

**Liability driven investing:
inflation hedging in a negative real world**

2020 Annual Conference

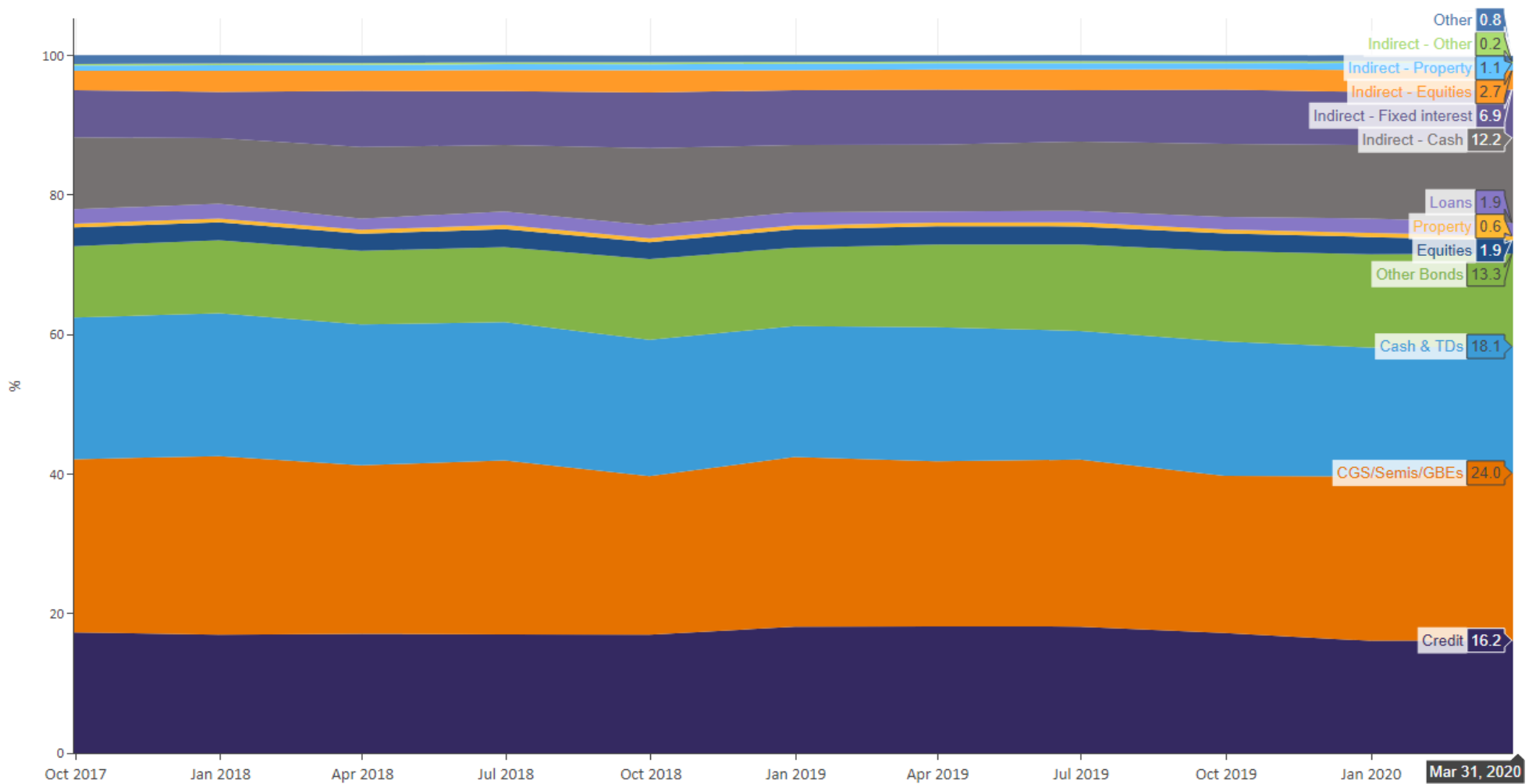
July 2020

ICWA inflation scenario outcomes

	Deflation	Steady Inflation	Inflation
Inflation	-1.0%	2.0%	4.0%
Discount Rate	-1.0%	1.0%	2.0%
Assets	\$4,224,000,000	\$4,400,000,000	\$4,708,000,000
Change in Discount Rate	-2.0%	-	1.0%
Investment Return	-4.0%	5.0%	7.0%
Liabilities Open Value	\$3,200,000,000	\$3,200,000,000	\$3,200,000,000
Liabilities Impact	\$429,051,429	-	-\$169,892,857
Liabilities Close Value	\$3,629,051,429	\$3,200,000,000	\$3,030,107,143
Solvency Ratio (A/L)	116%	138%	155%

