Fund Summary

OnePath Tax Effective Income Trust Wholesale

30 November 2021

Fund details

Investment manager	**OnePath Funds Management**
Fund code	MMF0700AU
Asset type	Multi-Asset / Balanced Growth
Region	Australia
Fund size	$7.43 million as at 30 Nov 2021
Commencement date	27 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 (36.19%)
- Real Estate Investment Trusts (32.55%)
- Australian Fixed Interest (21.16%)
- Cash (10.09%)

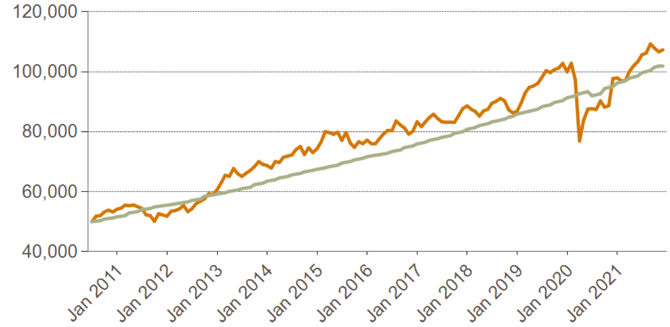
Fund performance

As at 30 Nov 2021

	1 mth %	3 mth %	1 yr %	3 yr % pa	5 yr % pa	7 yr % pa	10 yr % pa
Total Return †	0.65	-1.80	9.80	7.53	6.00	5.65	7.46
Benchmark ‡	0.00	1.45	7.14	6.16	6.24	6.14	6.30
Excess Return	0.65	-3.26	2.66	1.37	-0.24	-0.50	1.17
Distribution	0.00	0.93	3.94	3.87	3.67	3.48	3.67
Growth	0.65	-2.74	5.86	3.66	2.34	2.17	3.80
Risk (1 Std Dev)	-	-	5.32	16.16	13.08	11.83	10.68
Tracking Error	-	-	5.38	16.50	13.33	12.09	10.92
Info. Ratio	-	-	0.5	0.1	0.0	0.0	0.1

Calendar year returns	YTD	2020	2019	2018	2017
Total Return †	9.57	-2.02	15.15	-2.06	6.38
Benchmark ‡	5.88	5.36	6.34	6.28	6.41
Excess Return	3.69	-7.38	8.81	-8.34	-0.03

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
BHP GROUP	8.31%
AUSTRALIA & NEW ZEALAND BANKIN	7.71%
WESTPAC BANKING CORP	6.54%
NATIONAL AUSTRALIA BANK	6.34%
TELSTRA CORP	6.19%
COLES GROUP	3.34%
WOODSIDE PETROLEUM	3.00%
DOWNER GROUP	2.93%
SUNCORP GROUP	2.78%
LEND LEASE GROUP	2.56%
Total Top 10	**49.69%**

* 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 -0.5% during the month. Australian equities outperformed global markets in November, as the emergence of the Omicron variant led to investor concerns regarding economic growth and falls in global equity markets. In the major developed markets, the US S&P 500 was down 0.7%, the UK's FTSE 100 was down 2.2%, Japan's Nikkei 225 was down 3.7% and the DJ Euro Stoxx 50 was down 4.3% (in local currency terms).

Local sector returns were mixed in November. The best performing sectors were materials (6.3%), communication services (5.2%) and real estate (4.5%). Consumer staples (4.4%), utilities (3.9%), health care (1.4%) and industrials (0.9%) also outperformed the broader index. Consumer discretionary (-1.2%), information technology (-2.9%) and financials (-6.9%) all underperformed the broader index, while energy (-8.3%) was the worst performing sector.

Monetary policy settings shifted in November, as the Reserve Bank of Australia (RBA) indicated it would maintain the cash rate at 0.10% but confirmed that the 3-year yield target had been discontinued. The RBA also reaffirmed its government bond purchase program, intending to purchase AUD 4 billion a week until at least mid-February 2022.

Domestic economic data releases in November were mixed. Employment fell by 46,300 positions in October, which was below market expectations. The unemployment rate jumped to 5.2%. The NAB Survey of Business Conditions rose 6 points, to 11 in October, while business confidence rose further to 21 (from a downwardly revised 10 in September) as the path out of lockdown became clearer and vaccination rates continued to improve. Retail sales rose 1.3% in September. National CoreLogic dwelling prices saw another consecutive monthly rise in November, ending the month up 1.3%, however there is a notable trend of milder price growth.

Future investment strategy

The Australian economic outlook is a function of how quickly the various states open up internally followed by the opening up of state borders. Both Victoria and NSW have provided roadmaps out of the lockdown and remain committed to living with COVID going forward and keeping borders open, despite the curveball of Omicron. Meanwhile the laggard states continue to move the goalposts for their path to opening up. However, given pent up demand, government support and the increased savings rate – the economic recovery is likely to be quick. The opening of the international borders in November (albeit only to a limited group of travellers) is also a positive that will allow international students and workers into the country given many industries appear to be short on labour.

Despite the rotation and sharp rally in value that emerged in late 2020, it has still materially underperformed growth over the last few years. Value typically outperforms for an extended period after a major trough in earnings. We see little reason for this outcome not to be repeated and given the long underperformance and still large value dispersion, to be an extended recovery. The expectation going forward is more nuanced, with earnings growth in under-priced value stocks and a PE de-rating of expensive stocks expected to drive the alpha in the next phase of the value rotation.

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.

OnePath