

Fund Summary

OnePath Blue Chip Imputation Trust Wholesale

31 May 2022

Fund details

Investment manager	OnePath Funds Management sub- advised by Yarra Capital Management
Fund code	MMF0340AU
Asset type	Equity / All Cap
Region	Australia
Fund size	\$4.50 million as at 31 May 2022
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

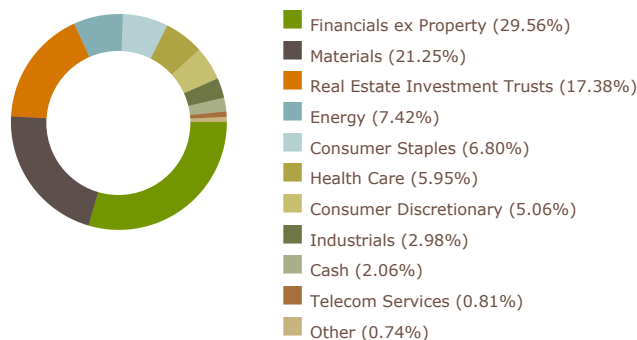
5 years

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



* 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.

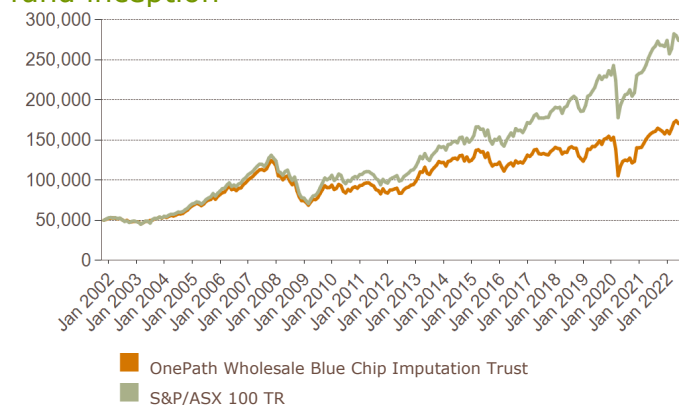
Fund performance

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 †	-2.12	4.03	8.02	6.31	5.09	3.33	7.39
Benchmark ‡	-2.19	3.98	6.02	8.36	9.09	7.64	10.72
Excess Return	0.07	0.05	2.00	-2.05	-3.99	-4.31	-3.33
Distribution	0.00	0.96	4.56	4.36	4.25	4.31	4.57
Growth	-2.12	3.07	3.46	1.95	0.84	-0.98	2.81
Risk (1 Std Dev)	-	-	8.55	20.16	16.84	15.84	14.68
Tracking Error	-	-	5.69	5.91	5.26	4.71	4.16
Info. Ratio	-	-	0.4	-0.3	-0.8	-0.9	-0.8

Calendar year returns	YTD	2021	2020	2019	2018
Total Return †	5.32	15.29	-6.49	21.48	-12.32
Benchmark ‡	-0.03	17.65	0.80	24.06	-2.35
Excess Return	5.34	-2.37	-7.29	-2.58	-9.97

Growth of \$50,000 invested since fund inception



Top 10 holdings

Security	% of fund
BHP GROUP LTD - ORD NPV	8.55%
WESTPAC BANKING - ORD NPV	7.75%
ANZ-AUSTRALIA & NEW ZEALD BK -	6.82%
TELSTRA CORP LTD - ORD NPV	5.75%
RIO TINTO GROUP - ORD NPV (AUS	4.78%
NATIONAL AUSTRALIA BK - ORD NP	4.06%
WOODSIDE ENERGY GROUP LTD - OR	4.06%
COLES GROUP LTD - ORD NPV	3.16%
DOWNER EDI LTD - ORD NPV	2.88%
AURIZON HOLDINGS LTD - ORD NPV	2.75%
Total Top 10	50.57%

Fund Summary

OnePath Blue Chip Imputation Trust Wholesale

31 May 2022

Market and portfolio review

Equity markets had much to contend with over the March quarter: rising interest rates, the Russian invasion of Ukraine, China re-entering lockdowns, slowing earnings growth and labour and commodity shortages to name just a few of the risks. Despite numerous headwinds, Australia's S&P/ASX 300 index, including dividends, gained 2.1% over the quarter to be among the top performers, alongside other commodity producers Canada (+2.2%) and Brazil (+33%). European stocks (Stoxx 600 -11.7%) and the US (S&P 500 -7.7%) both suffered losses in AUD terms, with Europe in a tough geography and the US hampered by a large sell-off in highly priced tech stocks.

Sector performance was driven by Energy (+25%) Utilities (+12.7%) and Materials (+11.8%) while Tech (-14%), Consumer Discretionary (-11.4%) and Healthcare (-10.7%) all lagged as the rotation into cheaper cyclicals continued along with rising bond yields. Earnings season was somewhat overshadowed by the macro, and while companies beat earnings estimates in aggregate by approximately 2%, it was clear that earnings momentum is slowing with only a few sectors in clear upgrade mode, primarily commodity-related sectors Energy and Materials. Other sectors experienced overall downward earnings revisions in March, indicating that underlying earnings momentum has weakened. Supply chain and labour constraints were a consistent theme among results, with many companies intentionally building up inventories to get ahead of supply chain delays.

Bond yields continued to rise, with the US 10 year government yield climbing 83bps to 2.34%, and 2s-10s yield curve almost inverted as the 2 year yield reached 2.33%. In Australia, the 10 year bond yield rose 117bps to 2.84%. A stronger AUD was also supportive, or perhaps the result, of stronger commodity prices with the currency rising 3% to close at USD0.75.

Future investment strategy

Our market's world beating performance in the March Quarter, and particularly in the month of March, is largely explained by our heavy skew to Energy and Resources, and Banks which stand to benefit from higher interest rates, at least until the market starts to worry about higher bad debts. However, that these factors can combine with a rally in longer-duration growth stocks, as happened in March, for an extended period of time efforts seems unlikely.

After some uncertainty around whether the US Federal Reserve and other central banks would moderate the pace of interest rate hikes due to the potential economic outfall from the war in the Ukraine, they are now doubling down in their to contain the high inflation they are seeing today, and appear willing to risk a potentially greater slowdown down the track. For now it looks pretty clear that interest rates are going up and liquidity stimulus is being reined in.

While gradual and pre-emptive lifts in interest rates have in the past been manageable for equity markets, the late starting point this time and the rather aggressive pace being articulated, at least in the US, might end up being more problematic. Higher rates initially will likely have a bigger negative impact on higher-valued growth stocks than on those companies driving and benefitting from high inflation, namely Resource and Energy stocks. However, the effect of those higher interest rates on economic growth will need to be monitored closely, especially as the developing Covid situation in China will make it more difficult for its government to implement its economic stimulus plans.

While inflation and wage pressures in Australia aren't as alarming as overseas this might be more a matter of time rather than any structural difference that makes us immune. However, some hangover from the last two years of excess liquidity and spending party appears unavoidable, certainly for the economy but maybe also for the equity market.

OnePath Funds Management Limited (ABN 21 003 002 800 AFSL 23 8342) and OnePath Custodians Pty Limited (ABN 12 008 508 496 AFSL 238346 RSE L0000673) are the issuers of this material. Except as described in the relevant Product Disclosure Statement (PDS), the issuers do not stand behind or guarantee the capital or performance of your investment. Your investment is subject to investment risk, including possible repayment delays and loss of income and principal invested.

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 and consider whether that particular product is right for you before making a decision to acquire or continue to hold the product.