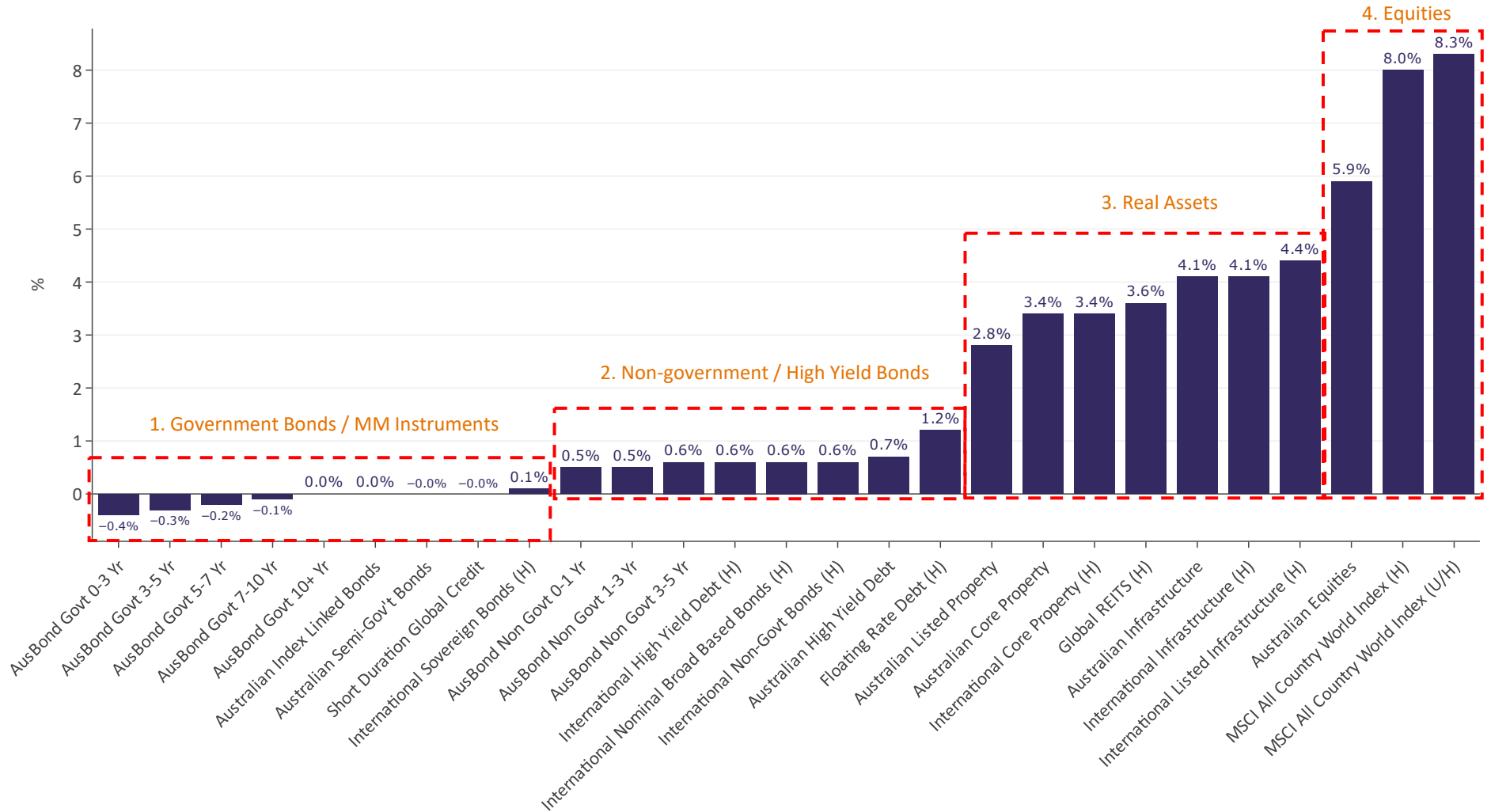
General insurers asset allocation over time

