

# Fund Summary

## OnePath Tax Effective Income Trust Wholesale

28 February 2022

### Fund details

Investment manager	OnePath Funds Management
Fund code	MMF0700AU
Asset type	Multi-Asset / Balanced Growth
Region	Australia
Fund size	\$6.85 million as at 28 Feb 2022
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:



### Asset allocation



Australian Shares (37.43%)
Real Estate Investment Trusts (30.95%)
Australian Fixed Interest (20.88%)
Cash (10.74%)

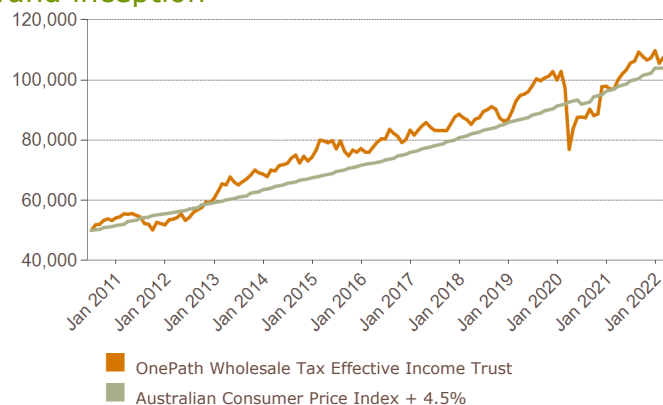
### Fund performance

As at 28 Feb 2022

	1 mth %	3 mth %	1 yr %	3 yr % pa	5 yr % pa	7 yr % pa	10 yr % pa
Total Return †	1.74	0.05	10.69	4.92	5.22	4.29	7.17
Benchmark ‡	0.00	1.64	7.19	6.30	6.32	6.25	6.39
Excess Return	1.74	-1.59	3.50	-1.38	-1.09	-1.96	0.78
Distribution	0.00	0.15	2.72	3.65	3.57	3.36	3.52
Growth	1.74	-0.10	7.98	1.27	1.65	0.93	3.65
Risk (1 Std Dev)	-	-	7.10	16.24	13.10	11.83	10.75
Tracking Error	-	-	6.69	16.50	13.33	12.05	10.97
Info. Ratio	-	-	0.5	-0.1	-0.1	-0.2	0.1

Calendar year returns	YTD	2021	2020	2019	2018
Total Return †	-2.15	12.04	-2.02	15.15	-2.06
Benchmark ‡	0.00	8.00	5.36	6.34	6.28
Excess Return	-2.15	4.04	-7.38	8.81	-8.34

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



### Top 10 holdings

Security	% of fund
BHP GROUP	8.04%
AUSTRALIA & NEW ZEALAND BANKIN	7.69%
WESTPAC BANKING CORP	6.50%
NATIONAL AUSTRALIA BANK	6.33%
TELSTRA CORP	5.98%
WOODSIDE PETROLEUM	3.52%
COLES GROUP	3.01%
SUNCORP GROUP	2.85%
DOWNER GROUP	2.80%
AURIZON HOLDINGS	2.48%
<b>Total Top 10</b>	<b>49.21%</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.

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### Market and portfolio review

The S&P/ASX 200 Accumulation Index returned -6.4% during the month. Australian equities underperformed in January as global equity markets faced a correction. In the major developed markets, Japan's Nikkei 225 was down 6.2%, the US S&P 500 was down 5.3% and the DJ Euro Stoxx 50 was down 2.8% (in local currency terms). The UK's FTSE 100 bucked the trend to be up 1.1%.

Monetary policy settings remained unchanged during the month as the Reserve Bank of Australia (RBA) does not meet in January. Domestic economic data releases in January were mixed. The Q4 inflation rate was up 1.3%, while the annual rate rose to 3.5% due to rising fuel prices, supply chain issues, material shortages and increased demand. Employment rose by 64,800 positions in December, which was above market expectations. The unemployment rate fell to 4.2%, the lowest reading since August 2008, after COVID-19 lockdowns were lifted. The NAB Survey of Business Conditions fell 3 points, to 8 in December, while business confidence sank to -12 (from 12 in November) as Omicron and the "shadow lockdown" hit businesses hard. Retail sales rose 7.3% in November.

Sector returns were mostly negative in January. The best performing, and only sectors to post positive returns and outperform the broader index were energy (7.9%), utilities (2.6%) and materials (0.8%). Financials (-6.5%), industrials (-7.6%), communication services (-8.0%), consumer discretionary (-8.7%), real estate (-9.5%), consumer staples (-9.6%) and health care (-12.1%) all underperformed the broader index, while information technology (-18.4%) was the worst performing sector.

The Fund significantly outperformed the benchmark during January (net). Key contributors to performance included holdings in BHP, Santos and Iluka Resources. Key detractors from performance included the underweight in Rio Tinto, nil holding in Fortescue Metals and overweight in Ramsay Healthcare.

### Future investment strategy

The ongoing global COVID-19 situation remains in a state of flux, as the emergence of the new Omicron variant has quickly spread across the globe. The Australian economic outlook remains a function of how well the states deal with the impact of the Omicron wave and the subsequent policies. Given pent up demand, government support and the increased savings rate – the economic recovery is likely to be quick.

The RBA's discontinuation of its bond purchase program reflects the improvement in the economy and the earlier-than-expected progress towards the inflation target. Inflation is expected to increase in coming quarters to reach 3.25% in 2022, but then ease next year. The RBA maintains it "will not increase the cash rate until actual inflation is sustainably within the 2 to 3 per cent target range".

Despite the rotation and sharp rally in value that emerged in late 2020, it has still materially underperformed growth over the last few years and 2021 was another year where growth outperformed. Locally, value substantially underperformed US value during 2021, as Australia has seen an uneven economic recovery with lower inflation and slower interest rate normalisation. Alpha going forward will likely be driven by earnings growth in under-priced value stocks that are leveraged to inflation and inflationary expectations and a PE de-rating of expensive long duration growth stocks, both typical during the next phase of a 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.

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