's really difficult, and that's where the SmartShield approach is good – it lets people have their cake and eat it too."

A growing proportion of the population are approaching retirement or already drawing down capital, where they face [sequencing risk](#), which describes the bigger impact a market downturn can have when struck in early retirement, compared to being in the accumulation phase.

Liddell's other clients also face similar market timing risks when they invest large sums of money, such as from a property sale or inheritance.

"My clients are prepared to accept some risk – they know SmartShield is not full protection – but one that strikes the right balance at low-cost. They don't want the risk of a sharp downturn hitting a traditional balanced portfolio and are prepared to give up some upside if they can generate reasonable returns over the long-term."

Since inception, Milliman SmartShield High Growth portfolio added 1.22% p.a. above its benchmark (see footnote), whilst reducing volatility from 15.13% to 9.47%.

Milliman SmartShield High Growth: Protecting against downside risk Performance to September 30, 2022

PERFORMANCE (net of fees ¹)	1 month ²	3 months ²	6 months	1 year	Since Inception p.a. ³
SmartShield High Growth	-3.61%	-0.46%	-8.60%	-8.53%	3.76%
Benchmark: Morningstar Aus Aggressive Target Allocation NR AUD	-5.59%	-1.34%	-11.67%	-11.36%	2.54%

RISK METRICS SINCE INCEPTION	Volatility (Annualised)	Max Drawdown
SmartShield High Growth	9.47%	-13.89%
Benchmark: Morningstar Aus Aggressive Target Allocation NR AUD	15.13%	-23.58%

¹Performances 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.

²Aside 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

³Inception Date: 3rd Mar 2020

The built-in risk management within SmartShield gives advisers the confidence to increase their exposure to growth assets, knowing that the protection will kick in when needed. This potential for extra growth is important to increase the chance of delivering positive real returns in this high inflationary environment.

A growing number of investors are also now starting to consider term deposits or online savings accounts, which are becoming more attractive as interest rates rise, according to Liddell.

“For the last 5-7 years I’ve probably been too conservative,” Liddell says. “If it wasn’t for SmartShield I’d probably still have 40-50% exposure to growth assets, but with SmartShield you can just bump it up that extra 10-20% rather than going to fixed interest or even term deposits.”

Market conditions remain uncertain as central banks around the world continue to raise rates to fight surging inflation. Inflation is expected to nudge almost 8 per cent in Australia by the end of the year, while other factors, such as geo-political turmoil, are adding to volatility.

However, investors should continue to focus on their long-term goals, according to Huang.

“Dollar-cost averaging remains a popular strategy among advisers investing large sums on behalf of clients. The Milliman SmartShield managed accounts now provide another way to manage uncertainty given it provides strong protection against extended market downturns while also allowing investors to participate in bull markets.”

For more information about Milliman’s SmartShield managed accounts visit

<https://au.milliman.com/en/>

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Milliman is among the world’s largest providers of actuarial, risk management, and related technology and data solutions. Our consulting and advanced analytics capabilities encompass healthcare, property and casualty insurance, life insurance and financial services, and employee benefits.

With more than 4,600 employees and revenue of US\$1.38 billion in 2021, the firm serves the full spectrum of business, financial, government, union, education, and non-profit organizations.

Founded in 1947, Milliman today has offices in principal cities worldwide, covering markets in North America, Latin America, Europe, Asia and the Pacific, the Middle East, and Africa.

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