Asset Allocation Analytics

Where do the Risks lie?

18TH MARCH, 2025

Milliman

Limitations and disclaimers

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

The information contained in this presentation is for use by persons and institutions who are "wholesale clients" only. To the extent that it may contain financial product advice, it is general advice only as it does not take into account the objectives, financial situation or needs of any particular person.

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 AU 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

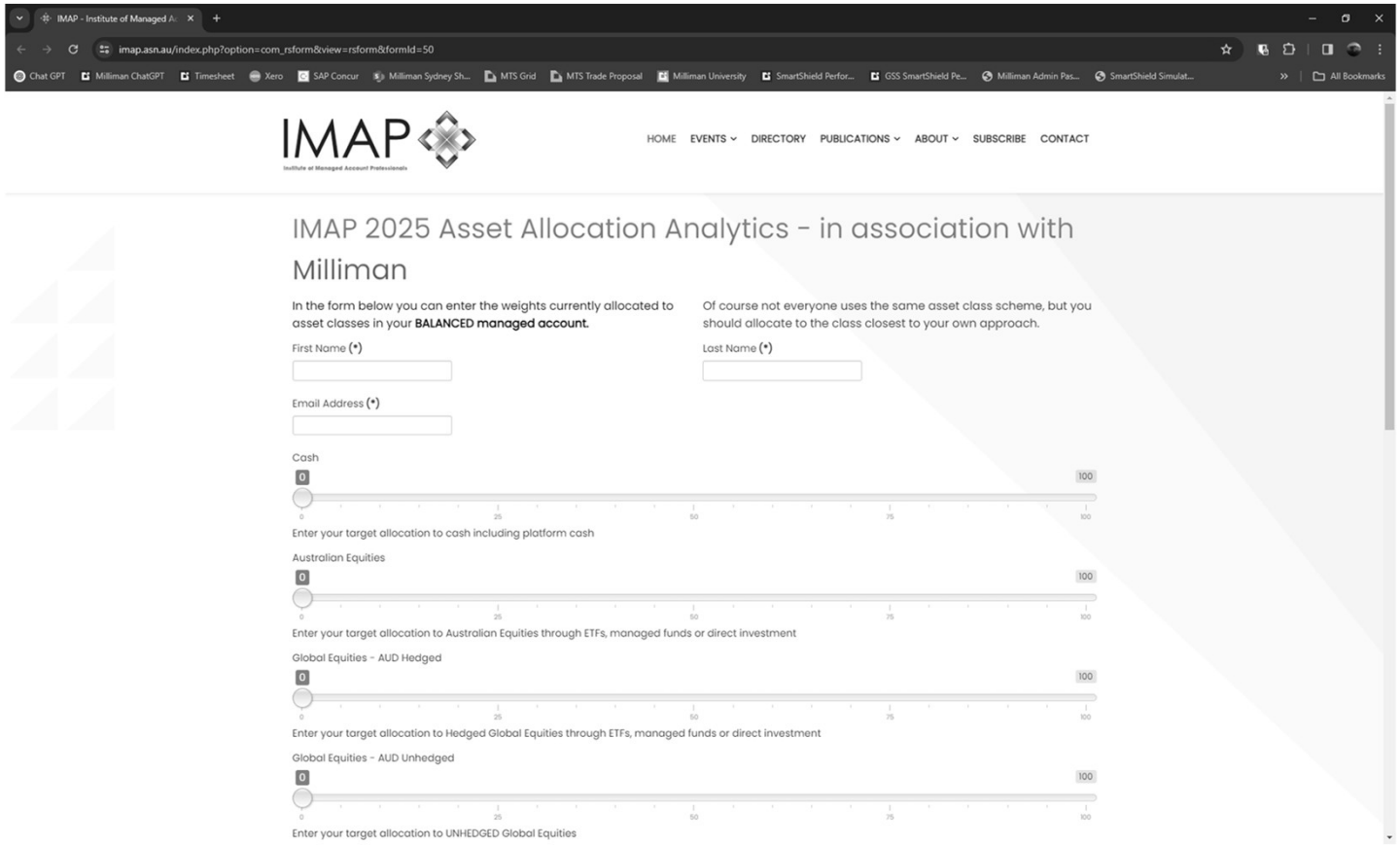
information in this document without consulting its investment, hedging, trading, legal, regulatory, tax, accounting and other advisers.

Milliman AU does not ensure a profit or guarantee against loss.

