

# Fund Summary

## OnePath Emerging Companies Trust Wholesale

31 August 2022

### Fund details

<b>Investment manager</b>	<b>Karara Capital</b>
<b>Fund code</b>	MMF0112AU
<b>Asset type</b>	Equity / Small Cap
<b>Region</b>	Australia
<b>Fund size</b>	\$24.48 million as at 31 Aug 2022
<b>Commencement date</b>	31 Dec 1996
<b>Distributions</b>	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

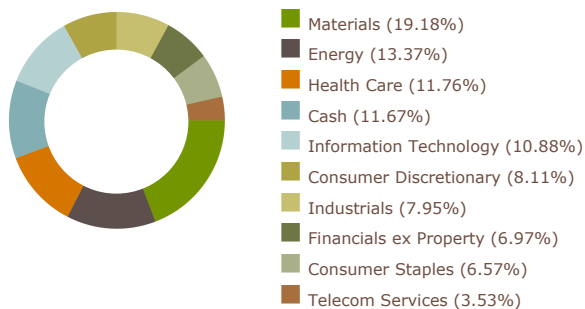
7 years

### 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



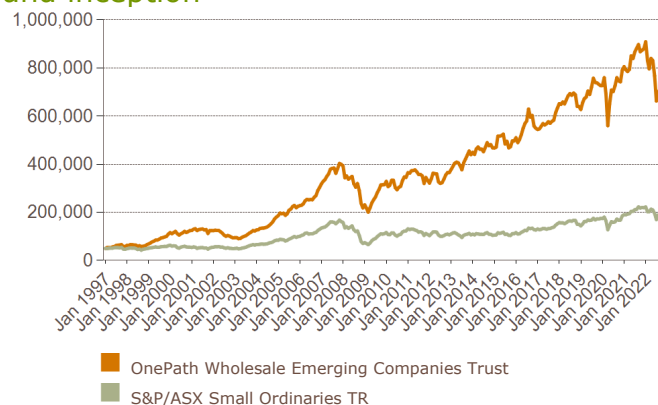
### Fund performance

As at 31 Aug 2022

	1 mth %	3 mth %	1 yr %	3 yr % pa	5 yr % pa	7 yr % pa	10 yr % pa
<b>Total Return †</b>	2.26	-6.91	-20.42	-1.17	4.31	6.22	7.76
<b>Benchmark ‡</b>	0.58	-2.59	-14.66	4.10	6.85	8.92	6.29
<b>Excess Return</b>	1.68	-4.32	-5.76	-5.27	-2.55	-2.70	1.48
<b>Distribution</b>	0.00	15.00	13.10	18.19	14.02	10.81	8.50
<b>Growth</b>	2.26	-21.92	-33.52	-19.37	-9.71	-4.59	-0.74
<b>Risk (1 Std Dev)</b>	-	-	20.57	21.72	17.94	16.38	15.32
<b>Tracking Error</b>	-	-	8.06	7.00	6.41	6.51	6.42
<b>Info. Ratio</b>	-	-	-0.7	-0.8	-0.4	-0.4	0.2

Calendar year returns	YTD	2021	2020	2019	2018
<b>Total Return †</b>	-21.42	12.79	10.87	15.85	-3.71
<b>Benchmark ‡</b>	-14.53	16.90	9.21	21.36	-8.67
<b>Excess Return</b>	-6.89	-4.11	1.66	-5.51	4.96

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



### Top 10 holdings

Security	% of fund
NEW HOPE CORP LTD - ORD NPV	3.52%
PRO MEDICUS LTD - ORD NPV	3.00%
KAROON ENERGY LTD - ORD NPV	2.88%
GRAINCORP LTD - CL A ORD NPV	2.82%
HEALIUS LTD - ORD NPV	2.71%
PREMIER INVESTMENTS LTD - ORD	2.69%
CHARTER HALL RETAIL REIT - UNI	2.51%
BEACH ENERGY LTD - ORD NPV	2.50%
ELDERS LTD - ORD NPV	2.42%
IPH LTD - ORD NPV	2.22%
<b>Total Top 10</b>	<b>27.28%</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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31 August 2022

### Market and portfolio review

Global markets were rattled in June after several central banks lifted interest rates to fight inflation, stoking fears of recession. The US Federal Reserve lifted its benchmark rate in the biggest increase since 1994, while central banks in Switzerland, England, New Zealand and Australia all followed. Data in the US showed inflation running at the highest level in 40 years. In Australia the broad-based S&P/ASX 300 Index ended the month down 2.76% while the Small Ordinaries Index fell 7.01%. The US Fed lifted the official interest rate by 0.75% as it intensified efforts to combat inflation. Fed Chairman Jerome Powell pointed to another 0.50% to 0.75% increase at the July meeting however he added that large increases like that in June would not become "common".

In Australia, the Reserve Bank blindsided many economists when it increased the cash rate from 0.35% to 0.85%, the largest increase in 22 years, and forecast inflation to peak above 7% later this year. "While inflation is lower than in most other advanced economies, it is materially higher than earlier expected," Governor Phillip Lowe said, citing supply chain and Ukraine as the main contributors.

Governor Lowe noted that a cash rate of 2.5% was a "reasonable" expectation for how high rates would get to "at some point", but how fast they got there would be determined by future events. The yield on the 10-year Australian government bond rose to 4.2%, a level not seen since 2014. The yield on the three-year bond surged 15 basis points to 3.82%, the highest level since March 2012.

Commodity prices were mixed. Supply chain pressures saw Brent Oil climb 10% to \$122 while Iron Ore prices dropped 5% to \$137 as China Covid restrictions impacted demand. Gold fell US\$60 to US\$1,852 largely reflecting the strength of the US dollar, the secondbest performing fiat currency this year to date, coming in behind the Russian ruble.

### Future investment strategy

The outlook for global markets remains highly uncertain. Persistently high global inflation remains the key issue – both demand and supply factors e.g., Chinese Covid lockdowns, are impacting, often in unpredictable ways and with lagged effects. The global shift to clean (and often intermittent) energy sources and a resultant, structural lack of investment in maintaining current levels of oil and gas supply, plus geo-political issues/Ukraine War are exacerbating the imbalances.

With the recent pull-back in domestic equity markets, and the associated de-rating in higher P/E stocks, we have witnessed a material convergence in trading multiples between "value" stocks and a number of quality "growth" names in the small cap universe. While this may still have further to play-out given earnings expectations are falling and exogenous disturbances to many companies' operating environments seem to be occurring with greater frequency, we are actively building our target "buy" list of stocks and have begun selectively adding to positions.

Some particularly attractive opportunities are starting to emerge in areas where supply chain issues have caused a "deferment of demand fulfillment" rather than a permanent loss of sales, with a skittish market extrapolating the particular short-term negative disruption excessively into the future.

In an uncertain macro environment and with short to medium term inflation and supply chain concerns still elevated, our focus remains on identifying companies that can generate reasonable earnings growth against a challenging economic backdrop, particularly those that have at least some degree of pricing power (and/or ability to reduce costs) as well as strong balance sheets.

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This information is current as at 31 Aug 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.