

ONEPATH TAX EFFECTIVE INCOME TRUST: CHANGES TO INVESTMENT OBJECTIVE AND STRATEGIC ASSET ALLOCATION

Continuous Disclosure Notice | September 2017

This Continuous Disclosure Notice provides important information for current investors in the OnePath Tax Effective Income Trust (the Fund) which is offered through OneAnswer Investment Portfolio (including Frontier) and OnePath Wholesale Trusts.

WHAT ARE THE CHANGES?

Below is a summary of the changes which will be made to the Fund on or about 18 September 2017:

- The investment objective of the Fund will be lowered by 0.5% p.a. and the investment horizon over which this investment objective is expected to be achieved will be extended to periods of 10 years or more.
- The strategic asset allocation of the Fund will be adjusted. The allocation to Cash will be increased from zero to 10% and the allocation to Fixed Interest will reduce from 30% to 20%. The benchmark asset allocation for Australian shares and property will remain at 40% and 30% respectively.

These changes are outlined in more detail on page 3 of this Continuous Disclosure Notice.

WHICH FUNDS ARE AFFECTED BY THIS CHANGE?

This change affects the OnePath Tax Effective Income Trust (the Fund) ARSN 089 940 018.

WHY ARE THESE CHANGES BEING MADE?

A review of the Fund's investment objective and strategic asset allocation was undertaken earlier this year and has led to a decision to implement the above changes in September 2017.

We believe the new investment objective will be more reflective of our return expectations for the Fund, based on current and future market conditions for the Fund's underlying assets, particularly fixed interest assets.

Since the Global Financial Crisis, central banks have brought interest rates down globally and kept them low to boost economic growth. However, we expect that current low interest rates will rise to more normal levels over the medium term.

As interest rates return to more normal levels over the medium term, they will put downward pressure on the capital value of fixed interest investments. While income from these investments will continue to be positive, the loss of capital as a result of rising interest rates leads to reduced returns. The investment horizon for the Fund will be extended to 10 years or more because we use 10 year assumptions when we look at future expected asset class returns and when we apply our strategic asset allocation process.

Furthermore, there has also been a general movement in the industry for the investment horizon of investment funds to be stated over a 10 year time period. Finally, we believe the revised strategic asset allocation will better position the Fund in terms of being able to meet its investment objective given expectations of higher interest rates in the future.

WHAT DO THE CHANGES MEAN FOR INVESTORS?

These changes will take place on or around 18 September 2017. Investors are not required to take any action, however investors may wish to speak to their financial adviser to understand what these changes mean for them and what options are available to them if they no longer wish to invest in the Fund.

Investors should note that the new investment objective is what we realistically expect can be achieved over the longer term, but is not a guarantee of performance. In addition, past investment performance is not indicative of future performance.

ANY QUESTIONS?

If you have any questions or require further information, please:

- speak with your financial adviser
- call Customer Services on 133 665, weekdays between 8.30am and 6.30pm (AEST).

Changes in more detail

OnePath Tax Effective Income Trust

Investment objective change

The below table notes the current investment objective and the new investment objective which will be in place from 18 September 2017.

Current	New
The fund aims to provide income and achieve returns (before fees, charges and taxes) that on average exceed inflation by at least 5.0% p.a., over periods of five years or more.	The fund aims to provide income and achieve returns (before fees, charges and taxes) that on average exceed inflation by at least 4.5% p.a., over periods of ten years or more.

Strategic asset allocation

Asset class	Current		New	
	Benchmark (%)	Range (%)	Benchmark (%)	Range (%)
Cash	0	0-25	10	8-12
Australian fixed interest	30	0-40	20	18-22
Total Defensive	30		30	
Property securities	30	20-40	30	28-32
Australian shares	40	30-50	40	38-42
Total Growth	70		70	

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