Survey Results

Milliman

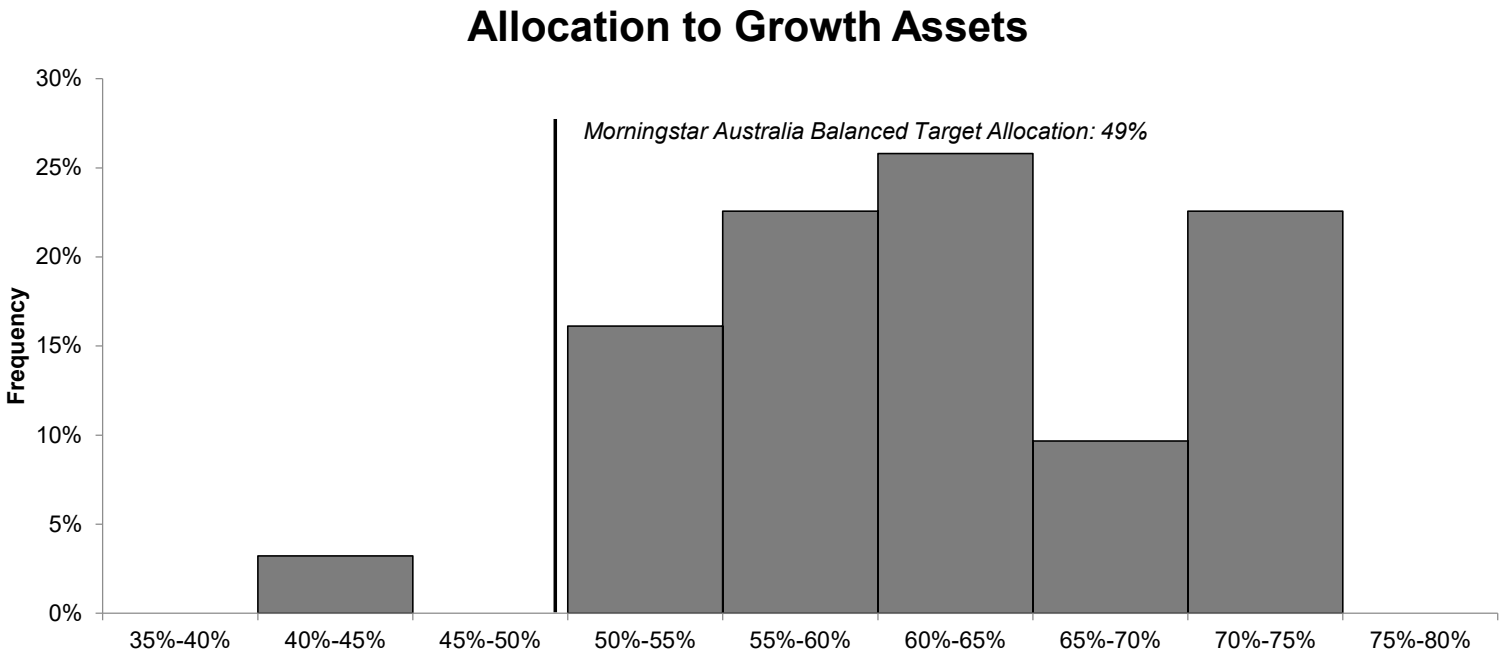
Asset Allocation Survey



Key drivers of investment outcomes

Investor behaviour	**Asset allocation**	**Market conditions**
Instrument selection	**Investment strategy**	**Fees**

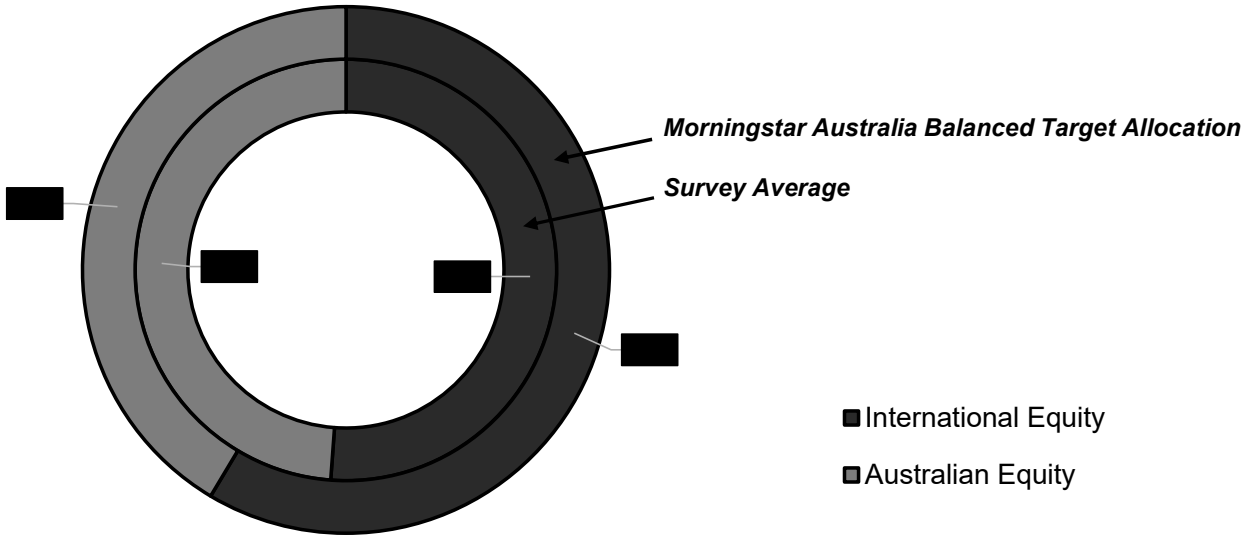
Survey Results: Allocation to growth assets



