

# Fund Summary

## OnePath Sustainable Investments Aust Share Trust Wholesale

31 August 2022

### Fund details

<b>Investment manager</b>	OnePath Funds Management sub- advised by Alphinity
<b>Fund code</b>	MMF0335AU
<b>Asset type</b>	Equity / All Cap
<b>Region</b>	Australia
<b>Fund size</b>	\$1.02 million as at 31 Aug 2022
<b>Commencement date</b>	26 Jul 2001
<b>Distributions</b>	Half yearly

### 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 three to five years or more.

### Investment strategy

The fund seeks to invest in sustainable companies that have the capacity to make a positive impact on society in areas of economic, environmental and social development. Specifically, the fund will target companies which contribute toward the advancement of the UN Sustainable Development Goals (SDG) agenda, have strong ESG characteristics and display appealing investment characteristics.\*

### Minimum time horizon

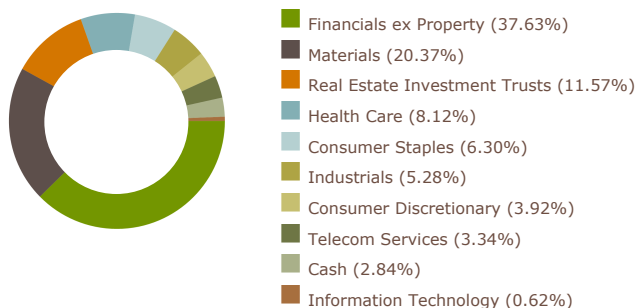
5 years

### 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



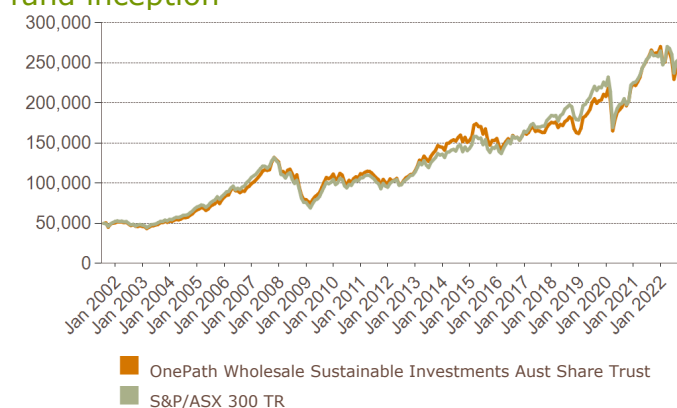
### Fund performance

As at 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>	1.61	-2.91	-7.58	7.18	8.53	6.93	8.68
<b>Benchmark ‡</b>	1.18	-2.41	-3.67	5.64	8.24	8.63	9.32
<b>Excess Return</b>	0.43	-0.50	-3.91	1.54	0.29	-1.70	-0.64
<b>Distribution</b>	0.00	1.13	2.66	2.69	3.26	3.36	3.58
<b>Growth</b>	1.61	-4.04	-10.24	4.50	5.27	3.56	5.10
<b>Risk (1 Std Dev)</b>	-	-	15.98	17.80	15.26	14.05	13.62
<b>Tracking Error</b>	-	-	2.83	3.14	3.01	2.86	2.87
<b>Info. Ratio</b>	-	-	-1.4	0.5	0.1	-0.6	-0.2

Calendar year returns	YTD	2021	2020	2019	2018
<b>Total Return †</b>	-9.07	20.78	7.48	28.48	-7.82
<b>Benchmark ‡</b>	-3.93	17.54	1.73	23.77	-3.06
<b>Excess Return</b>	-5.14	3.24	5.75	4.71	-4.76

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



### Top 10 holdings

Security	% of fund
BHP GROUP LTD - ORD NPV	11.89%
COMMONWEALTH BANK AUSTRALIA -	9.26%
CSL LTD - ORD NPV	7.38%
NATIONAL AUSTRALIA BK - ORD NP	7.03%
WOOLWORTHS GROUP LTD - ORD NPV	4.94%
MACQUARIE GROUP LTD - ORD NPV	4.67%
MEDIBANK PRIVATE LTD. - ORD NP	4.22%
GOODMAN GROUP - UNITS NPV(STAP	3.84%
WESTPAC BANKING - ORD NPV	3.68%
QBE INSURANCE GROUP LTD - ORD	3.52%
<b>Total Top 10</b>	<b>60.44%</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.

