# Milliman SmartShield Growth

# Quarter in Review - Q4 2021

# **MARKET SNAPSHOT**

The post-pandemic recovery has continued at a frenetic pace this quarter as investors reacted to the emergence of the Omicron-variant, on-going inflationary pressures and supply chain disruptions as well as central bank moves, to begin tapering of Quantitative Easing programs or rate-rises.

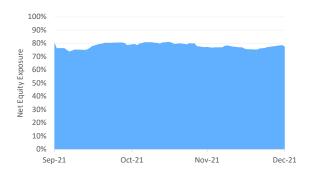
Equity markets still moved higher through the quarter, thanks to accommodating monetary and fiscal policy as well as strong earnings growth. However, the threat of new variants such as Omicron that could compromise existing vaccines, has created investor uncertainty throughout the quarter.

With NSW and Victoria ending their lockdowns, the ASX200 made modest gains across the quarter ending with the index up 1.6%. In the US, the S&P 500 performed strongly and jumped 10.7% thanks to continued strong earnings growth, across sectors such as Technology and Energy. The implied volatility of the ASX 200 fell slightly, ending the quarter at 10.6%, while in the US the VIX dropped 6 points to close at 17.2%.





# **SMARTSHIELD OVERLAY**



Just like the situation at the start of the pandemic in March 2020, the hedge level is expected to increase in response to any large-scale market contraction.

The continued rally in equities this quarter, was supported by large stimulus packages and accommodating monetary policies. This meant hedge levels remained minimal and enabled the portfolio to participate on the market upside. The portfolio maintained an average equity exposure of 78%, which is close to its maximum level of 80% throughout Q4-2021.

The growth portfolio outperformed its benchmark during 2021, returning +15.7% compared to +15.3% for the benchmark on a net of fees basis.

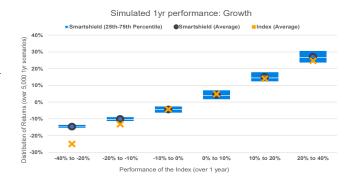
# PERFORMANCE OUTLOOK

Many countries across the world including Australia, continue to face further Covid outbreaks from the Omicron variant.

Large proportions of developed economy populations have now been fully vaccinated and as we continue to move through the year under the 'COVID normal' environment — with current and on-going supply chain disruptions and inflationary pressures on the horizon — providing investors protection across their life savings, is as important as it has ever been.

As a result of the portfolio's tilt towards growth assets and the SmartShield overlay winding back its hedges, the portfolio is wellpositioned, to continue participation in any continued market upside.

However, in the event of any future market sell-offs, the dynamic risk management strategy is placed to act swiftly, as it did in 2020.





PERFORMANCE (net of fees <sup>1</sup> )	1 month <sup>2</sup>	3 months <sup>2</sup>	6 months	1 year	2 year	Since Inception
SmartShield Growth	1.24%	2.82%	5.96%	15.72%		7.24%
Benchmark: Morningstar Aus Msec Growth TR AUD	1.69%	3.48%	5.51%	15.33%		9.82%

RISK METRICS SINCE INCEPTION	Volatility (Annualised)	Max Drawdown
SmartShield Growth	8.12%	-7.53%
Benchmark: Morningstar Aus Msec Growth TR AUD	12.95%	-18.14%

<sup>&</sup>lt;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.

# **BENEFITS**

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



# **PORTFOLIO HOLDINGS**

#### **80% GROWTH ASSETS**

iShares S&P 500 iShares MSCI EAFE Vanguard Australian Shares Vanguard Australian Property

Even Keel - Global & Domestic Risk management Classes

#### 20% DEFENSIVE ASSETS

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

# **Key Contacts**

### **Durand Oliver**

Head of Distribution

Sydney, AU durand.oliver@milliman.com +61 (0) 403 148 057

### Simon Ho

Portfolio Manager

Sydney, AU simon.ho@milliman.com +61 (0) 401 874 948

For more information about Milliman, please call or visit us at:

+61 2 8090 9100 | au.milliman.com

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<sup>&</sup>lt;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).