Mean	Min	25%ile	Median	75%ile	Max
62%	44%	55%	61%	70%	75%

Survey Results: Split between International vs Australian Equities

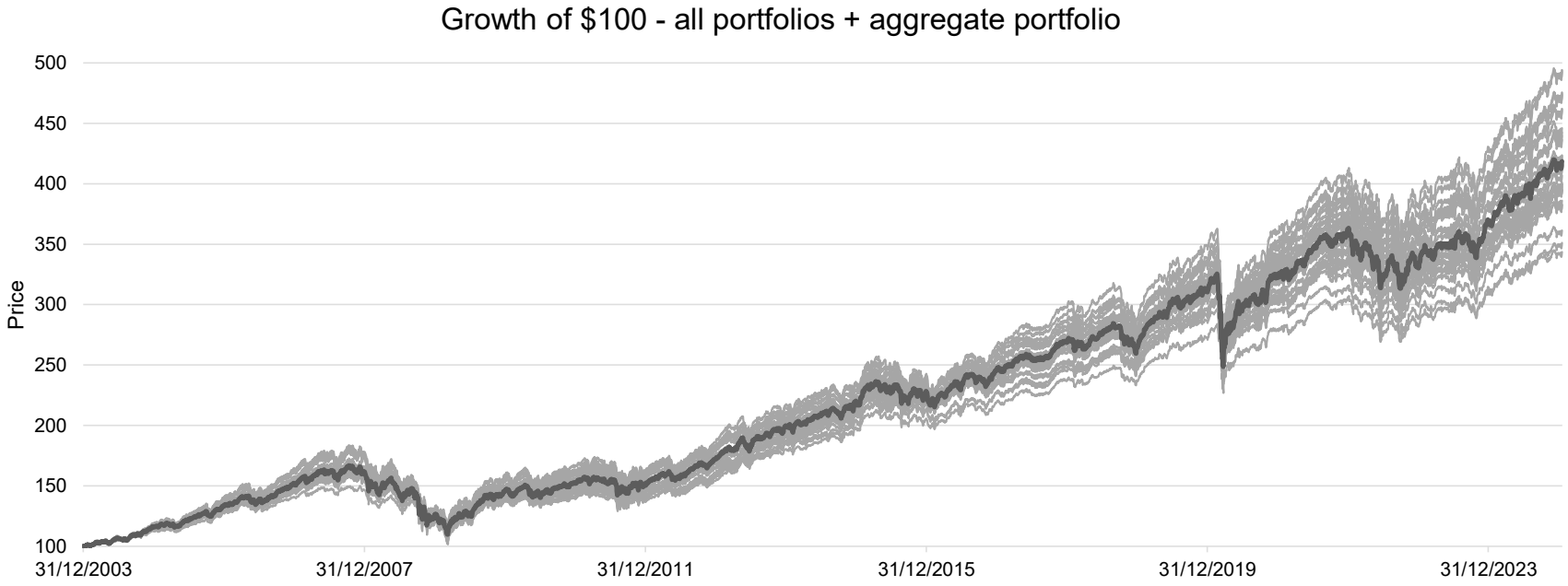
International vs Australian Equity Allocation



Allocation into Australian Equity (as % of total equity allocation)

Mean	Min	25%ile	Median	75%ile	Max
49%	**30%**	**43%**	**46%**	**50%**	**79%**

Impact of different asset allocations on investment outcomes



Growth Asset Allocation %

	Min	*25%ile*	*Median*	*75%ile*	*Max*
Return*	**6.0%**	**6.6%**	**7.1%**	**7.5%**	**7.7%**
Volatility**	**6.3%**	**7.5%**	**8.1%**	**8.6%**	**9.2%**
Max Drawdown	**-25.9%**	**-32.6%**	**-35.7%**	**-34.9%**	**-39.8%**

** Annualised.*

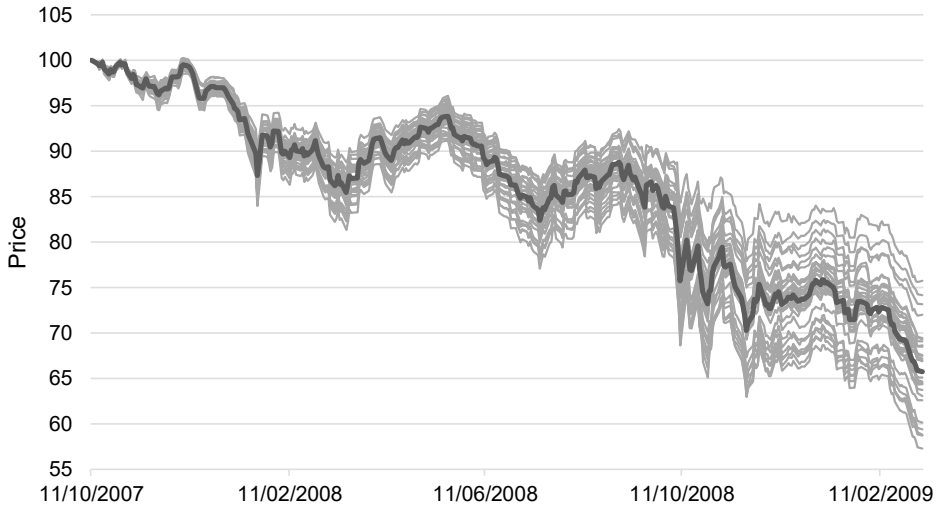
*** Annualised using daily returns.*

Milliman

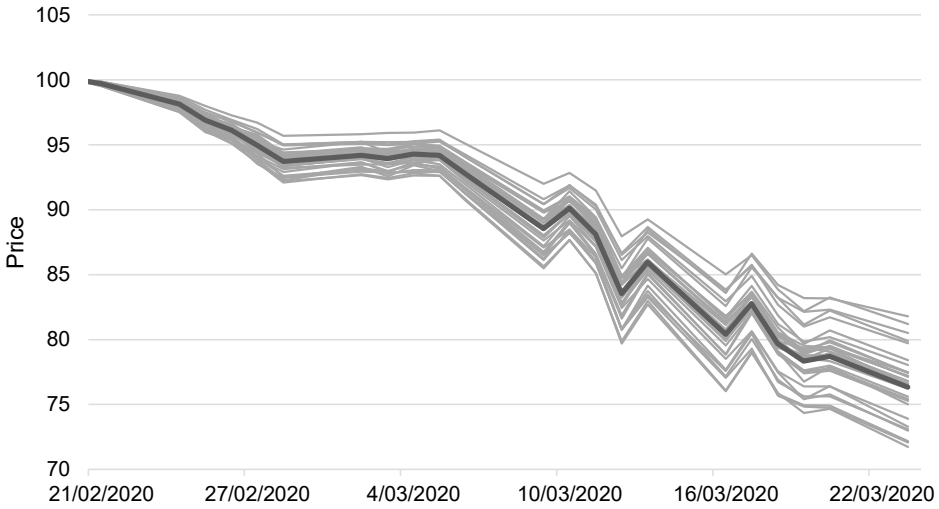
The results shown are historical, for informational purposes only, not reflective of any investment, and do not guarantee future results. Any reference to a market index is included for illustrative purposes only, as it is not possible to directly invest in an index. Indices are unmanaged, hypothetical vehicles that serve as market indicators and do not account for the deduction of management fees or transaction costs generally associated with investable products, which otherwise have the effect of reducing the results of an actual investment portfolio.

