Fund Summary

OnePath Tax Effective Income Trust Wholesale

31 December 2020

Fund details

Investment manager	**OnePath Funds Management**
Fund code	MMF0700AU
Asset type	Multi-Asset / Balanced Growth
Region	Australia
Fund size	$7.97 million as at 31 Dec 2020
Commencement date	01 Feb 2004
Distributions	Quarterly

Investment objective

The fund aims to provide income and achieve returns (before fees and taxes) that on average exceed inflation by at least 4.5% p.a., over periods of ten years or more.

Investment strategy

The fund invests in a diversified mix of Australian assets with a bias towards income producing growth assets. The underlying investments are actively managed in accordance with a disciplined investment process.

Minimum time horizon

10 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:

1	2	3	4	5	6	7
Very low	Low	Low to medium	Medium	Medium to high	**High**	Very high

Asset allocation

- Australian Shares (34.51%)
- Real Estate Investment Trusts (33.50%)
- Australian Fixed Interest (20.89%)
- Cash (11.10%)

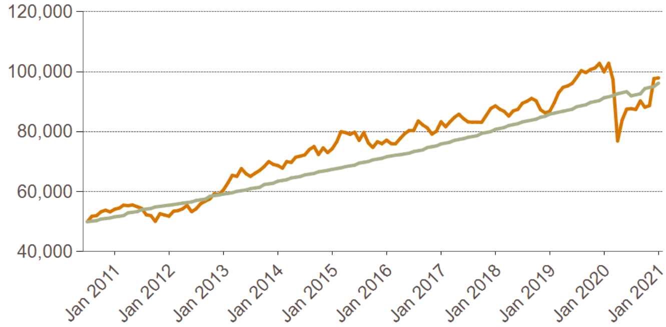
Fund performance

As at 31 Dec 2020

	1 mth %	3 mth %	1 yr %	3 yr % pa	5 yr % pa	7 yr % pa	10 yr % pa
Total Return †	0.21	11.07	-2.02	3.38	4.87	5.19	6.10
Benchmark ‡	1.19	1.92	5.36	5.99	6.07	6.11	6.42
Excess Return	-0.98	9.15	-7.38	-2.61	-1.20	-0.92	-0.32
Distribution	1.31	1.45	4.11	4.01	3.65	3.55	3.85
Growth	-1.10	9.62	-6.13	-0.63	1.23	1.64	2.25
Risk (1 Std Dev)	-	-	27.55	16.27	13.18	11.98	10.88
Tracking Error	-	-	28.12	16.64	13.47	12.27	11.17
Info. Ratio	-	-	-0.3	-0.2	-0.1	-0.1	0.0

Calendar year returns	2020	2019	2018	2017	2016
Total Return †	-2.02	15.15	-2.06	6.38	7.93
Benchmark ‡	5.36	6.34	6.28	6.41	5.98
Excess Return	-7.38	8.81	-8.34	-0.03	1.95

Growth of $50,000 invested since fund inception



- OnePath Wholesale Tax Effective Income Trust
- Australian Consumer Price Index + 4.5%

Top 10 holdings

Security	% of fund
COMMONWEALTH BANK OF AUSTRALIA	7.74%
BHP GROUP LTD ORD	7.47%
AUSTRALIA NEW ZEALAND BANKING	5.81%
TELSTRA ORD	5.15%
SUNCORP GROUP ORD	4.65%
COLES GROUP LTD ORD	3.99%
WOOLWORTHS GROUP ORD	3.93%
NATL AUST BANK ORD	3.86%
WESTPAC BANKING ORD	3.84%
DEXUS ORD	3.35%
Total Top 10	**49.80%**

* 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

The S&P/ASX 200 Accumulation Index returned 1.2% during the month. Australian equities lagged key offshore markets during the month. Despite COVID-19 cases rising exponentially in the US and Europe, the start of the vaccine roll-out and further certainty regarding the US election result saw equities move higher. In major global developed markets Japan's Nikkei 225 was up 3.8%, the US S&P 500 was up 3.7%, the UK's FTSE 100 was up 3.1% and the DJ Euro Stoxx 50 was up 2.0%.

The Reserve Bank of Australia (RBA) maintained monetary policy settings in December after having delivered a rate cut and additional measures to support the recovery at its November meeting (where the cash rate was cut from 0.25% to 0.10%, as was the 3 year yield target). The parameters of the Term Funding Facility and the government bond purchase program were also maintained in December.

Domestic economic data releases in December were mostly upbeat. Q3 GDP exceeded expectations to be up 3.3%, partially recovering from the record -7% recorded in Q2. Employment rose by 90,000 positions in November, which exceeded market expectations. The unemployment rate ticked lower to 6.8%, which was also better than expected. The NAB Survey of Business Conditions showed improvement, rising to 9 in November, and is now at above average levels. Business confidence also improved, rising to 12. Retail sales were up 1.4% in October. National CoreLogic dwelling prices saw a third consecutive monthly rise in December, ending the month up 1.0%, and closing the year 3.0% higher.

Sector returns were mixed in December. The best performing sectors were information technology (9.5%), materials (8.8%) and consumer staples (2.3%). Sectors that underperformed the broader market included consumer discretionary (1.0%), real estate (-0.2%), financials (-0.5%), communication services (-0.6%), energy (-0.9%), industrials (-2.7%) and healthcare (-4.9%). Utilities (-5.4%) was the worst performing sector.

Future investment strategy

The ongoing global COVID-19 situation remains fluid with countries such as the US and UK experiencing record high COVID-19 fatalities, while many European countries are back in lockdown due to second and third waves. Vaccination has begun in a number of countries, but the sheer scale of task at hand means that the pathway back to normality will be long and bumpy.

M&A is likely to be part of the recovery process given the low interest rate environment, and cash position of private equity and corporates. The earnings yield to debt yield gap remains wide and thus corporates can buy earnings growth very cheaply with debt. We expect to be a beneficiary of this cycle as our portfolios hold a number of stocks that are deeply discounted from their intrinsic value.

We continue to take profits in a number of winners and have rotated them into more attractively valued stocks. We have gradually been building our position in the cheap banks given the tail risk around the credit cycle appears to have reduced due to deferred loans in both mortgages and SMEs reducing substantially. The banks appear to be well provisioned and we expect increased profits and dividends going forward over the next few years.

Despite the rotation and sharp rally in value in late 2020, it has still materially underperformed growth over the past 12 months and has a long way to reverse this underperformance. We have seen in the past that value typically outperforms for at least 12 months after a major trough in earnings.

The tough decade for value investors has created attractive investment opportunities that a well-disciplined value investor can harness. Our process is well positioned to take advantage of the opportunity set that requires a long-term investment horizon that looks through the current uncertainty, and a detailed bottom-up focus that identifies attractively priced companies that we believe are positioned to be rewarded in the economic recovery.

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