

Fund Summary

OnePath Australian Share Trust

Wholesale

30 November 2021

Fund details

Investment manager	OnePath Funds Management sub-advised by Alphinity
Fund code	AJF0804AU
Asset type	Equity / All Cap
Region	Australia
Fund size	\$16.82 million as at 30 Nov 2021
Commencement date	22 Jun 1993
Distributions	Quarterly

Investment objective

The fund aims to achieve returns (after costs but before fees and taxes) that exceed the S&P/ASX 300 Accumulation Index, over periods of at least three to five years.

Investment strategy

The fund seeks to build a portfolio of Australian stocks listed on the ASX that is well diversified across different industries and sectors and aims to meet the fund's investment objectives in a risk-controlled manner.

Minimum time horizon

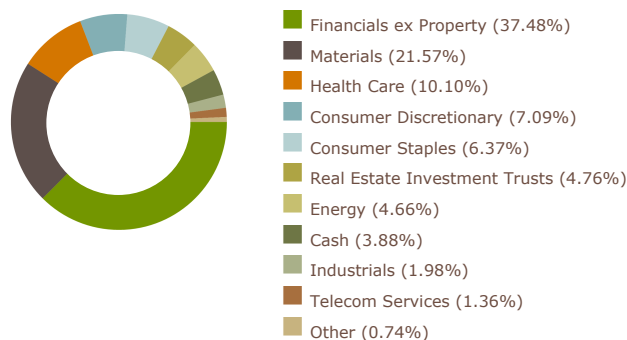
5 years

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



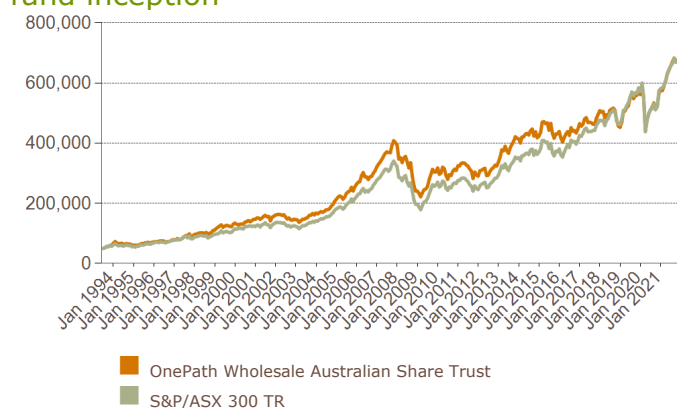
Fund performance

As at 30 Nov 2021

	1 mth %	3 mth %	1 yr %	3 yr % pa	5 yr % pa	7 yr % pa	10 yr % pa
Total Return †	-0.24	-1.47	19.08	13.80	8.56	7.04	8.64
Benchmark ‡	-0.53	-2.31	16.02	12.89	10.30	9.06	10.34
Excess Return	0.29	0.85	3.06	0.92	-1.73	-2.01	-1.70
Distribution	0.00	1.32	7.31	7.69	5.91	5.14	4.90
Growth	-0.24	-2.78	11.77	6.11	2.65	1.90	3.74
Risk (1 Std Dev)	-	-	5.42	16.34	14.06	13.70	13.03
Tracking Error	-	-	1.99	2.44	2.68	2.59	2.56
Info. Ratio	-	-	1.5	0.4	-0.6	-0.8	-0.7

Calendar year returns	YTD	2020	2019	2018	2017
Total Return †	16.76	2.55	24.16	-10.89	9.36
Benchmark ‡	14.51	1.73	23.77	-3.06	11.94
Excess Return	2.25	0.81	0.38	-7.83	-2.57

Growth of \$50,000 invested since fund inception



Top 10 holdings

Security	% of fund
BHP GROUP	7.78%
COMMONWEALTH BANK OF AUSTRALIA	7.15%
CSL	6.37%
NATIONAL AUSTRALIA BANK	6.35%
MACQUARIE GROUP	5.77%
AUSTRALIA & NEW ZEALAND BANKIN	3.83%
WOOLWORTHS GROUP	3.74%
GOODMAN GROUP	3.73%
ARISTOCRAT LEISURE	3.23%
JAMES HARDIE INDUSTRIES PLC	2.85%
Total Top 10	50.79%

* 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

Fears of the new Covid variant Omicron and concern the US Federal Reserve's interest rate setting is behind the curve when trying to address inflation weighed on equity market performance in November. Australia's S&P/ASX 300 Index, including dividends, fell 0.5% and underperformed other global equity markets when comparing returns in Australian dollars. A 5.2% drop in the AUD boosted offshore market performance, with the US S&P 500 gaining 4.9% and Europe's Stoxx 600 index climbing 0.9%, although all markets declined in their respective local currencies. Domestically, there was a high degree of dispersion between sectors with materials stocks (+5.8%), Communication services (+4.7%) and Consumer Staples (+4.1%) all leading, while Financials (-8%) and Energy (-7.8%) were the laggards. Interestingly iron ore miners Fortescue, Rio and BHP all performed strongly despite the iron ore spot price falling 14%. Banks were among the worst performers and a major driver of market weakness, with Westpac -20% after missing on earnings and CBA -11% on a weaker first-quarter trading update that saw margins under pressure.

Inflation continues to be a major concern and while it is difficult to strip out the main driver of market falls in November between inflation and the new Covid variant, it feels like inflation is less manageable should Central Banks get too far behind the curve when tightening interest rates and/or removing monetary stimulus. US Federal Reserve Chairman Jerome Powell decided to retire 'transitory' from his description of inflation, effectively admitting they had been wrong to assume that inflation spikes would soon revert to lower levels. The US CPI print was 0.9% in October vs 0.6% expected, and the core CPI measure, stripping out the more volatile food and energy prices, was 0.6% vs 0.4% expected.

Future investment strategy

The Australian equity market has essentially gone sideways over the second half of 2021. This of course follows the exceptional run that has taken place since the initial Covid panic in March 2020, and has been supported by an extraordinary amount of monetary and fiscal stimulus.

With a peak in global economic growth rates despite stubborn inflation data around the world, investors are nervous and central banks are in a quandary: should they focus on reducing the inflationary pressure by tightening monetary settings and risk slowing growth further, or prioritise economic growth and employment? It appears that most central banks, including the most important one, US Federal Reserve (Fed), are shifting more towards the former.

The Fed can of course change its mind at any point, as it famously did in January 2019 when it performed what is often referred to as the 'Powell Pivot', after Fed Chairman Jerome Powell. At that time, the Fed switched from a tightening bias, with a clear timeframe to exit the extremely loose monetary policy that had been in place, to a resumption of easy money. The aim was to address a sharp slump in the US share market and it worked, triggering a strong rally. Things look more difficult this time, however. Most data suggest that inflation is becoming more entrenched, and monetary conditions are already at such low levels that simply leaving them unchanged is really as much as the Fed can do to spur the economy on.

Add to this high valuations for most sectors of the equity market, especially for the structural growth sectors like IT and to some extent also Healthcare, not to mention ongoing uncertainty in relation to Covid, and it is difficult to see markets moving much higher in the near term. With a more uncertain outlook for corporate profit growth, and thus Cyclical companies, and less cheap money to support Growth stocks, traditional defensive stocks that have lagged both may see increased support in the year ahead.

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