Impact of different asset allocations during market crisis

GFC - growth of $100



COVID - growth of $100



Growth Asset Allocation %

	Min	*25%ile*	*Median*	*75%ile*	*Max*
Return*	**-25.8%**	**-32.5%**	**-35.3%**	**-34.9%**	**-39.8%**
Volatility**	**11.5%**	**14.6%**	**15.1%**	**15.3%**	**16.7%**

Growth Asset Allocation %

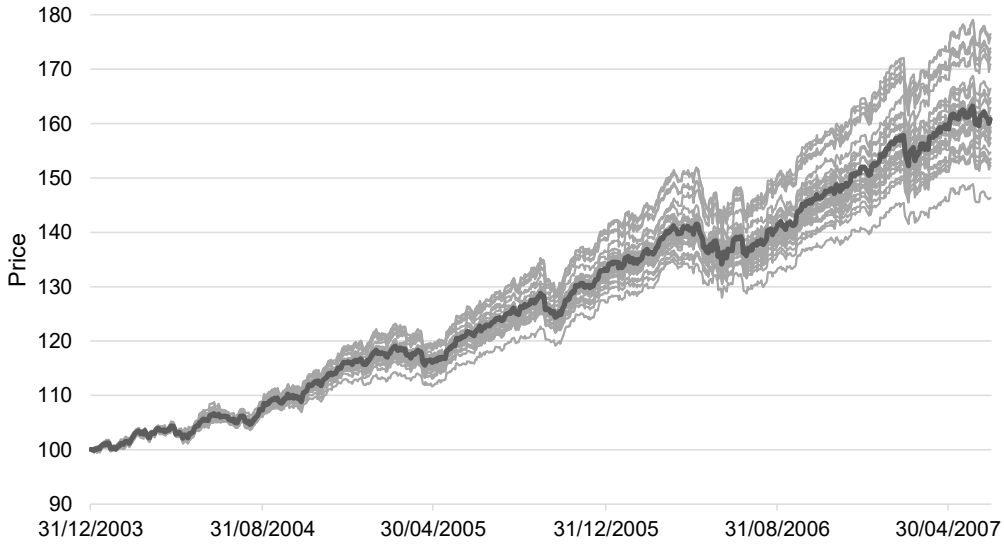
	Min	*25%ile*	*Median*	*75%ile*	*Max*
Return*	**-18.8%**	**-22.5%**	**-24.4%**	**-23.8%**	**-26.1%**
Volatility**	**27.6%**	**33.4%**	**38.2%**	**44.9%**	**46.6%**

** Returns calculated across the max drawdown period.*

*** Annualised using daily returns.*

Impact of different asset allocations during bull runs

2004-2007 - growth of $100



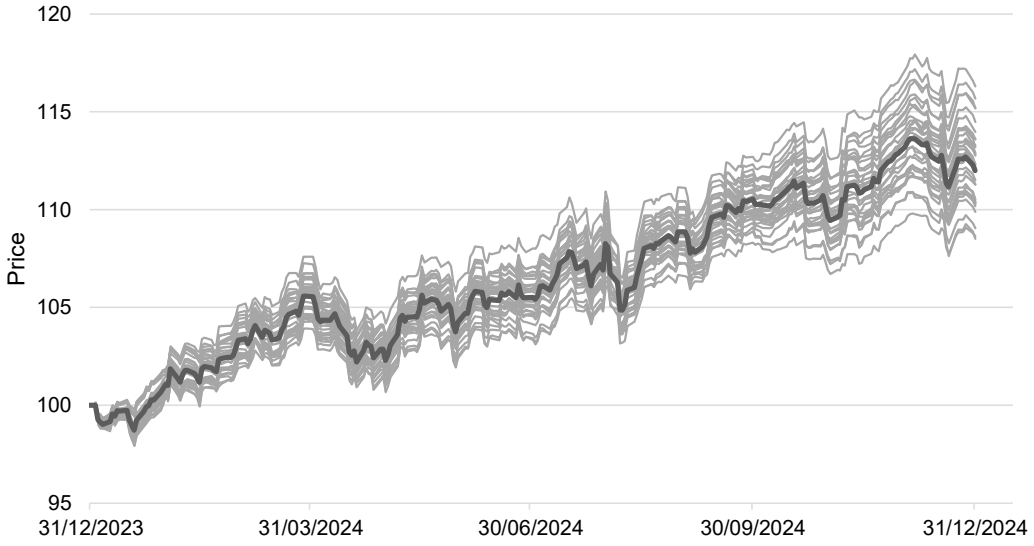
Growth Asset Allocation %

	Min	*25%ile*	*Median*	*75%ile*	*Max*
Return*	**12.9%**	**14.1%**	**14.2%**	**14.6%**	**15.2%**
Volatility**	**4.1%**	**4.6%**	**4.9%**	**5.9%**	**6.1%**

