

Fund Summary

OnePath Diversified Fixed Interest Trust Wholesale

31 July 2023

Fund details

Investment manager	OnePath Funds Management
Fund code	ANZ0212AU
Asset type	Fixed Income / Income
Region	Global
Fund size	\$63.14 million as at 31 Jul 2023
Commencement date	18 Apr 2001
Distributions	Quarterly

Investment objective

The fund aims to provide income and achieve returns (before fees, charges and taxes) that exceed the Bloomberg AusBond Composite 0+ Yr Index, over periods of three years or more.

Investment strategy

The fund is actively managed and invests predominantly in a diversified mix of Australian and international defensive assets.

Minimum time horizon

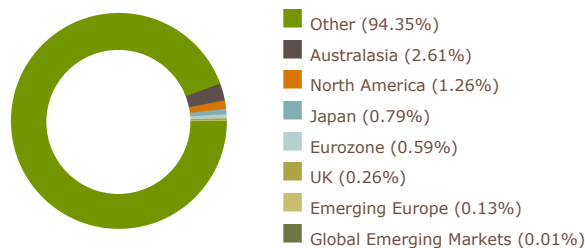
3 years

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:



Country allocation



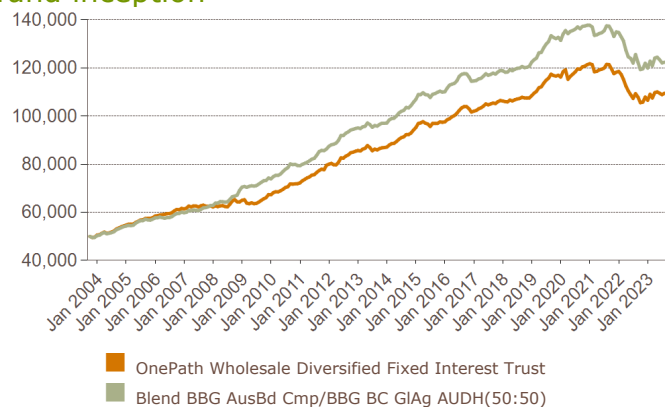
Fund performance

As at 31 Jul 2023

	1 mth %	3 mth %	1 yr %	3 yr % pa	5 yr % pa	7 yr % pa	10 yr % pa
Total Return †	0.56	-0.48	0.17	-2.89	0.41	0.82	2.41
Benchmark ‡	0.24	-1.69	-2.56	-3.71	0.40	0.60	2.45
Excess Return	0.32	1.21	2.73	0.81	0.00	0.22	-0.04
Distribution	0.00	0.86	0.93	3.48	3.89	4.54	4.25
Growth	0.56	-1.35	-0.76	-6.37	-3.48	-3.72	-1.84
Risk (1 Std Dev)	-	-	5.24	4.49	4.29	3.75	3.41
Tracking Error	-	-	1.55	1.56	1.73	1.48	1.33
Info. Ratio	-	-	1.8	0.5	0.0	0.1	0.0

Calendar year returns	YTD	2022	2021	2020	2019
Total Return †	2.76	-10.13	-2.61	4.76	7.10
Benchmark ‡	2.04	-10.99	-2.18	4.79	7.32
Excess Return	0.72	0.86	-0.43	-0.03	-0.23

Growth of \$50,000 invested since fund inception



* 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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Wholesale

31 July 2023

Market and portfolio review

Rising Sovereign bond yields weighed on bond returns over the quarter as stickier core inflation, resilient labour markets and wages pressure kept central banks on high alert. Overall the trust outperformed over the quarter. There were no manager changes over the quarter.

Global fixed income yields rose in many countries, including the US. U.S. 10-year Treasury yields approached 15-year highs above 4% after U.S. jobs data showed a still tight labor market. The unemployment rate fell lower, labor participation hasn't risen further, and wages are still growing even after the Fed's rapid rate hikes. The markets are at an inflection point in which central banks will be forced to keep monetary policy tight to limit inflationary pressures.

Future investment strategy

The US economy will likely to continue to grow below trend but avoid a recession in 2023. We believe that inflation has peaked, and after moving sideways in the first half of the year, will likely fall in the second half. However, we expect core CPI inflation to be around 3.5% at year-end, which is above the Federal Reserve's (Fed) target, meaning the Fed will likely keep monetary policy tight and not deliver any cuts this year.

The base case is currently coalesced around a soft-landing in the US, and we believe it is appropriate to look through the recent periods of historically high interest rate volatility. Yields of US investment grade companies are at levels not seen for over a decade. We are seeing investor demand even from those with a more pessimistic view on the macro outlook. In the US high yield market, the recent decline in rate volatility has been technically supportive with the new issue market opening up. Lower equity volatility has also been supportive for lower rated issuers, though we note that this has the potential to be less favorable in the scenario where issuer fundamentals weaken (from their current strong position). In emerging markets (EM), we are starting to see a pick-up in risk appetite as well. Earlier in the year, the outperforming sectors were Chinese state-owned entities and other higher rated sovereign and quasi sovereign securities, which has been reversing.

A great example of correlation to rate volatility is in the sterling investment grade market where credit spreads reached highs of 250 basis points last October on the back of the confusion caused by the mini-budget announced by then Chancellor, Kwasi Kwarteng. Spreads are now back to an index average of 170 basis points over gilts, and the range of opportunities is notable.

European financials are still very attractive versus corporates, in our view. The failure of Credit Suisse created a buying opportunity, and we see the potential for further convergence. Corporate hybrids also offer a way to get exposure to bonds with higher yields but issued by stronger companies, where we think the spread pick-up more than compensates for potential extension risk. More broadly, in European investment grade, we also note the current spread pick-up in BBBs over single A credits – 50 basis points in euros and 70 basis points in sterling.⁷ The recent compression between BB and BBBs is also making BBBs look relatively more attractive.

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This information is current as at 31 Jul 2023 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.