Fund Summary

OnePath Managed Growth Trust Wholesale

31 December 2020

Fund details

Investment manager	**OnePath Funds Management**
Fund code	MMF0115AU
Asset type	Multi-Asset / Balanced Growth
Region	Australia
Fund size	$25.11 million as at 31 Dec 2020
Commencement date	10 Mar 1998
Distributions	Quarterly

Investment objective

The fund aims to achieve returns (before fees, charges and taxes) that on average exceed inflation by at least 5.0% p.a., over periods of ten years or more.

Investment strategy

The fund invests in a diversified mix of Australian and International assets with a strategic bias towards growth assets. The fund blends active and passive management styles from a selection of leading investment managers.

Minimum time horizon

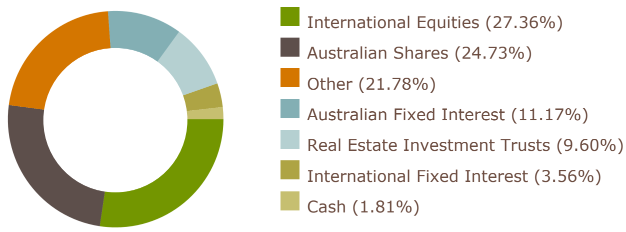
10 years

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



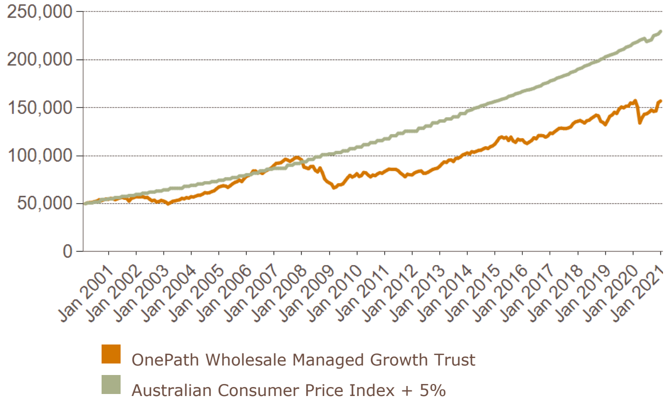
Fund performance

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 †	1.12	7.39	1.72	4.94	6.13	6.22	6.53
Benchmark ‡	1.22	2.03	5.86	6.49	6.57	6.61	6.92
Excess Return	-0.11	5.36	-4.14	-1.56	-0.44	-0.39	-0.39
Distribution	1.13	1.19	8.68	6.94	7.94	8.80	7.24
Growth	-0.01	6.20	-6.96	-2.01	-1.81	-2.58	-0.72
Risk (1 Std Dev)	-	-	15.08	9.74	8.03	7.47	7.02
Tracking Error	-	-	15.67	10.12	8.33	7.78	7.61
Info. Ratio	-	-	-0.3	-0.2	-0.1	-0.1	-0.1

Calendar year returns	2020	2019	2018	2017	2016
Total Return †	1.72	16.64	-2.61	10.01	5.95
Benchmark ‡	5.86	6.84	6.78	6.91	6.48
Excess Return	-4.14	9.80	-9.39	3.10	-0.53

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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Market and portfolio review

Confidence around vaccine approval and stimulus hopes after the Biden US election victory outweighed fears over Covid second waves and led to broad market gains across the globe over the December quarter. Australian stocks finished 2020 with a 13.3% gain in the fourth quarter which was in line with global developed markets, and outperformed the US (+11.7%) and Europe (+10.5%). The strength in the Australian dollar, fuelled by rising commodity prices and weakness in the USD, was also a feature over the quarter. In USD terms the S&P/ASX 300 index was up 21.5%. Global bond yields continued on their upward trend, with US 10 year bond yields moving sharply higher from 67bps to close out the year at 91bps. Their yield continued to move higher and rose above 1% in early January. Australian bond yields rose 23 bps from 78bps to 97bps over the quarter. The Australian dollar gained 7.4% against the USD, despite the RBA embarking on a 100bn QE program and cutting the cash rate from 25bps to 10bps. An increase in global commodity prices and a weaker USD outweighed the RBA's efforts to keep a lid on the AUD. The stronger AUD did lead to some selling in Australian companies with USD exposure. Commodities were stronger across the board, with iron ore gaining 27% over the quarter, thanks to continued Chinese demand for steel and supply disruptions helping the spot price. Oil prices also enjoyed a rebound with Brent +19% to USD51.8, and copper continued to surge higher with a 16% gain. Gold was the noticeable laggard, with gold spot price moving up 0.7% to USD1,898.

Future investment strategy

The earnings outcome in 2020 turned out to be better than we initially feared but the strong market rebound that has taken place since March has so far primarily been driven by a rerating of the market in anticipation of an earnings recovery in 2021 and beyond. Of course, ultra-low interest rates also supported higher equity valuations but even so, further upward re-rating looks unlikely so it will likely be the pace of earnings growth that determines market returns in the year ahead. Fortunately, economic indicators have remained positive despite the resurgence in Covid cases globally, especially in the US and Europe, as well as the setbacks in Australia, which of course have been on a very different scale. The vaccine rollout and diminishing fear of the unknown should mean that the current economic recovery has a good chance of staying more or less on track, supporting further market gains. A stronger Australian dollar is also looking like a headwind although, just as with the risk from interest rates, our currency is only likely to continue to be in favour if the Australian economy, especially commodity prices, remains strong. This should also be supportive for overall earnings growth. In summary, we expect earnings growth to more than compensate for any potential interest and currency headwinds. Of course, these macro factors will have larger impacts on some sectors than others. To us, the Technology sector continues to look the most vulnerable to higher interest rates due to its large valuation premium. At the same time, the already substantial recovery in many cyclical sectors would suggest investors will have limited patience with any companies that fail to deliver on the well-anticipated earnings recovery, meaning that stock selection will remain important in 2021.

OnePath