** Annualised.*

*** Annualised using daily returns.*

2024 - growth of $100



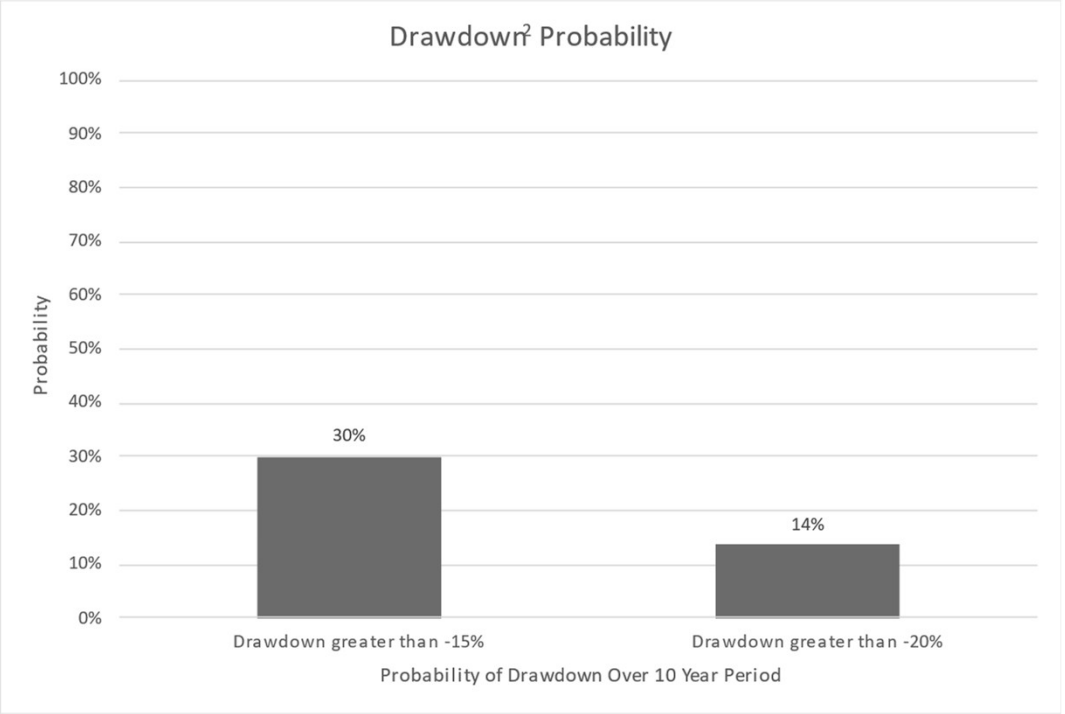
Growth Asset Allocation %

	Min	*25%ile*	*Median*	*75%ile*	*Max*
Return*	**8.6%**	**9.9%**	**12.1%**	**15.2%**	**16.3%**
Volatility**	**5.0%**	**5.2%**	**5.9%**	**6.0%**	**6.3%**

Impact of different asset allocations on expected outcomes

Based on 5,000 stochastic scenarios, calibrated using Milliman's Standard Calibration[1]

Expectation	Return[3] over 10 Years (p.a.)	Volatility over 10 years (p.a.)	Drawdown greater than -10%
Maximum	7.8%	9.8%	-18.0%
75th Percentile	7.8%	8.3%	-15.6%
Median	7.3%	8.0%	-15.7%
25th Percentile	7.0%	7.0%	-14.6%
Minimum	6.5%	5.9%	-13.8%



[1]Based on 5,000, random, 40 year scenarios, calibrated using Milliman's Standard Calibration as of 31st March 2022.

[2]Investment drawdown refers to the decline in the value (%) of the portfolio from its highest point to its lowest point over a certain period of time (10 years in this case).

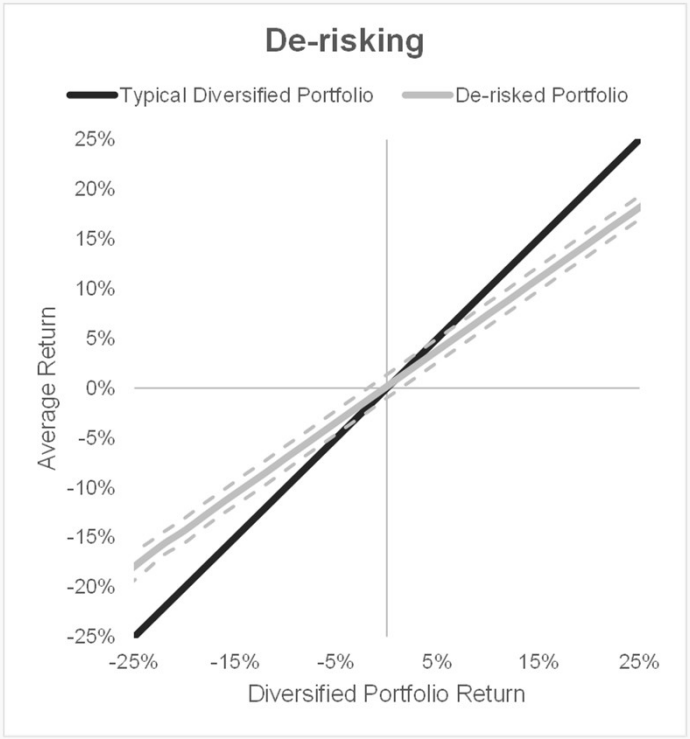
[3]An investment fees of 90bps is applied to the investment returns

