

Fund Summary

OnePath Blue Chip Imputation Trust Wholesale

30 June 2021

Fund details

Investment manager	OnePath Funds Management sub- advised by Nikko Asset Management Co.
Fund code	MMF0340AU
Asset type	Equity / All Cap
Region	Australia
Fund size	\$5.06 million as at 30 Jun 2021
Commencement date	01 Nov 2001
Distributions	Quarterly

Investment objective

The fund aims to outperform the gross return of the S&P/ASX 100 Total Return Index, including franking credits (but before investment fees and taxes) over periods of at least five years. The fund also targets a gross dividend yield, including franking credits that exceeds the gross dividend yield of the benchmark.

Investment strategy

The fund invests predominantly in a diversified portfolio of Australian companies which provide a relatively high level of franked income, and have been selected in accordance with a disciplined Australian shares investment process.

Minimum time horizon

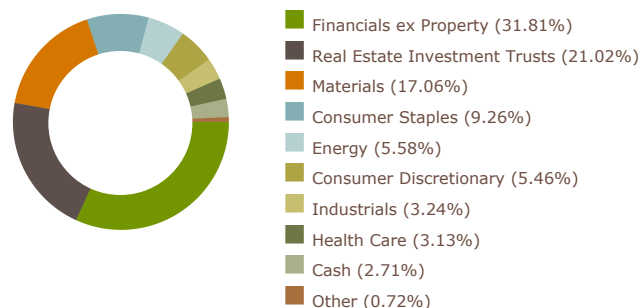
5 years

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



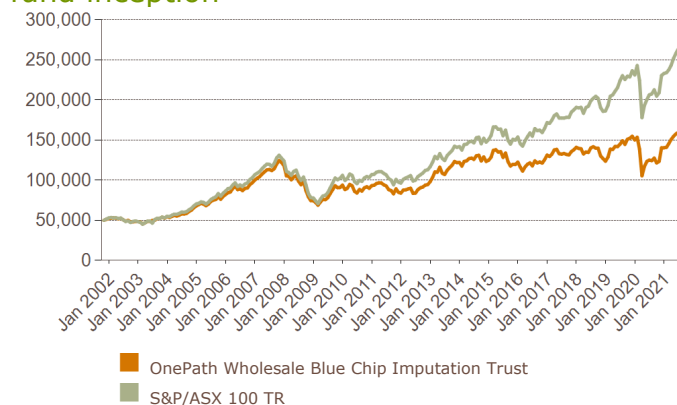
Fund performance

As at 30 Jun 2021

	1 mth %	3 mth %	1 yr %	3 yr % pa	5 yr % pa	7 yr % pa	10 yr % pa
Total Return †	1.21	5.90	27.72	4.45	6.29	3.46	5.57
Benchmark ‡	2.14	8.47	27.92	9.91	11.27	8.78	9.48
Excess Return	-0.93	-2.57	-0.20	-5.46	-4.98	-5.32	-3.92
Distribution	0.75	0.79	4.32	4.77	4.34	4.17	4.49
Growth	0.46	5.11	23.40	-0.32	1.95	-0.72	1.07
Risk (1 Std Dev)	-	-	14.81	20.84	17.02	16.14	15.20
Tracking Error	-	-	4.92	5.73	4.71	4.23	3.84
Info. Ratio	-	-	0.0	-1.0	-1.1	-1.3	-1.0

Calendar year returns	YTD	2020	2019	2018	2017
Total Return †	13.76	-6.49	21.48	-12.32	7.40
Benchmark ‡	13.31	0.80	24.06	-2.35	11.04
Excess Return	0.45	-7.29	-2.58	-9.97	-3.64

Growth of \$50,000 invested since fund inception



Top 10 holdings

Security	% of fund
ANZ-AUSTRALIA & NEW ZEALD BK -	7.61%
COMMONWEALTH BANK AUSTRALIA -	7.21%
BHP GROUP LTD - ORD NPV	6.51%
TELSTRA CORP LTD - ORD NPV	5.83%
RIO TINTO GROUP - ORD NPV (AUS)	5.18%
COLES GROUP LTD - ORD NPV	4.98%
WESTPAC BANKING - ORD NPV	3.80%
NATIONAL AUSTRALIA BK - ORD NP	3.47%
SUNCORP GROUP LTD - NPV DFD 08	3.12%
DOWNER EDI LTD - ORD NPV	3.04%
Total Top 10	50.75%

* For further information on Standard Risk Measures and the calculation methodology used, go to 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

Equity markets strengthened over the June quarter, helped by a rally in growth stocks as bond yields moved lower. The retracement in yields appeared to be more a reversionary move after significant increases in previous months amidst stronger business conditions when the market prematurely priced in US rate hikes in 2023. Australian shares gained 7.9% (8.5% including dividends) and outperformed global markets over the quarter, with the MSCI World Index rising 7.3% in USD, although was a little weaker than the US S&P 500 which rose +8.2% in USD. Japan was a notable underperformer over the quarter as emergency lockdowns due to rising Covid cases and the tech fallout in mid May hampered returns.

On a sector level in Australia, tech and consumer discretionary stocks were the best performers, rising 12.1% and 11.5% respectively. Materials also rallied 9.5% as commodity prices continued to strengthen. Utilities (-2.3%) and Energy (-5.8%) were the worst performers with energy stocks lagging despite a sharp rally in oil prices.

Global bond yields fell during Q2, putting an end to a six month rising trend as the global economy recovered sharply post pandemic, with a cyclical recovery underway. After yields ran up sharply in the prior quarter, the US 10 year bond yield dropped 27 bps to 1.47% while yields on Australian 10 year bonds followed a similar trajectory, falling 26 bps to close at 1.53%. The Australian dollar came under pressure at the end of the quarter despite further strength in commodities, losing 3% in June against the USD to close just below US75c. A slightly more hawkish tone in the US led to USD strength with the dollar index (DXY) gaining 3% in June.

Future investment strategy

We think the last word might not yet have been said about inflation, as there are now more companies talking about having pricing power (i.e. being able to pass higher input costs on to the selling price of their product) than at any time in the last decade or so. An increase in the supply of bonds as the US Government looks to fund its ever-increasing budget deficit and roll over existing debts might be another reason for bond yields to reverse course.

Not much has changed from a domestic corporate earnings perspective. Earnings growth expectations have been further revised upwards for both the financial year just finished (FY21) and the one just started (FY22). FY21 earnings growth, which will be confirmed in the upcoming August reporting season, is likely to come in at well over 20%, a very strong outcome even when compared to the weak FY20. However, the bulk of the earnings growth can be explained by a rebound in Bank earnings, following overly pessimistic bad debt assumptions in the past, and strong commodity prices. More recent positive earnings growth revisions have been even more concentrated in the Resource and Energy sectors. And while many Resource stocks are trading at low earnings multiples, sellside analysts' commodity price assumptions are starting to catch up to spot prices which limits the potential for further upgrades – at least for the remainder of the year.

In summary, while we cannot rule out a return to some sort of Goldilocks scenario, in which economic growth is solid but not so high as to trigger interest rate increases, it is increasingly difficult to find areas of the market for which earnings are either not already looking close to as good as they can get or, for companies whose earnings are yet to recover, share prices that are not already factoring in a lot of positive future earnings news.

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