

OnePath Diversified High Yield

Fund overview

OnePath Diversified High Yield invests in Australian and overseas bonds with the potential of achieving higher returns than traditional fixed income investments.

About the manager

PIMCO is one of the largest global investment solutions providers in the world, with more than AU\$1.2 trillion in assets under management and more than 1,800 employees in offices around the world. In Australia, PIMCO manages over AU\$32 billion for a wide range of clients including superannuation funds, insurance companies, corporations, dealer groups and family offices. PIMCO also provide investment solutions and advisory services to financial planners, advisors and private banks where their strategies appear on numerous model portfolios, investment wrap vehicles and approved product lists across Australia.

PIMCO

Investment philosophy and style

PIMCO's fixed income philosophy revolves around the principle of diversification. That is, no single risk should dominate returns. By diversifying strategies, or relying on multiple sources of value, PIMCO seeks to generate a solid track record with a high degree of consistency. PIMCO seeks to add value through the use of "top-down" strategies such as exposure to interest rates, duration, changing volatility, yield curve positioning and sector rotation. PIMCO also employs "bottom-up" strategies involving analysis and selection of specific securities. By combining perspectives from both the portfolio level and the security level, PIMCO have consistently added value over time with acceptable levels of portfolio risk.

Investment objective

The OnePath Diversified High Yield Trust (the fund) aims to provide income and achieve returns (before fees, charges and taxes) that exceed the UBS Australian Bank Bill Index by at least 2.0% p.a., over periods of three years or more.

Why invest in the fund?

Investing in the fund offers:

- access to a portfolio of high quality, high yield bonds, focusing on the upper and middle-credit quality tiers of the high yield markets
- diversification across governments, industries, issuers and regions of the global and domestic bond sectors
- access to potential high total returns supported by solid underlying fundamentals – solid balance sheets, especially for multinational companies, avoiding exposure to more speculative and risky lower-tier high yield bonds
- access to a widely recognised leader in fixed income investment management, with expertise in all areas of the global bond market.

Investor profile

The fund is suited to investors seeking:

- medium term returns through investing in a diversified mix of Australian and international high yield debt assets and fixed interest securities
- higher medium-term returns and are willing to accept the possibility of negative returns.

Investment strategy and process

The fund invests predominantly in a diversified mix of Australian and international high yield debt assets and fixed interest securities. The fund is actively managed using disciplined fixed interest and cash investment processes. In pursuing the fund investment objective, PIMCO applies a wide range of diverse strategies including: Duration, Credit Analysis, Relative Value analysis, Sector Allocation and Rotation and security selection.

The fund takes a conservative approach to high yield investing by concentrating on the upper credit tiers of the high yield market and focusing on income as well as capital management.

Credit analysis is central to high yield bond investing. It focuses on individual characteristics and fundamentals of issuers as well as the downside risk of default. The fund utilises PIMCO's disciplined approach to credit research, accessing the full breadth and depth of PIMCO's in-house global credit team.

PIMCO's investment strategy emphasises active decision making with a long-term focus and seeks to avoid extreme swings in Duration or Maturity with a view to create a steady stream of returns. Two key sources of returns include:

- Sector Allocation and Rotation; and
- 'Bottom up' Credit Analysis of individual bonds and issuers.

Asset allocation

Historically the allocation between various sectors of the bond market has been an important source of return in investment portfolios. PIMCO's sector allocation is driven by its economic overview which is determined by a combination of its long term (secular) outlook and short term (cyclical) outlook. The secular outlook focuses on economic fundamentals such as trends in productivity and interest rates over a 5 year period. The cyclical outlook fine tunes the secular outlook over a 1 year horizon.

At a glance

Fund name	OnePath Diversified High Yield Trust		
Investment manager	PIMCO Australia Pty Ltd		
Investment approach	Total return fixed interest investing.		
Investment style	Top down macro expertise combined with superior bottom up credit research		
Fund benchmark	UBS Australian Bank Bill Index		
Asset allocation	Asset class	Benchmark (%)	Range (%)
	Australian investment grade debt and cash	0	0–100
	International investment grade debt	0	0–80
	Australian high yield debt	60	20–100
	International high yield debt	40	0–80
Risk profile	Conservative		
Suggested minimum timeframe	3 years		

Contact your financial adviser for more information or visit onepath.com.au

The appointment of each new, underlying investment manager becomes effective on or around 1 April 2012. We will conduct a transition of the underlying securities (assets) to each new, underlying investment manager. This transition will be conducted over a period of time such that each new manager's appointment becomes effective around early April 2012. During this transition period an appointed specialist asset transition manager will be responsible for managing the relevant investment funds according to existing fund objectives, risk profiles and current asset allocation ranges.

This information is current at February 2012 but may be subject to change. This information has been produced by OnePath Funds Management Limited (ABN 21 003 002 800, AFSL 238342). An investment is subject to investment risk, including possible repayment delays and loss of income and principal invested. The information is of a general nature and does not take into account an investor's objectives, financial situation or needs. Before acquiring, disposing or deciding whether to continue to hold the product, investors should consider the relevant Product Disclosure Statement and any product updates which are available at onepath.com.au or by calling Customer Services on 133 665.

The fund names stated in this flyer are the names stated in the PDS. The actual fund names registered with the Australian Securities and Investment Commission may differ.