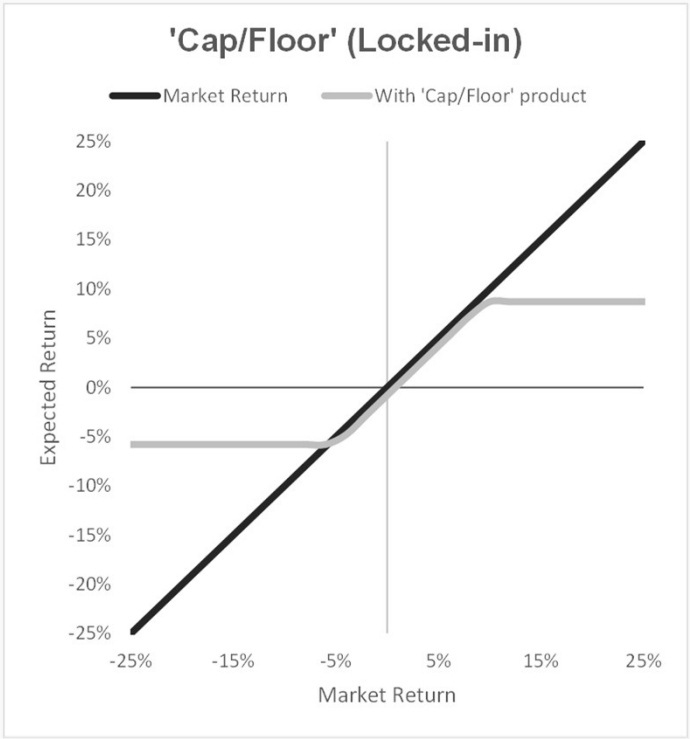
Impact of explicit risk management

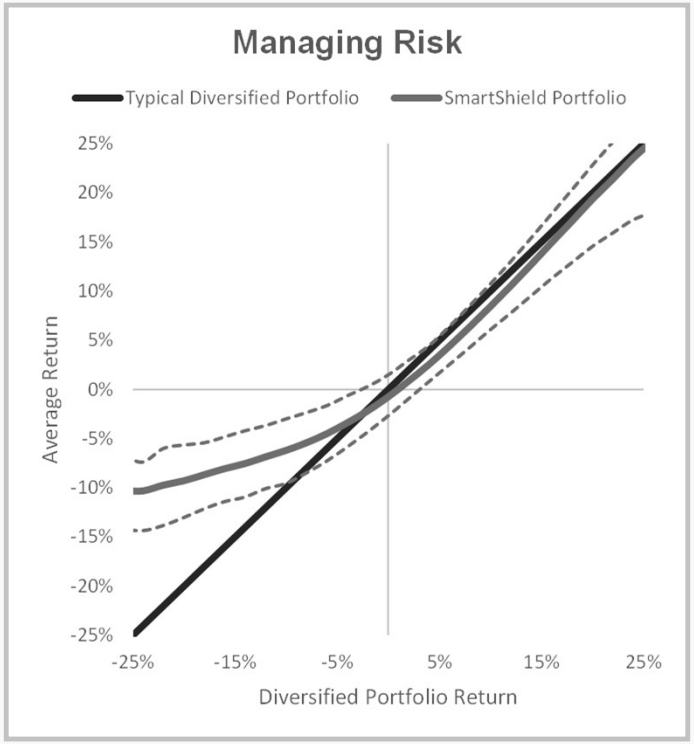
Milliman

Different approaches to risk management

Based on 5,000 stochastic scenarios, calibrated using Milliman's Standard Calibration*







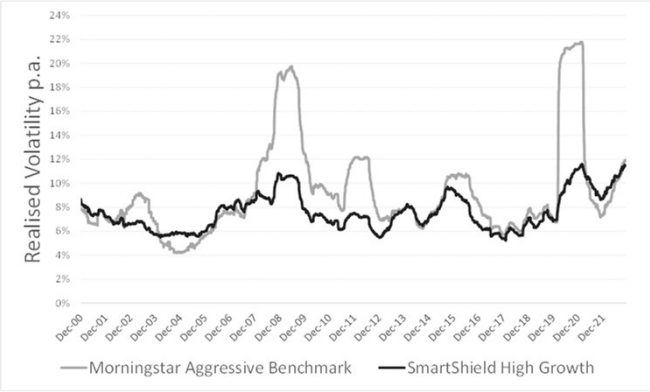
*Based on 5,000, random, 40 year scenarios, calibrated using Milliman's Standard Calibration as of 31st March 2022. The dotted bands represent the 10th and 90th percentile of the selected strategy. The Cap/Floor chart is illustrative of the current market levels (as of 30th June 2022), locked in for 7 years. All results are net of typical fees.

Two complementary techniques

Leveraging Milliman's core competencies

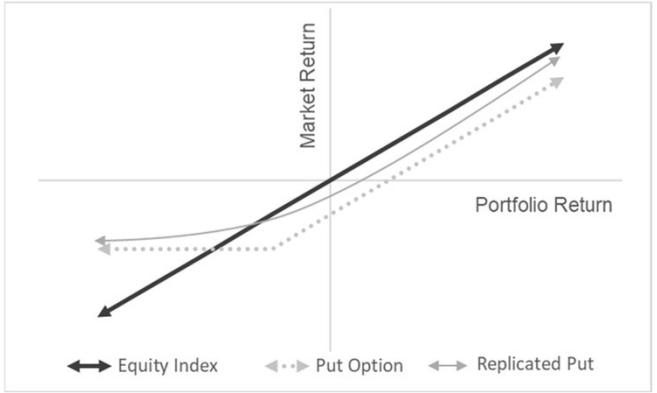
Volatility management

- Designed to provide a *smoother ride* by stabilising volatility.
- Existing risk management methodologies allows the strategy to maintain constant equity exposure irrespective of market conditions
- Milliman's overlay seeks to cap portfolio volatility over shorter time periods
- Benefits from higher exposure to equities during low volatility periods when returns are generally higher and vice versa in stressed market environments



Put option replication

- Designed to address sequencing risk, by *reducing the likelihood and severity of large market drawdowns.*
- Implemented by *'manufacturing'* a long-dated put option payoff, that delivers similar cushioning on the downside at a lower cost*.
- Aims to reduce losses during periods of significant market decline
- When combined with volatility management the put option replication becomes substantially more effective



Milliman

The results shown are historical, for informational purposes only, not reflective of any investment, and do not guarantee future results. Any reference to a market index is included for illustrative purposes only, as it is not possible to directly invest in an index. Indices are unmanaged, hypothetical vehicles that serve as market indicators and do not account for the deduction of management fees or transaction costs generally associated with investable products, which otherwise have the effect of reducing the results of an actual investment portfolio.

