

# Fund Summary

## OnePath Emerging Companies Trust Wholesale

31 May 2022

### Fund details

Investment manager	Karara Capital
Fund code	MMF0112AU
Asset type	Equity / Small Cap
Region	Australia
Fund size	\$29.78 million as at 31 May 2022
Commencement date	31 Dec 1996
Distributions	Half yearly

### Investment objective

The fund aims to achieve returns (before fees, charges and taxes) that exceed the S&P/ASX Small Ordinaries Accumulation Index, over periods of five years.

### Investment strategy

The fund invests predominantly in a diversified portfolio of smaller companies in accordance with a disciplined Australian shares investment process.

### Minimum time horizon

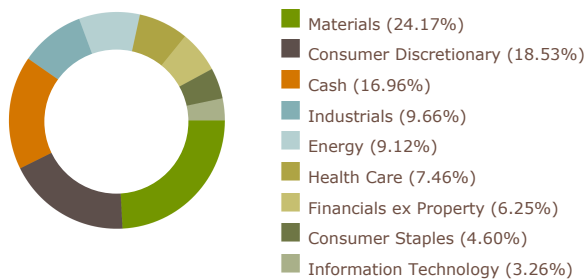
7 years

### Standard Risk Measure\*

The Standard Risk Measure (SRM) is based on industry guidance to allow investors to compare funds that are expected to deliver a similar number of negative annual returns over any 20 year period. The SRM for this fund is shown below:



### Equity sector allocation



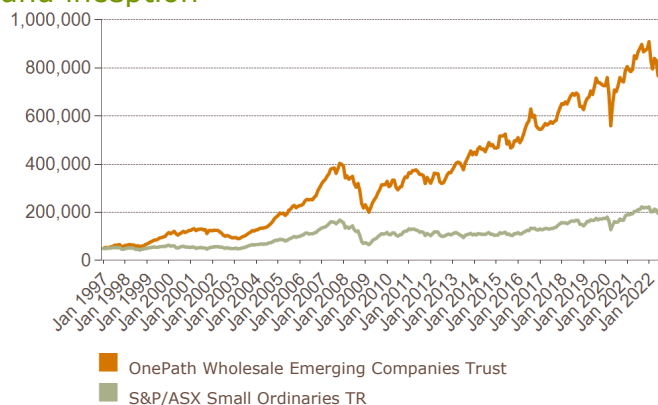
### Fund performance

As at 31 May 2022

	1 mth %	3 mth %	1 yr %	3 yr % pa	5 yr % pa	7 yr % pa	10 yr % pa
Total Return †	-7.68	-3.66	-8.59	3.60	6.19	5.57	8.92
Benchmark ‡	-7.01	-3.58	-4.56	5.50	8.49	7.55	6.33
Excess Return	-0.67	-0.08	-4.04	-1.91	-2.30	-1.98	2.58
Distribution	0.00	0.00	11.86	16.57	11.09	8.51	6.92
Growth	-7.68	-3.66	-20.46	-12.97	-4.90	-2.94	1.99
Risk (1 Std Dev)	-	-	15.33	20.28	16.64	15.85	14.62
Tracking Error	-	-	6.10	6.55	5.84	6.09	6.17
Info. Ratio	-	-	-0.7	-0.3	-0.4	-0.3	0.4

Calendar year returns	YTD	2021	2020	2019	2018
Total Return †	-15.59	12.79	10.87	15.85	-3.71
Benchmark ‡	-12.26	16.90	9.21	21.36	-8.67
Excess Return	-3.32	-4.11	1.66	-5.51	4.96

### Growth of \$50,000 invested since fund inception



### Top 10 holdings

Security	% of fund
UNITI GROUP LTD - ORD NPV	7.31%
MINERAL RESOURCES LTD - ORD NP	5.72%
GUD HOLDINGS LTD - ORD NPV	4.57%
SEVEN GROUP HLDS LTD - ORD NPV	3.64%
STEADFAST GROUP LTD - ORD NPV	3.11%
EAGERS AUTOMOTIVE LTD - ORD NP	3.02%
SILVER LAKE RESOURCES LTD - OR	2.65%
ELDERS LTD - ORD NPV	2.65%
JOHNS LYNG GROUP - ORD NPV	2.63%
EBOS GROUP LTD - ORD NPV(AUSTR)	2.59%
<b>Total Top 10</b>	<b>37.90%</b>

\* For further information on Standard Risk Measures and the calculation methodology used, go to [onepath.com.au/personal/performance/product-updates.aspx](http://onepath.com.au/personal/performance/product-updates.aspx)

† Returns quoted use the unit price which is calculated using the net asset values for the relevant month end. The prices shown may differ from the actual unit price if an investor is applying for or redeeming an investment. Actual unit prices will be confirmed following any transaction on an investor's investment. Please note that all returns are after the deduction of management fees and expenses and assumes all distributions are re-invested. Where applicable, management fees have been deducted at the highest entry fee option rate. No allowance has been made for entry or exit fees.

