

Fund Summary

OnePath Managed Growth Trust

Wholesale

28 February 2022

Fund details

Investment manager	OnePath Funds Management
Fund code	MMF0115AU
Asset type	Multi-Asset / Balanced Growth
Region	Australia
Fund size	\$22.31 million as at 28 Feb 2022
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:



Asset allocation



- International Equities (28.10%)
- Australian Shares (22.35%)
- Other (19.19%)
- Real Estate Investment Trusts (12.23%)
- Australian Fixed Interest (9.81%)
- International Fixed Interest (6.46%)
- Cash (1.86%)

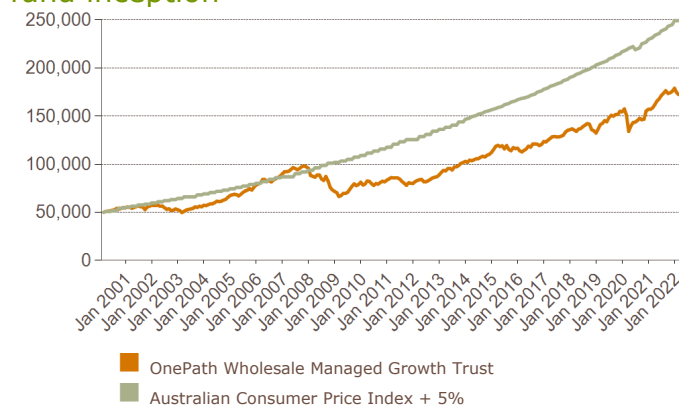
Fund performance

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 †	-1.17	-1.97	8.70	6.88	6.63	5.48	7.56
Benchmark ‡	0.00	1.67	7.60	6.77	6.80	6.74	7.09
Excess Return	-1.17	-3.64	1.10	0.12	-0.17	-1.25	0.47
Distribution	0.00	0.31	12.80	9.27	9.57	9.18	8.07
Growth	-1.16	-2.28	-4.10	-2.39	-2.94	-3.70	-0.51
Risk (1 Std Dev)	-	-	5.66	9.37	8.00	7.53	6.85
Tracking Error	-	-	5.23	9.57	8.23	7.75	7.25
Info. Ratio	-	-	0.2	0.0	0.0	-0.2	0.1

Calendar year returns	YTD	2021	2020	2019	2018
Total Return †	-3.70	13.90	1.72	16.64	-2.61
Benchmark ‡	0.00	8.50	5.86	6.84	6.78
Excess Return	-3.70	5.41	-4.14	9.80	-9.39

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

Global equity markets finally capitulated in January, as concern interest rates will need to rise at a faster pace drove the worst sell-off in shares since the beginning of the pandemic nearly two years ago. Then hangover effects of Omicron, now manifesting in staff and labour shortages, provided a further headwind, as did tensions on the Russian/Ukraine border which sent energy prices soaring. Australian shares fell 6.5%, underperforming other developed markets when comparing returns in Australian dollars. A fall of 2.7% in the Aussie dollar enhanced offshore returns, with the US and European stocks falling 2.4%, although rising commodity prices helped some emerging markets to outperform.

It was a month of huge divergence between value (cheap) and growth (expensive), with global value stocks up 1.6% and global growth stocks falling 3.4% in AUD terms. Generally, most parts of the market that ran hard in 2021 were sharply unwound in January, especially in Tech and Healthcare where some companies struggled to justify their valuations ahead of the upcoming rate cycle.

On a sector level in Australia, Energy was the clear outperformer (+7.5%) as oil and gas prices reacted to the Russian conflict, while Utilities and Materials also posted modest gains. Tech (-17%), Healthcare (-12%) and Consumer Staples (-9.6%) were the weakest performers.

Bond yields continued to rise, with Australian 10 year yields rising 23 basis points to 1.90% and US 10 year yields rising 27 basis points to 1.78%.

Commodity prices ran hard, with iron ore gaining 24% to \$US144/tonne, on re-stocking support ahead of Chinese New Year. Oil prices lifted 17% to \$US91/barrel, while gold weakened, with the precious metal unable to outperform in both inflationary and non-inflationary environments.

Future investment strategy

The inevitability of less-easy monetary conditions and higher interest rates hit home more fully amongst equity investors in January. Although most central bankers around the world have yet to act and actually raise rates, the majority have now shifted to a tightening bias. While the debate is now more firmly about when and how much, the key issue for overall equity market returns remains how much higher interest rates will impact economic growth. With monetary authorities having left it unusually late in the cycle before taking action, risks have clearly risen around more aggressive measures than those currently expected.

At this point however, most growth indicators remain solid. This should not come as a surprise as monetary policy, even in today's fast-paced world, works with a lagged effect. As long as economic growth, and as an extension corporate profit growth, remains solid, the main consequence of higher interest rates is likely to be on longer duration high-multiple stocks such as Information Technology and the more traditional bond proxies such as property companies. Despite the significant rotation by investors out of these sectors, into cheaper and primarily cyclical stocks so far in the new year, we would expect that this relative performance trend can continue for the next few months before broader economic growth concerns take centre stage.

Assessing at which point we currently stand in the economic cycle remains complicated both by Covid and the ongoing global supply chain issues. The upcoming February reporting season is also likely to be impacted by these factors and consensus earnings expectations appear somewhat at risk from elevated costs and some subdued trading conditions over the Christmas and New Year holiday periods. Admittedly, after the market pull-back in January, valuations are lower now than they were at the start of the year, but they remain elevated relative to long term metrics.

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