

Fund Summary

OnePath Balanced Index Trust

OneAnswer Frontier Investment Portfolio

30 June 2024

Fund details

| | |
|---------------------------|---|
| Investment manager | OnePath Funds Management Limited |
| Fund code | MMF1567AU |
| Asset type | Multisector Balanced |
| Region | Global |
| Fund size | \$170.4 million as at 30 Jun 2024 |
| Commencement date | 15 Nov 2010 |
| Distributions | Quarterly |

Investment objective

The fund seeks to track the weighted average return of the various indices of the underlying funds in which the fund invests, in proportion to the strategic asset allocation (SAA) for the fund, before taking into account fees, expenses, and tax.

Investment strategy

The fund holds units in a range of underlying funds and/or direct assets. The portfolio targets a 50% allocation to income asset classes (cash and fixed interest securities) and a 50% allocation to growth asset classes (property securities and shares). Actual allocations are permitted to deviate from the strategic asset allocations provided they remain within the specified ranges.

Minimum time horizon

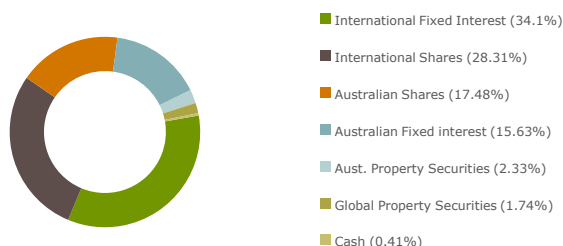
5 years

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



* 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 (Morningstar AUS Balance Tgt Alloc NR AUD) 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 performance

As at 30 Jun 2024

| | 1 mth | 3 mth | 1 yr | 3 yr | 5 yr | 7 yr | 10 yr |
|----------------|-------|-------|-------|-------|-------|-------|-------|
| | % | % | % | % pa | % pa | % pa | % pa |
| Total Return † | 0.98 | -0.34 | 8.93 | 2.08 | 4.08 | 5.09 | 5.56 |
| Benchmark ‡ | 0.99 | -0.33 | 9.16 | 2.50 | 4.35 | 5.51 | 5.84 |
| Excess Return | -0.01 | -0.01 | -0.23 | -0.42 | -0.27 | -0.42 | -0.28 |
| Distribution | 1.97 | 1.94 | 2.80 | 4.34 | 7.27 | 6.35 | 6.85 |
| Growth | -0.99 | -2.28 | 6.13 | -2.26 | -3.19 | -1.26 | -1.29 |

| Calendar year returns | YTD | 2024 | 2023 | 2022 | 2021 |
|-----------------------|-------|-------|--------|-------|------|
| Total Return † | 4.16 | 10.91 | -10.42 | 8.70 | 4.80 |
| Benchmark ‡ | 4.17 | 10.46 | -9.22 | 9.55 | 4.63 |
| Excess Return | -0.01 | 0.45 | -1.20 | -0.85 | 0.17 |

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Market and portfolio review

Australian shares had a relatively lacklustre quarter with the benchmark S&P/ASX 300 index (including dividends) unable to recover from its April fall, closing the June quarter down 1.2%. The key takeaway over the last few months was persistently higher than expected inflation which drove the sharp turnaround in expectations for rate cuts, leaving investors and families facing the possibility of further rate hikes from the RBA, rather than the widely-expected cuts. The inflation outlook was marginally better in the US and in Europe, although election risk dominated many countries including France, the UK and of course the US. While weakness in France led European shares lower (European Stoxx 600 Index -3%), the dominance of mega cap tech stock in the US once again did the heavy lifting for the broader market. The weakness across resources was broad-based, with energy stocks and miners falling. Property trusts fared the worst (-7.2%) with Energy (-6.7%) and Materials (-6%) also underperforming. There was a notable rotation out of resources into financials (+2.6%) while higher electricity prices drove Utilities up 12% to be the best performing sector. With only a modest weight to Technology stocks in Australia, the performance of that sector (+2.4%) wasn't enough to drag the broader market into positive territory last quarter. May inflation data proved a headache for the RBA, with strong annual CPI headline at 4% vs 3.8% expected, and notable for the breadth in the underlying components. The RBA had been expecting a deceleration in Q2 after the surprise in Q1 but May's high number put the possibility of a hike as soon as August on the table. Of course, any moderation in June inflation (reported in July) or weakness in the labour market may give some room for a pause, however in previous labour market releases, the ABS had mentioned there were a lot of people waiting to start jobs. This may also work against any dovish policy response. The stage 3 tax cuts also take effect in July, which will help with cost of living pressures but potentially also further add further to inflationary pressures.

Future investment strategy

Global equity markets continue to appear expensive, with earnings downgrades bottoming out, but not yet showing signs of the positive earnings revisions phase needed to justify the current level. However, slowly reducing inflation around the world provides a potential put option should economies deteriorate. Market persistency, which is the proportion of months the market moves in the same direction as the previous month, has lifted which is encouraging as it indicates improving stability. At home, while the earnings and valuation picture looks similar, stubborn inflation and solid growth in employment makes the situation more tricky for our Reserve Bank to navigate, especially in light of the July tax cuts, and an interest rate lift might now be required in order to apply the brakes on the economy. If this turns out to be the case, consumers could be particularly negatively affected. We have witnessed since April a softening of consumer conditions which, combined with higher wages and rents, will likely put further pressure on the earnings of retailers. Banks' bad debt levels thus far remain benign, allowing the banks to smooth their declining earnings by releasing provisions. A change in economic conditions could however bring an end to this which, given their elevated valuations, is a risk we are cognisant of. The consumer has remained resilient so far thanks to high savings and high employment, but another rate lift could prove to be the tipping point for some cohorts. While negative earnings revisions across the market seem to have stabilised, the only sectors in which we are seeing some upgrades are Energy, Utilities, Banks (although largely through provision releases), and Insurers. We are however on the cusp of reporting the FY24 season so much will likely change in the next month or two. Geopolitics remains a risk to keep monitoring as any further escalation in conflicts would likely result in higher oil prices and higher transportation costs, both of which would add further to inflation. China is showing the early signs of stabilising its problem child, the property market. The Resources sector however is experiencing mixed revisions: gold remains elevated, base metals have corrected and fundamentals appear supportive in the medium term, and lithium keeps disappointing. The energy transition appears to be on pause for now as the studies conducted over the past few years have come back with challenging economics which will require government subsidies and/or customers willing to pay even higher costs. Given all the elections around the world, more certainty is required before these are progressed.

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This information is current as at 30 Jun 2024 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.