

# Fund Summary

## OnePath Tax Effective Income Trust Wholesale

31 December 2022

### Fund details

Investment manager	OnePath Funds Management
Fund code	MMF0700AU
Asset type	Multi-Asset / Balanced Growth
Region	Australia
Fund size	\$5.96 million as at 30 Dec 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 (36.75%)
Real Estate Investment Trusts (31.57%)
Australian Fixed Interest (21.39%)
Cash (10.29%)

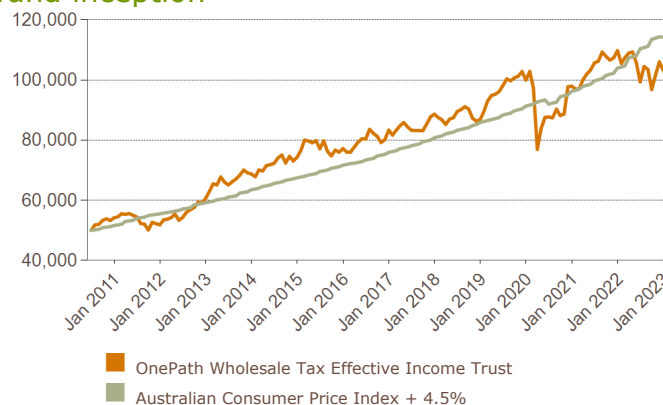
### Fund performance

As at 31 Dec 2022

	1 mth %	3 mth %	1 yr %	3 yr % pa	5 yr % pa	7 yr % pa	10 yr % pa
Total Return †	-2.68	6.57	-5.97	1.06	3.09	4.23	5.46
Benchmark ‡	0.00	0.69	9.98	7.76	7.18	6.90	6.79
Excess Return	-2.68	5.88	-15.95	-6.70	-4.09	-2.67	-1.34
Distribution	0.37	0.40	2.00	2.96	3.35	3.27	3.28
Growth	-3.05	6.16	-7.97	-1.90	-0.26	0.96	2.17
Risk (1 Std Dev)	-	-	14.16	17.75	14.23	12.48	11.35
Tracking Error	-	-	15.61	18.40	14.77	12.94	11.77
Info. Ratio	-	-	-1.0	-0.4	-0.3	-0.2	-0.1

Calendar year returns	2022	2021	2020	2019	2018
Total Return †	-5.97	12.04	-2.02	15.15	-2.06
Benchmark ‡	9.98	8.00	5.36	6.34	6.28
Excess Return	-15.95	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	8.06%
NATIONAL AUSTRALIA BANK LTD	7.88%
TELSTRA GROUP LTD	5.57%
RIO TINTO LTD	5.19%
ANZ GROUP HOLDINGS	4.97%
WESTPAC BANKING CORP	4.92%
COMMONWEALTH BANK AUSTRALIA	4.51%
WOODSIDE ENERGY GROU	4.21%
QBE INSURANCE GROUP LTD	3.25%
COLES GROUP LTD	2.96%
<b>Total Top 10</b>	<b>51.52%</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.

# Fund Summary

## OnePath Tax Effective Income Trust Wholesale

31 December 2022

### Market and portfolio review

The S&P/ASX 200 Accumulation Index was down 3.2% during the month. Australian equities were amongst the better performers in the month. All major developed markets declined as realisation that the Fed remains on a tightening path saw prior months gains unwind. In local currency terms the DJ Euro Stoxx 50 returned -4.3%, the US S&P 500 returned -5.6%, the UK's FTSE 100 returned -1.5% and Japan's Nikkei 225 returned -6.6%.

Monetary policy settings continued to tighten as the Reserve Bank of Australia (RBA) maintained the pace of increases in line with the prior two months, raising the cash rate target by another 25 bps, to 3.10% in December, matching market forecasts and taking borrowing costs to a level not seen since November 2012. The RBA expects that interest rates will need to increase further in the months ahead to return inflation to within the target range of 2-3%. Future increases, however, do remain subject to the RBA's assessment of the outlook for inflation and the labour market.