‡ Benchmark returns should be used for indicative purposes only. These returns may not be a true indication of this Fund's performance against its investment objective.

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### Market and portfolio review

Global stocks endured another white-knuckle month in March, punctuated by the US Federal Reserve's first postpandemic interest rate rise and soaring commodity prices that sent bond yield curves into inversion. While most markets were rattled by geo-political events and rising interest rate concerns, the ASX's heavy weighting to resources and energy proved an asset: the broad-based S&P/ ASX 300 Index ended the month up 6.9% while the Small Ordinaries Index was up 5.26%.

The prospect of a ban on Russian crude oil supplies by the West pushed oil prices as high as \$US139 a barrel, while European gas, nickel and wheat all hit record highs. The commodities rally intensified fears that inflationary pressures will persist as those prices make their way through the supply chain and slow economic growth.

The US Federal Reserve presented a hawkish tone after it increased its benchmark Fed funds target interest rate range by 0.25% to 0.25% to 0.50% in March. Policy makers now see the Fed funds rate rising to a range between 1.75% and 2% by year end, compared with 0.75% to 1% in December, or a quarter of a percentage point rate increase at each of the Fed's six remaining policy meetings this year.

Bond markets responded dramatically with yields on five year US bonds moving higher than on 10-year bonds – presenting an inversion of that end of the curve, historically a precursor to recession. Both the Fed and the European Central Bank lowered GDP expectations for 2022, raising fears of stagflation. Fed Chair Jay Powell played down the idea that the Fed's interest rate path would lead to recession. Asked if there was something that would prevent a 50 basis point rise at the next meeting in May, Mr Powell said "nothing", quipping that this was an "executive summary".

Australian bond yields tracked global peers to scale fresh three-year peaks. The three-year rate jumped above 2% for the first time since 2018 while ten-year yields rose to 2.71%.

### Future investment strategy

Global markets across most asset classes have been significantly unsettled by the recent Russian invasion of Ukraine, with many commodity markets materially impacted across both the industrial metals complex and with many soft commodities (notably wheat) also hitting multi-year highs, sometimes on parabolic moves. The additional inflationary pressures caused by the Russia/Ukraine conflict come at a most challenging time, with inflation levels already at multi-decade highs in many countries and the "transitory" inflation narrative now long discredited. Inflationary expectations are becoming more entrenched. Heightened geo-political tensions will only serve to further drive de-globalisation and re-onshoring of manufacturing to higher cost jurisdictions – security of supply of key commodities and manufactured goods is receiving renewed focus.

Although some global central banks have either commenced raising short term interest rates (or have signalled an intention to do so), highly elevated debt levels following the Covid-19 fiscal response, will likely limit the ability of central banks to meaningfully increase interest rates to counter persistent elevated inflation levels, should they eventuate. This is the gordian knot facing many of the world's central bankers.

As a result, markets in 2022 may be expected to be volatile, driven by both central bank rhetoric about the need to combat inflation and by the inflation-fighting measures actually implemented. In an uncertain macro environment and with medium term inflation and supply chain concerns elevated, our focus remains on identifying businesses that can drive growth irrespective of the prevailing economic backdrop, and those that have a reasonable degree of pricing power.

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This information is current as at 31 May 2022 with the commentary current for the most recent quarter end (eg. March, June, Sept or Dec) however in some cases may be applicable for the preceding month or quarter end. Updated information will be available free of charge by contact Client Services on 133 665. The information is of a general nature and does not take into account your personal needs, financial circumstances or objectives. Before acting on this information, you should consider the appropriateness of the information, having regard to your needs, financial circumstances and objectives. Past performance is not indicative of future performance. The future value of investments may rise and fall with changes in the market. You should read the relevant PDS available at [onepath.com.au](http://onepath.com.au) and consider whether that particular product is right for you before making a decision to acquire or continue to hold the product.