

Fund Summary

OnePath Tax Effective Income Trust Wholesale

31 October 2022

Fund details

Investment manager	OnePath Funds Management
Fund code	MMF0700AU
Asset type	Multi-Asset / Balanced Growth
Region	Australia
Fund size	\$6.12 million as at 31 Oct 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



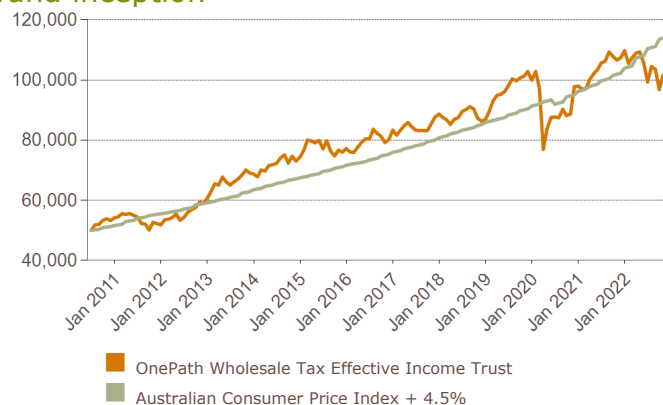
Australian Shares (37.49%)
Real Estate Investment Trusts (31.41%)
Australian Fixed Interest (21.77%)
Cash (9.32%)

Fund performance As at 31 Oct 2022

	1 mth %	3 mth %	1 yr %	3 yr % pa	5 yr % pa	7 yr % pa	10 yr % pa
Total Return †	5.01	-2.65	-4.65	0.14	3.54	4.11	5.53
Benchmark ‡	0.34	2.83	11.79	8.13	7.39	7.01	6.85
Excess Return	4.67	-5.48	-16.44	-8.00	-3.85	-2.90	-1.32
Distribution	0.00	0.74	1.81	2.98	3.29	3.29	3.31
Growth	5.01	-3.39	-6.46	-2.85	0.25	0.81	2.21
Risk (1 Std Dev)	-	-	13.40	17.61	14.09	12.36	11.27
Tracking Error	-	-	14.78	18.30	14.65	12.82	11.70
Info. Ratio	-	-	-1.1	-0.4	-0.3	-0.2	-0.1

Calendar year returns	YTD	2021	2020	2019	2018
Total Return †	-7.34	12.04	-2.02	15.15	-2.06
Benchmark ‡	9.60	8.00	5.36	6.34	6.28
Excess Return	-16.95	4.04	-7.38	8.81	-8.34

Growth of \$50,000 invested since fund inception



Top 10 holdings

Security	% of fund
WESTPAC BANKING CORP	8.06%
ANZ BANKING GROUP	7.86%
BHP GROUP LTD	6.73%
TELSTRA GROUP	5.93%
WOODSIDE ENERGY GROUP LTD	5.37%
NATIONAL AUSTRALIA BANK LTD	3.70%
RIO TINTO LTD	3.46%
COLES GROUP LTD	2.87%
WOOLWORTHS GROUP LTD	2.87%
QBE INSURANCE GROUP LTD	2.86%
Total Top 10	49.71%

* 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 was down 6.2% during the month. Australian equities outperformed global equities in September, with the size of our Materials sector a differentiating factor. Global developed markets continued to sell off through September as central banks continued to tighten rates. All major markets finished the month down. In local currency terms the DJ Euro Stoxx 50 returned -5.6%, the US S&P 500 returned -9.2%, the UK's FTSE 100 returned -5.2% and Japan's Nikkei 225 returned -6.9%.

Monetary policy settings continued to tighten as the Reserve Bank of Australia (RBA) raised the cash rate target by another 50 bps, to 2.35% in September. The RBA also flagged further increases in the months ahead, as part of the process of normalising monetary conditions, albeit subject to future economic data. The board remains committed to ensuring inflation returns to the target range of 2-3%.