Impact of risk management during COVID

Growth Asset Allocation %

	Min	*25%ile*	*Median*	*75%ile*	*Max*
Portfolio Only					
Return	***-18.8%***	***-22.5%***	***-24.4%***	***-23.8%***	***-26.1%***
Volatility	***27.6%***	***33.4%***	***38.2%***	***44.9%***	***46.6%***
Portfolio With MMRS					
Return	***-15.0%***	***-16.1%***	***-17.7%***	***-16.8%***	***-19.6%***
Volatility	***16.6%***	***16.4%***	***18.1%***	***21.3%***	***23.5%***
Improvement (MMRS – No MMRS)					
Return	***3.8%***	***6.4%***	***6.7%***	***7.0%***	***6.5%***
Volatility	***-11.0%***	***-17.0%***	***-20.1%***	***-23.6%***	***-23.2%***

Impact of risk management during 2024 Bull Run

Growth Asset Allocation %

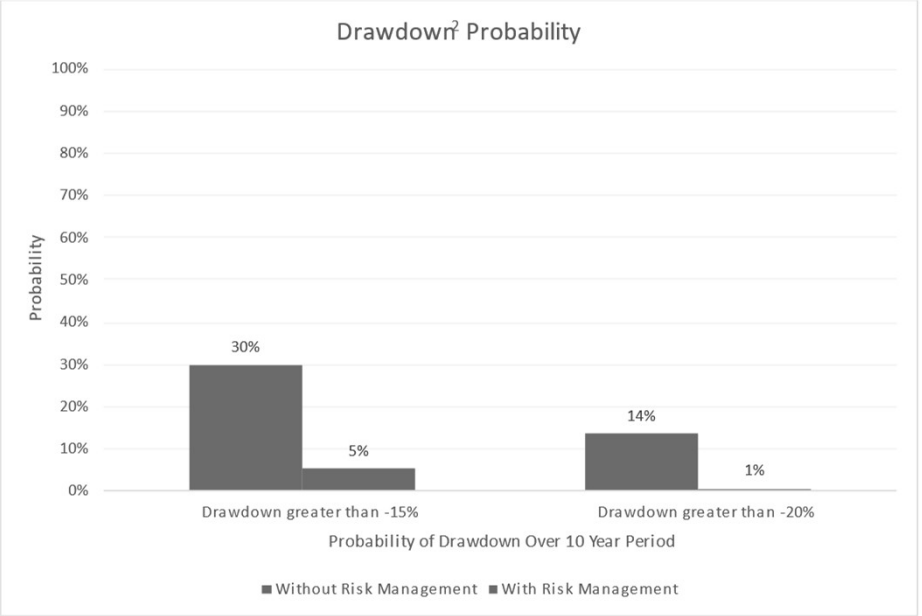
	Min	*25%ile*	*Median*	*75%ile*	*Max*
Portfolio Only					
Return	***8.6%***	***9.9%***	***12.1%***	***15.2%***	***16.3%***
Volatility	***5.0%***	***5.2%***	***5.9%***	***6.0%***	***6.3%***
Portfolio With MMRS					
Return	***8.9%***	***9.7%***	***12.1%***	***15.3%***	***16.5%***
Volatility	***5.3%***	***5.5%***	***6.0%***	***6.3%***	***6.6%***
Improvement (MMRS – No MMRS)					
Return	***0.2%***	***-0.2%***	***-0.1%***	***0.0%***	***0.2%***
Volatility	***0.2%***	***0.2%***	***0.2%***	***0.3%***	***0.3%***

The results shown are historical, for informational purposes only, not reflective of any investment, and do not guarantee future results. Any reference to a market index is included for illustrative purposes only, as it is not possible to directly invest in an index. Indices are unmanaged, hypothetical vehicles that serve as market indicators and do not account for the deduction of management fees or transaction costs generally associated with investable products, which otherwise have the effect of reducing the results of an actual investment portfolio.

Impact of Risk Management on Expected Outcomes

Based on 5,000 stochastic scenarios, calibrated using Milliman's Standard Calibration[1]

Expectation	Return[3] over 10 Years (p.a.)		Volatility over 10 years (p.a.)		Drawdown greater than -10%	
	Without Risk Management	With Risk management	Without Risk Management	With Risk Management	Without Risk Management	With Risk Management
Maximum	7.8%	7.7%	9.8%	8.6%	-18.0%	-13.0%
75th Percentile	7.8%	7.9%	8.3%	7.9%	-15.6%	-13.0%
Median	7.3%	7.3%	8.0%	7.3%	-15.7%	-12.0%
25th Percentile	7.0%	7.1%	7.0%	6.6%	-14.6%	-11.7%
Minimum	6.5%	6.7%	5.9%	5.8%	-13.8%	-11.7%



[1]Based on 5,000, random, 40 year scenarios, calibrated using Milliman's Standard Calibration as of 31st March 2022.