# Fund Summary

## OnePath Sustainable Investments Aust Share Trust Wholesale

31 August 2022

### Market and portfolio review

Australian equities outperformed most other global markets in August, despite the backdrop of hawkish commentary from the US Federal Reserve dashing hopes that the pace of interest rate rises would slow down soon. A generally better-than-expected corporate earnings season, along with a large amount of dividends hitting investors accounts, led the S&P/ASX300 index (incl dividends) 1.2% higher last month. European shares fell 5.3% as energy supply issues continued to weigh on sentiment, while US shares dropped 4.2% as bond yields resumed their upward trend after falling the previous month. Australia's greater composition of energy and mining companies provided a buffer of performance relative to most other markets, with investors benefitting from exposure to rising commodity prices in addition to receiving relatively high dividend yields distributed from mining and financial stocks.

August saw most companies report H2 2022 earnings which were generally better than expected, and with investor positioning bearish into the results, this led a rotation from defensives back into domestic cyclicals. The median company beat consensus by 0.7% on H2 net profits, although cuts to FY23 earnings estimates gathered pace with Materials seeing the most aggressive cuts, while Building Materials were revised lower on further input cost pressures. Conversely, insurance stocks received large upgrades with rising rates generally supportive for the sector.

US bond yields, after a retreat in July, continued their march higher as US Fed Chairman Jerome Powell delivered a short address at Jackson Hole, putting to bed any speculation that rate hikes are close to reaching their goal of lowering inflation. US 10 year yields rose 54 basis points to 3.19% while Australian 10 year yields also rose by the same margin to close at 3.60%. US 2 year yields rose 61 basis points to 3.49%, inverting the 2yr-10yr part of the curve.

Concern about energy continued to weigh on European markets as it heads into Winter, and the Euro fell below parity with the \$US, having depreciated by 12% this year. The Nordstream gas pipeline, which runs some 1,200 km under the Baltic Sea between Russia and Germany and provides almost half of Europe's total gas supply, was closed by Russia for maintenance in August, adding further to anxiety there. With European gas prices having more than quadrupled so far this year, many industries have been forced to shift production offshore. Energy prices undoubtedly remain the biggest cause of an increasingly likely recession in Europe, as affordability pressures hurting both households and industry.

### Future investment strategy

The August reporting season contained few surprises in either a positive or negative direction. Earnings for the financial year just finished were, in aggregate, largely in line with expectations and consensus earnings estimates for the current financial year, FY23, were revised down by 1-2% overall, which is fairly typical for a reporting season. Negligible earnings growth is now forecast for FY23, although this is more the result of falling earnings forecasts for Resource companies as a result of lower commodity prices than particularly low expectations in other sectors of the market.

As suspected, many companies declined to give earnings guidance, blaming ongoing uncertainty brought about by Covid or referring to heightened geopolitical risk factors which made forecasting difficult. While we sympathise with their predicament, not providing guidance – whatever the reason – is starting to sound a bit too convenient and adds to uncertainty for investors.

This lack of guidance by management might have contributed to the absence of larger earnings downgrades outside of Resource companies but it is also clear that the Australian consumer is yet to make more significant cutbacks in the face of higher interest rates. This is likely due to still-strong employment growth and the delay in higher interest rates hitting mortgage-holders repayments in earnest. This probably means that earnings growth in the first half will still be reasonable, especially as large parts of Australia were in lock down for much of the same period last year, while second half earnings expectations are more at risk.

While the paucity of large earnings downgrades to date might also suggest Australia is experiencing a controlled slowdown in economic growth despite the rapid rise in interest rates, admittedly from very low levels, investors will likely need to wait a few more months to see whether this really is the case, or if a larger downturn awaits in the new year. Still-high earnings multiples ex-Resource companies suggests a more meaningful slowdown might be ahead, or that higher interest rates are not yet reflected in most company valuations.

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 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.