Milliman SmartShield Balanced

Q4 2023

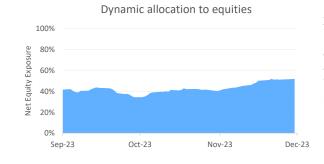
MARKET SNAPSHOT

The final quarter of 2023 delivered strong returns for investors across multiple markets, mainly driven by the expectation that central banks would begin rate cuts sooner than previously anticipated, stemming from signs of a deceleration in inflation. Notable performances include the ASX 200, which recorded an impressive +7.7% return for the quarter, and the MSCI World ex Australia (AUD) index, yielding a commendable +5.3%. Simultaneously, sovereign yields across numerous developed countries experienced a rapid decline as a response to the end of the monetary tightening cycle.

Within the quarter, the equity market witnessed a decline in October, followed by a V-shaped recovery in November and December. The fluctuations inherent in this V-shaped rebound led to some hedging costs for the SmartShield portfolios during the quarter. Ultimately, SmartShield Balanced portfolio delivered a quarterly return of +4.52%, compared to +5.54% for the benchmark. It is worth noting that the SmartShield portfolio achieved this return with lower volatility than the benchmark, reflecting its ability to effectively manage risk.



SMARTSHIELD OVERLAY



As a result of the prevailing market optimism fueled by the anticipation of an end to the tightening monetary policy and potential future rate cuts, the SmartShield Balanced portfolio systematically reduced its hedge level.

This adjustment translated to an increase in net equity exposure, climbing from 42% at quarter's outset to 52% by the end of the quarter (maximum equity exposure sits at 60%). This level will allow participation in potential 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.

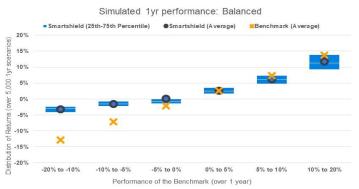
PERFORMANCE OUTLOOK

As we progress into the new year, the prevailing theme will be uncertainty regarding when and by how much central banks will cut rates in 2024. At the end of 2024 market participants were pricing in between 5 to 6 rate cuts in the US, Eurozone and the UK and between 2 to 3 in Australia. The recent gains may be at risk of retracement if new economic data comes out to suggest a more resilient economy than expected, leading to central banks not needing to cut rates as quickly.

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.



Performance over the quarter

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PERFORMANCE (net of fees ¹)	1 month ²	3 months ²	6 months	1 year	Since Inception p.a. ³
SmartShield Balanced	3.04%	4.52%	3.68%	7.71%	1.36%
Benchmark: Morningstar Aus Balanced Target Allocation NR AUD	3.59%	5.54%	4.32%	9.47%	2.74%

RISK METRICS SINCE INCEPTION	Volatility (Annualised)	Max Drawdown
SmartShield Balanced	7.02%	-12.36%
Benchmark: Morningstar Aus Balanced Target Allocation NR AUD	9.07%	-14.01%

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 will largely be 'washed-out' when looking at a longer time horizon (e.g. 1 year). ³Inception Date: 3rd Mar 2020

BENEFITS

PORTFOLIO HOLDINGS

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



60% GROWTH ASSETS

iShares S&P 500 iShares MSCI EAFE 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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This document has been prepared by Milliman Pty Ltd (ABN 51 093 828 418 AFSL 340679) ('Milliman'), who is the Portfolio Manager of the managed portfolio available through the HUB24 Managed Portfolio Service

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