[source: APRA]

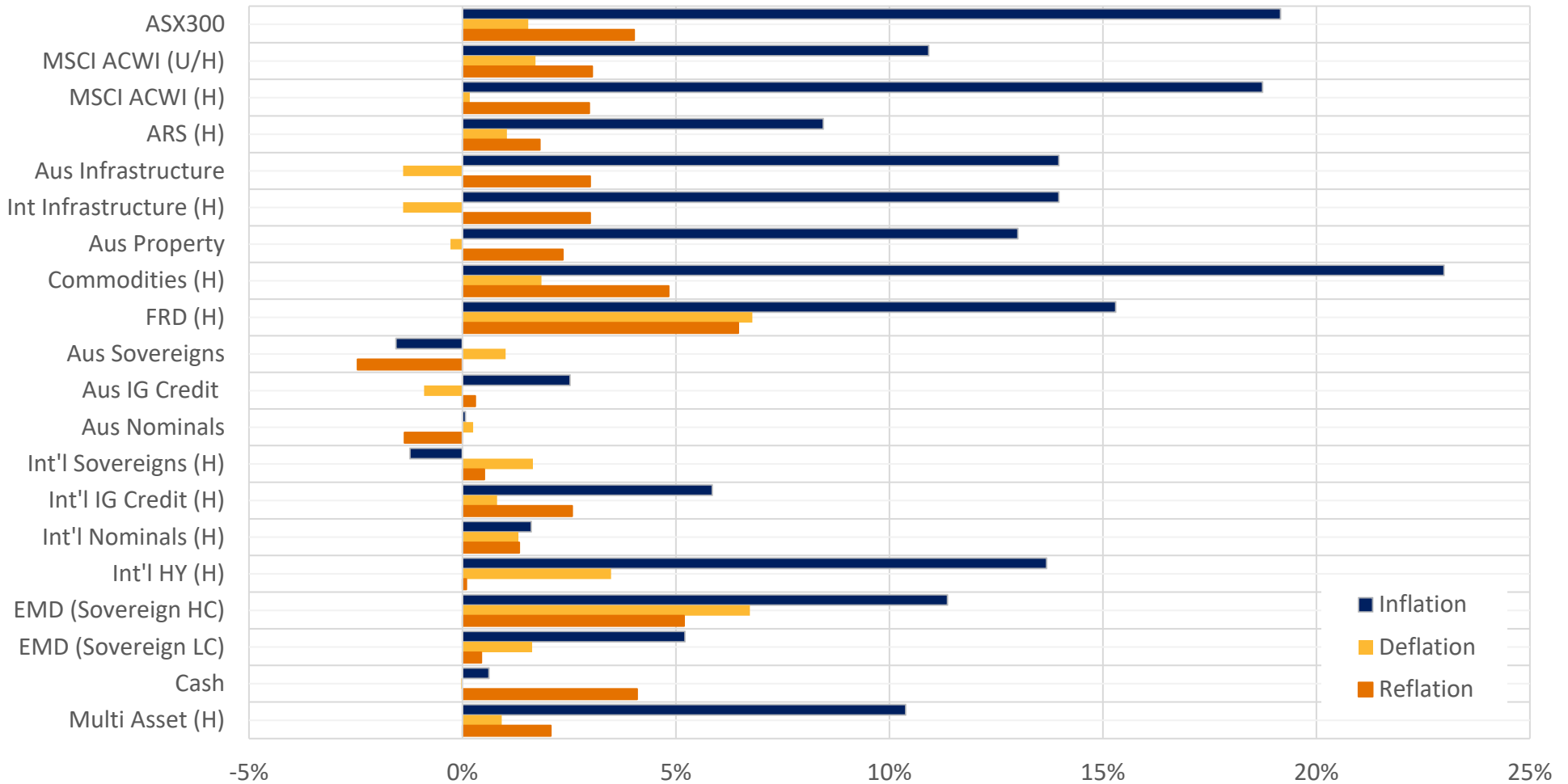


Impact on asset risk charge from a 1% tilt (from cash)

[source: APRA]



Frontier's expected 5 year asset class returns



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