Domestic economic data releases were mostly positive through September. August employment remained robust, with total employment increasing by 33,500 positions, reversing the unexpected decline seen in July. While the unemployment rate ticked up 0.1ppts to 3.5%, this was a function of an increase in the participation rate. Job vacancies remain extraordinarily elevated with 474k unfilled roles. Retail sales remained resilient, increasing by 0.6% in August. This is the eighth month of consecutive increases. Within the subcategories, household goods returned to growth while clothing, footwear & personal accessories and other retailing both reported declines. The NAB Survey of Business Conditions increased further. Notably the survey suggested some slowing of growth in input costs. Capacity utilisation remains high across all sectors, supporting continued strength in employment.

Negative data included the Q2 headline CPI, which increased by 1.8%. The year-on-year rate was 6.1%, the equal highest annual rate since 1990. Importantly, the feared wage-price spiral is nowhere to be seen, with growth in wage rates lagging inflation quite materially. The ABS Wage Price Index reported growth of only 2.6% over the year to June.

Key contributors to performance were nil holdings in Macquarie Group and Godman Group and an overweight position in 29Metals, while overweight holdings in Ramsay Health Care, Iluka Resources and Orica detracted from performance.

Future investment strategy

We expect global markets to remain volatile in the immediate future, as a function of geopolitical issues and uncertainty over the direction and impact of central bank policies.

Geopolitical tensions will remain elevated for the foreseeable future, as President Putin continues to push the envelope in Ukraine and test the resolve of Western leaders. This resolve will be most severely tested as Europe enters winter with likely energy shortages. As well as dire economic consequences, the social toll may well be immense. This has the potential to result in decisions by politicians to put their own citizens ahead of broader European concerns. The backlash against Germany choosing to use its balance sheet to support households deal with elevated energy costs was telling. Other European nations don't have the fiscal firepower to do the same and immediately partisan politics went into overdrive. Of more concern perhaps are a number of recent election outcomes in favour of right wing candidates. As always, economic pressures are fuelling self-interest over a longer term greater good.

Recent instability in financial markets has triggered a reaction, with fixed income markets reversing course in recent days on the assumption that disorderly markets will mean a pause in rate hikes or potentially a reversal. How this unfolds is uncertain, as inflationary pressures are likely to intensify in the near term as China re-opens from COVID-19 shutdowns, resulting in additional demand for commodities at the same time as OPEC+ is talking of production curbs.

The RBA's decision to increase rates only 25 basis points in October has been hailed globally as a sensible step. The RBA has consistently expressed that its actions will be guided by the data and this smaller rate hike likely recognises the significant lags in the transmission of monetary policy. While survey data does suggest that inflationary pressure accelerated across the economy in the last quarter, the 250 basis points of tightening in the last six months is likely to have a significant effect in the quarters ahead. Early signs of slowing can be seen in the housing market, with borrowing commitments and house prices dropping. Further, elevated savings rates, which have supported continued strength in activity, are rapidly unwinding. The argument for ongoing increases comes from the strength in the labour market, with continued job growth over the last quarter and an extraordinarily high number of unfilled roles. Developments here are likely to be a key focus for the RBA. The RBA's central economic forecasts for GDP were last revised in August. The central economic forecasts for GDP growth are 3.25% 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.

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This information is current as at 31 Oct 2022 with the commentary current for the most recent quarter end (eg. March, June, Sept or Dec) however in some cases may be applicable for the preceding month or quarter end. Updated information will be available free of charge by contact Client Services on 133 665. The information is of a general nature and does not take into account your personal needs, financial circumstances or objectives. Before acting on this information, you should consider the appropriateness of the information, having regard to your needs, financial circumstances and objectives. Past performance is not indicative of future performance. The future value of investments may rise and fall with changes in the market. You should read the relevant PDS available at onepath.com.au and consider whether that particular product is right for you before making a decision to acquire or continue to hold the product.