



## FOR IMMEDIATE RELEASE

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### **Milliman helps clients meet investment challenges of retirees with Managed Risk Strategy**

#### ***Retail and institutional funds embrace new risk management strategy***

Sydney, 1 December 2014—Maritime Super, Plato Investment Management and BetaShares have this year employed Milliman's Managed Risk Strategy (MMRS), which stabilizes investment volatility and reduces the impact of major market declines by dynamically managing market exposure using derivatives.

The potential to hold onto the returns of growth assets while minimizing the downside has quickly found a receptive market among pre-retirees and retirees that understand the benefit of holding growth assets to protect against longevity risk.

The \$4.5 billion Maritime Super fund began offering members a version of its popular Balanced and Growth options with the Milliman overlay in July. The Balanced and Growth "Managed Volatility Process (MVP)" options have already received more than \$200 million in inflows from members and defined benefit sub-funds.

"There are some very complex and very expensive ways to minimize volatility and protect members from the severe downturns in equity markets but there aren't many that can be understood by members, are low-cost, and can be turned on and off by individual members at any time," Maritime Super chief executive Peter Robertson said.

"A lot of other protection strategies require us to hand over the money to someone else to manage. Milliman's approach allows us to still invest in the fund managers that we want to use," Robertson said.

Milliman practice leader Wade Matterson said its overlay is a cost-effective way to manage the risk of a significant market downturn while allowing investors to retain an exposure to growth assets. "Delivering this process as an overlay allows us to enhance a product that people are already familiar with, and offers a nudge to those that are seeking to manage the risk in their portfolio," Matterson says. "The power of that structure is that it allows you to combine the best of both worlds: the fund manager's portfolio construction with Milliman's specialist risk management expertise and scale."

Milliman's MMRS overlay is currently employed on more than \$US60 billion in funds management products globally. The strategy has its roots in the life insurance sector where it has been used to protect in excess of \$95 billion in company balance sheet assets for the last 15 years, a period that includes the 'tech wreck' as well as the Global Financial Crisis.

Plato Investment Management launched a version of its successful Plato Australian Shares Income Fund with Milliman's Managed Risk Strategy overlay in April. That fund, the Plato Australian Shares Income Fund (Managed Risk), was recently awarded a "recommended" rating from research house Lonsec and Plato Managing Director Don Hamson said he expects the fund to find a place on investment platforms next year.

"Retirees want income and they want it specifically managed for their tax rate – we offer those two features with the first fund – but some clients are also very risk averse so they want to have this risk reduction feature," Hamson said.



“It also provides people with the ability to allocate more than they might normally do to equities because they know someone is looking after it. That’s how I use it in my portfolio because I’m invested in it.”

Australians are facing a potential financial shortfall in retirement as lifespans continue to increase and government safety nets such as the age pension are gradually reduced. Many retirees are at risk of outliving their savings if they invest too conservatively but many fear the impact a sharp downturn will have on their ability to preserve capital while drawing an income.

BetaShares became the third company to launch a product employing the Milliman process in November: the Australian Dividend Harvester Fund, which trades on ASX with the ticker HVST. The Fund aims to provide investors with exposure to large-cap Australian shares along with a monthly income stream that is at least double the annual yield of the broad share market. To provide investors with a smoother investment ride, the Fund additionally incorporates Milliman’s MMRS with the aim of reducing the volatility of equity investment returns and defending the portfolio against the risk of significant losses.

“We don’t think the need for protection in market downturns is going to go away any time soon,” BetaShares Managing Director Alex Vynokur said. “Investors need a way to make their superannuation last by maintaining exposure to growth assets but also managing downside risk.”

The Australian Dividend Harvester, which aims to deliver monthly dividend income at least double the annual income yield of the broad sharemarket, already has \$22 million in assets just 1 month after its launch. The Australian high yield exchange-traded-fund sector received approximately \$550 million in flows in the year to October 2014 – the second highest by category.

“We certainly expect the level of interest in the Dividend Harvester Fund to keep growing,” Vynokur said.

Milliman’s Matterson said he is very pleased with the uptake of new strategies and there is evidence that demand for new products is growing.

“Much of the industry to date has been focused on the phase after retirement and longevity protection through products such as annuities. Maintaining access to portfolio growth whilst managing volatility and exposure to a market downturn in the period prior to and immediately following retirement goes a long way to creating a sustainable inflation adjusted income.”

“Fund members are increasingly recognizing this need to remain invested in growth assets – and are actively seeking tools to retain access to capital whilst managing market downturns. Funds are looking for flexible and low cost solutions to these issues that are easy to implement. We are in discussions with, and working with, a number of institutions to deliver new risk management and retirement solutions over the next year.”



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**About Milliman**

Milliman is among the world's largest providers of actuarial and related products and services. The firm has consulting practices in healthcare, property & casualty insurance, life insurance and financial services, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe. For further information, visit [www.milliman.com](http://www.milliman.com).

Milliman is a global leader in financial risk management for the retirement savings industry. Established in 1998, Milliman's Financial Risk Management (FRM) practice includes over 125 professionals operating from three offices around the world (Chicago, London, and Sydney). The Milliman Managed Risk Strategy is used to manage the risk of approximately \$60 billion worth of client assets (as of 30 September 2014)

The Milliman Managed Risk Strategy aims to stabilize the volatility of an investment portfolio during periods of significant and sustained market declines, providing investors with the same risk management techniques used by major financial institutions around the world.