Domestic data releases through December continue to point to robust activity levels, albeit with softening in some sectors. The ABS Business Turnover Data indicated 4 of 13 sectors saw a decline in turnover in October, including retail trade which saw its first drop in nine months, as cost pressures and rising interest rates started to weigh in on consumer spending. The unemployment rate in Australia stood at 3.4% in November 2022, unchanged from October's 3-month low, and matching market estimates. CoreLogic's National Home Value Index was down 1.1% in December, taking values -5.3% lower over 2022, the largest calendar year decline since 2008, where values were down 6.4% amid the Global Financial Crisis.

The NAB Monthly Business Survey results for November saw business conditions remain strong, while business confidence has turned negative reflecting a more uncertain outlook. The report also highlighted that inflationary pressures remain, with labour costs rising at a quarterly rate of 3.0% and purchases costs up 3.9%. By comparison, final product prices increased by 2.0%, suggesting margin pressure for business.

All sectors of the market finished down over the month. The best performing sectors were materials (-0.9%), utilities (-1.2%) and consumer staples (-1.8%). The worst performing sectors were consumer discretionary (-7.0%), information technology (-5.4%) and industrials (-4.9%).

Key contributors to performance were overweight positions in QBE Insurance, Rio Tinto and G8 Education, while overweight positions in Downer EDI, 29Metals and SkyCity Entertainment 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 on the global economy.

As well as the elevated geopolitical tensions due to the Russian invasion of Ukraine, the global economic outlook is challenged. The IMF is forecasting that one third of the global economy will be in recession in 2023, including the European Union. Further, the path of recovery for the Chinese economy from its COVID re-opening is highly uncertain.

Over recent months market volatility has been intensified by investors seeking to time a "Fed pivot" in response to slowing economic growth and/or signs of moderating inflationary pressures. While economic data has been broadly resilient there are signs of inflationary pressures easing and labour markets softening, giving investors increased hope that interest rates are nearing a peak. As 2023 progresses, the lagged impact of the aggressive tightening of monetary conditions in 2022 should start to impact economic activity. Given the apparent desire of investors to add equity exposure in anticipation of a Fed pivot, this deteriorating economic backdrop will likely be seen as a positive for equities. Bad news is once again good news.

The RBA's slower pace of interest rate increases in recent months recognises the significant lags in the transmission of monetary policy. 300 basis points of tightening in 2022 is likely to have a material impact on activity in the coming quarters, particular as mortgage refinancing accelerates between April and September. Early signs of slowing can be seen in the housing market, with borrowing commitments, construction approvals and house prices dropping. Business confidence has fallen significantly from an elevated level to now around average and business turnover data showed some weakening of activity. Further, savings rates, which have supported continued strength in activity, have now normalized to pre-Covid levels. The argument for ongoing increases in interest rates comes from the strength in the labour market, the resilience of consumer spending as well as the continued increases in business input costs. Developments here are likely to be a key focus for the RBA.

The RBA continues to expect that economic growth will moderate in the next couple of years. The slow down will be due to the combination of the slowing global economy, a normalization in services demand after the re-opening bounce and low growth in household consumption due to higher interest rates and the wealth effect of falling house prices. The RBA's central forecasts are for growth of 1.5% in 2023 and 2024. This slowing growth is expected to result in an increase in the unemployment rate and allow for a moderation in inflation. Unemployment is forecast to increase to c4.3% by the end of 2024 from the current level of 3.4%. The Bank believes that inflation will have peaked at over 8% in the December quarter of 2022 and thereafter will decline to a little over 3% through 2024.

OnePath Funds Management Limited (ABN 21 003 002 800 AFSL 23 8342) and OnePath Custodians Pty Limited (ABN 12 008 508 496 AFSL 238346 RSE L0000673) are the issuers of this material. Except as described in the relevant Product Disclosure Statement (PDS), the issuers do not stand behind or guarantee the capital or performance of your investment. Your investment is subject to investment risk, including possible repayment delays and loss of income and principal invested.

This information is current as at 31 Dec 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](http://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.