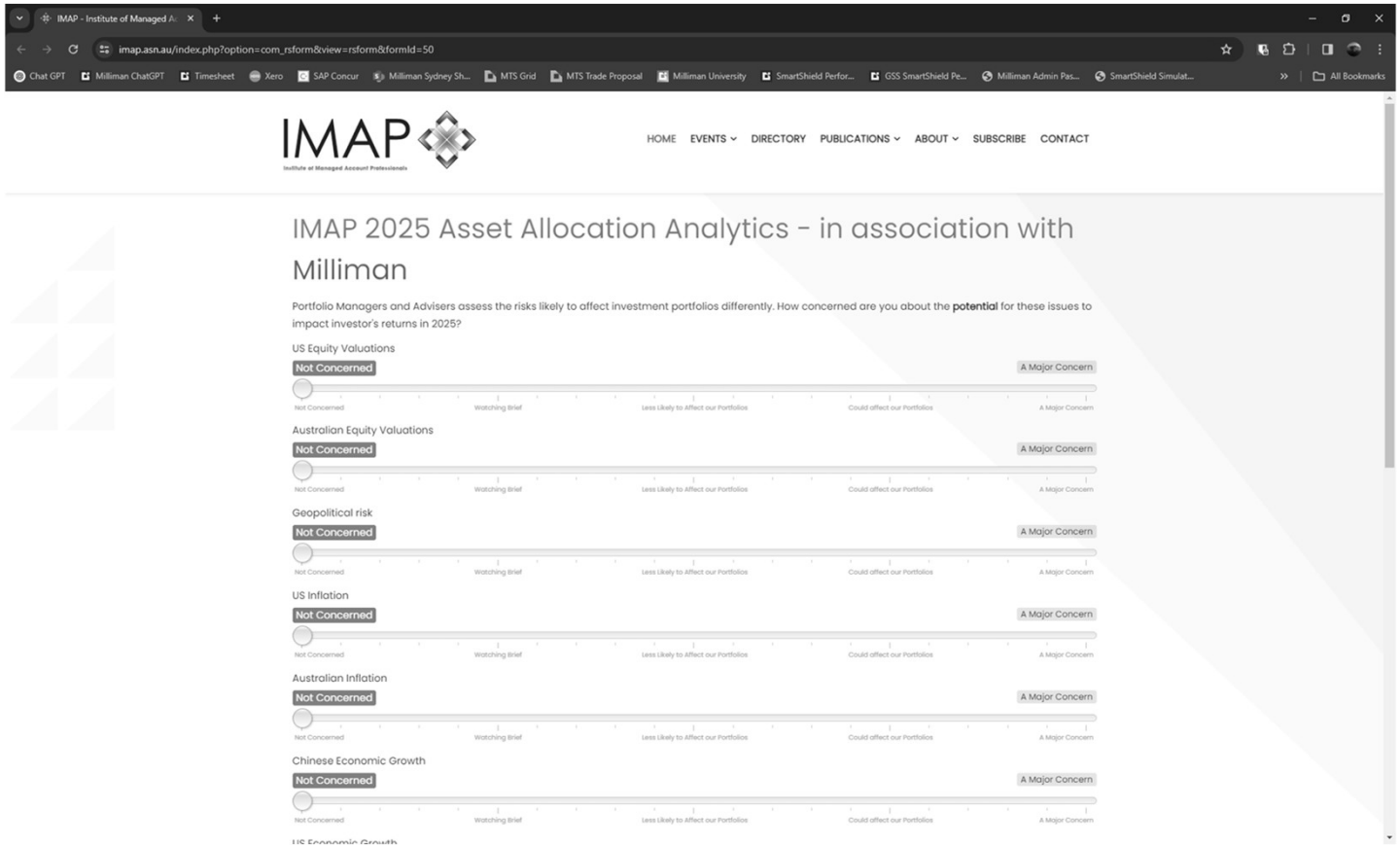
[2]Investment drawdown refers to the decline in the value (%) of the portfolio from its highest point to its lowest point over a certain period of time (10 years in this case).

[3]An investment fees of 90bps is applied to the investment returns

Key risk factors for client portfolios in 2025

Milliman

Potential Concerns Survey



Economic Risks & Concerns

Geopolitical Risk

Economic Growth

Australian Equity Valuation

US Equity Valuation

Australian Inflation

US Interest Rate

Australian Interest Rate

Currency

Chinese Growth

US Inflation

Survey Response

Economic Scenarios Model Results – Base Case

Based on Developed Markets (Large & Mid Cap)[1]

Total Return	Base Case[2]
Mean	10.4%
Standard Deviation	17.4%
25th Percentile	-0.5%
75th Percentile	22.1%

[1]Modelled with respect to the country allocation within the MSCI World ex Australia Index in USD

[2]Base Case = Normal Real GDP and Normal Inflation

Economic Scenarios Model Results – High Inflation

Based on Developed Markets (Large & Mid Cap)[1]

Total Return	Base Case[2]	High Inflation[4]
Mean	10.4%	5.2%
Standard Deviation	17.4%	16.4%
25th Percentile	-0.5%	-5.4%
75th Percentile	22.1%	16.7%

[1]Modelled with respect to the country allocation within the MSCI World ex Australia Index in USD

[2]Base Case = Normal Real GDP and Normal Inflation

[4]High inflation is defined as > 3% inflation rate

Economic Scenarios Model Results – Recession

Based on Developed Markets (Large & Mid Cap)[1]

Total Return	Base Case[2]	High Inflation[4]	Recession[3]
Mean	10.4%	5.2%	2.8%
Standard Deviation	17.4%	16.4%	18.8%
25th Percentile	-0.5%	-5.4%	-10.1%
75th Percentile	22.1%	16.7%	15.8%

[1]Modelled with respect to the country allocation within the MSCI World ex Australia Index in USD

[2]Base Case = Normal Real GDP and Normal Inflation

[3]Recession is defined as YOY Real GDP < 0.5% for two consecutive quarters

[4]High inflation is defined as > 3% inflation rate

Economic Scenarios Model Results – Stagflation

Based on Developed Markets (Large & Mid Cap)[1]

Total Return	Base Case[2]	High Inflation[4]	Recession[3]	Stagflation[5]
Mean	10.4%	5.2%	2.8%	-0.2%
Standard Deviation	17.4%	16.4%	18.8%	18.3%
25th Percentile	-0.5%	-5.4%	-10.1%	-13.2%
75th Percentile	22.1%	16.7%	15.8%	12.4%

[1]Modelled with respect to the country allocation within the MSCI World ex Australia Index in USD

[2]Base Case = Normal Real GDP and Normal Inflation

[3]Recession is defined as YOY Real GDP < 0.5% for two consecutive quarters

[4]High inflation is defined as > 3% inflation rate

[5]Stagflation is defined as the scenario of High Inflation (> 3% inflation rate) and Recession (YOY Real GDP < 0.5% for two consecutive quarters)

Milliman

Thank you

Victor Huang
Victor.Huang@milliman.com

Simon Ho
Simon.Ho@milliman.com