Fund Summary

OnePath Tax Effective Income Trust Wholesale

31 August 2022

Fund details

Investment manager	**OnePath Funds Management**
Fund code	MMF0700AU
Asset type	Multi-Asset / Balanced Growth
Region	Australia
Fund size	$6.32 million as at 31 Aug 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:

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

Asset allocation

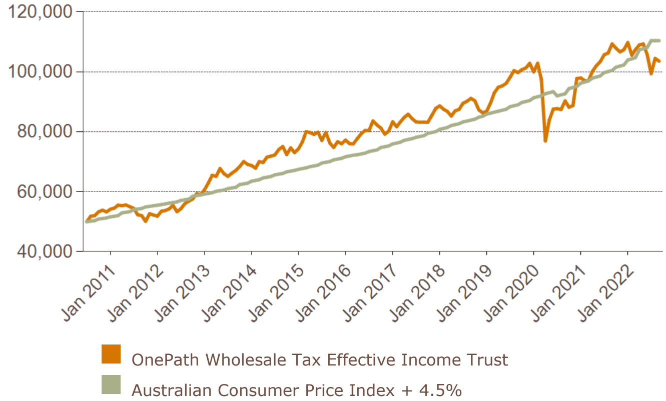
Fund performance

As at 31 Aug 2022

	1 mth %	3 mth %	1 yr %	3 yr % pa	5 yr % pa	7 yr % pa	10 yr % pa
Total Return †	-0.86	-1.99	-5.26	1.26	4.47	4.47	6.17
Benchmark ‡	0.00	2.10	9.90	7.44	7.00	6.71	6.73
Excess Return	-0.86	-4.09	-15.17	-6.18	-2.53	-2.24	-0.56
Distribution	0.00	0.58	1.98	3.09	3.35	3.31	3.35
Growth	-0.86	-2.57	-7.24	-1.83	1.12	1.16	2.82
Risk (1 Std Dev)	-	-	10.43	16.94	13.63	12.01	10.99
Tracking Error	-	-	11.30	17.45	14.06	12.36	11.32
Info. Ratio	-	-	-1.3	-0.4	-0.2	-0.2	0.0

Calendar year returns	YTD	2021	2020	2019	2018
Total Return †	-5.65	12.04	-2.02	15.15	-2.06
Benchmark ‡	6.21	8.00	5.36	6.34	6.28
Excess Return	-11.85	4.04	-7.38	8.81	-8.34

Growth of $50,000 invested since fund inception



Top 10 holdings

Security	% of fund
BHP GROUP LTD - ORD NPV	7.20%
ANZ BANK NEW ZEALAND LIMITED -	6.95%
WESTPAC BANKING - ORD NPV	6.48%
TELSTRA CORP LTD - ORD NPV	5.91%
WOODSIDE ENERGY GROUP LTD - OR	5.42%
COMMONWEALTH BANK AUSTRALIA -	4.11%
RIO TINTO GROUP - ORD NPV (AUS	3.94%
WOOLWORTHS GROUP LTD - ORD NPV	3.08%
COLES GROUP LTD - ORD NPV	3.03%
INSURANCE AUSTRALIA GROUP - OR	2.91%
Total Top 10	**49.03%**

* 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 outperformed global equities in August on the back of a resilient local reporting season. Global developed markets struggled in August as the rate tightening resolve from the US Federal Reserve dampened investor sentiment. In the major developed markets (in local currency terms), the DJ Euro Stoxx 50 returned -5.1%, the US S&P 500 returned -4.1% and the UK's FTSE 100 returned -1.1%. In contrast, Japan's Nikkei 225 returned 1.1%.

Monetary policy settings continued to tighten as the Reserve Bank of Australia (RBA) raised the cash rate target by another 50 bps, to 1.85% in August. The RBA expects further tightening in the process of normalising monetary conditions as they are committed to ensuring that inflation returns to the target range of 2-3%.

Domestic economic data releases in August were mixed. Employment unexpectedly fell by 40,900 positions in July, the first fall in nine months. The unemployment rate fell to a new record low of 3.4%, which was also below market expectations. The NAB Survey of Business Conditions strengthened by 6 points to 20 index points in July. Business confidence rebounded 5 points in July, to 7 index points. Retail sales were up 0.2% in June. CoreLogic's National Home Value Index recorded a fourth consecutive month of value declines, down 1.6% in August.

Sector returns were mixed in August. The best performing sectors were energy (7.8%), materials (4.4%) and communication services (2.5%). Industrials (1.2%) also outperformed the broader index. Consumer discretionary (0.9%), health care (0.4%), information technology (-0.1%), financials (-0.6%), utilities (-1.6%) and consumer staples (-1.8%) all underperformed the broader index. Real estate (-3.5%) was the worst performing sector.

Key contributors to performance included overweight positions in Santos, 29Metals and IGO Limited. Key detractors from performance included the overweight positions in Coles, Downer EDI and Orica.

Future investment strategy

Global markets appear to be in a state of cognitive dissonance as they try to price in high inflation and a rising rate environment while coincidently pricing in a falling interest rate environment and a recession. This has resulted in global markets remaining volatile. Numerous challenges remain, with the ongoing shockwaves from the Russian-Ukraine war, COVID-19 related disruptions in China and the emerging Taiwan uncertainty. Europe is also about to enter winter with the gas pipes turned off by Russia which could result in dire economic circumstances.

Despite the prospect of further rising interest rate rises and the myriad of global challenges being faced, the Australian economic outlook remains reasonably resilient at present given a record terms of trade and unemployment at 50 year lows. Ongoing energy and power disruption is causing substantially higher power prices that are likely to remain for the next few years, helping the RBA in reducing demand and thus inflation. The RBA has continued its tightening regime as it raised rates by 50 basis points in June, July, August and now September. The RBA acknowledges that global factors account for most of the inflation, but a tight local labour market and strong demand are also having an impact. The RBA still expects household consumption growth to be strong this year given the high savings rate and given house prices are well above pre-pandemic levels despite recent declines. The RBA expects to raise rates further, however, the timing and size of the increases will be data dependent based on both the labour market and inflation outlook.

The RBA's central economic forecasts for GDP have been revised. The RBA's central economic forecasts for GDP have fallen, showing expectations for 3.25% GDP growth in 2022 and 1.75% over 2023 and 2024. Expectations around the unemployment rate are that it will fall below the current reading of 3.50% in coming months, but then rise to 4.00% at the end of 2024 as growth slows. Inflation is expected to rise further in coming quarters but then moderate. CPI inflation is now expected to reach 7.75% over 2022, moderating to above 4.00% over 2023 and around 3.00% over 2024.

The August reporting season played out largely as per our expectations, mirroring what was seen in the recent US reporting season. In aggregate the results were reasonably strong with beats outnumbering misses. Increased costs were a notable item, however higher costs are largely being passed on which has allowed margins to hold firm. As anticipated, companies were conservative in their outlook statements given pressures on wages and labour shortages, geopolitical uncertainty and rising interest rates. As a result, cuts to FY23 earnings estimates by the market gathered pace throughout results season, albeit not as dire as perhaps many feared.

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