

Fund Summary

OnePath Growth Index Trust

OneAnswer Frontier Investment Portfolio

31 December 2024

Fund details

Investment manager	OnePath Funds Management Limited
Fund code	MMF1569AU
Asset type	Multisector Growth
Region	Global
Fund size	\$68.18 million as at 31 Dec 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 asset classes 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 to achieve the mix of assets. The portfolio targets a 30% allocation to income asset classes (cash and fixed interest securities) and a 70% allocation to growth asset classes (property securities and shares).

Minimum time horizon

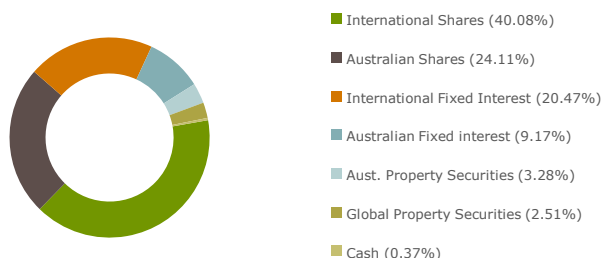
7 years

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 Growth 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 31 Dec 2024

	1 mth	3 mth	1 yr	3 yr	5 yr	7 yr	10 yr
	%	%	%	% pa	% pa	% pa	% pa
Total Return †	-0.56	2.75	14.03	5.18	6.73	7.14	7.26
Benchmark ‡	-0.98	1.53	12.80	5.06	6.73	7.30	7.49
Excess Return	0.42	1.22	1.23	0.12	0.00	-0.16	-0.23
Distribution	0.32	0.33	4.98	7.16	8.92	7.74	8.38
Growth	-0.88	2.42	9.05	-1.98	-2.19	-0.60	-1.12

Calendar year

returns	YTD	2024	2023	2022	2021
Total Return †	-	14.03	13.33	-9.97	13.54
Benchmark ‡	12.80	12.76	5.06	4.24	6.73
Excess Return	-	1.27	8.27	-14.21	6.81

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Market and portfolio review

A soft December dragged equity markets into negative territory for the final quarter of 2024, with Australia's S&P/ASX 300 index (including dividends) falling 0.8%. Over the year, the index gained 11.4% which was a little better than the 9% per annum it has averaged since 2010. The fourth quarter performance was largely driven by a strong November on the US election outcome, followed by a reversal in December as bond yields rose and commodities fell, while financials - a sector underpinning most of the market strength throughout the year - also closed the month lower. The large divergence in fortunes between the dominant Banks and weaker Resources sectors was a theme throughout 2024. The ASX300 Banks index gained 31% while the ASX 300 Resources index fell by 19%, a 50% performance differential. This negatively impacted many value-style investors who were naturally underweight Banks, which have looked expensive for some time, while holding onto the apparently cheap mining companies. Commodities were generally weaker across the board, and that trend continued in the December quarter. The price of Oil rose a little in \$US - a lot in \$A - while the \$US price of copper fell by 11% over the quarter; flat in \$A. The prices of steel and its key inputs, Iron Ore and Coking Coal, were also very weak as lack of domestic demand in China and the increasing risk of punitive US tariffs weighed heavily. Gold didn't move much over the quarter in \$US terms but was a lot higher when expressed in \$A. While the Federal Reserve Bank cut US interest rates by 100bps last year, there was no reprieve for Australian households. The Reserve Bank kept rates at 4.35% all year, although commentary late in the year suggesting that inflation was moving towards target gave hope that a February rate cut might come through. New Zealand was one of the first developed markets to fall into recession, its economy shrinking 1.5% over the past year. The weakness in New Zealand was flagged with a number of Australian listed consumer companies calling out the region as a particular area of weakness. Australia's economy grew by just 0.8% (annualised) in the third quarter, safe from recession but well below the longer term average.

Future investment strategy

We should probably expect more subdued returns and higher volatility in 2025 than we experienced in 2024, given current valuations and the clouded macro outlook with economic indicators that can rapidly shift for better or worse. What is clear is that we are starting the year off a high bar, with the market having already rallied hard on expectations of multiple interest rate cuts as inflation declined, a better economic outcome than feared and expectations of pro-business and pro-growth policies under a Trump sweep. This euphoria, mainly anchored around the US, spread to our market, propelling the ASX300 to an elevated PE - around 19x - which, in order to be justified, either requires underlying earnings to catch up or for conditions to improve to the extent that future earnings growth looks better than it currently does. While expected earnings growth of only 1 or 2% for the whole market appears conservative and quite achievable, it is from a base that was continuously revised downwards throughout 2024 as macro uncertainties, higher interest rates and cost of living pressures impacted on companies' prospects. While the level of hope is high, divergent macro scenario outcomes still abound. In the US, will Trump's "Make America Great Again" program, which likely includes tax cuts, increased fiscal spending, lower administrative burden and the acceleration of projects, lead to a lift of earnings? Or will immigration cuts and higher import tariffs keep the inflation genie out of the bottle requiring a more hawkish Fed, abating the propensity to spend? The equity market seems to think Trump will lead to economic growth for the US yet the bond market appears more circumspect, concerned it will lead to higher inflation, higher rates or more US government debt. The lift in bond yields since his nomination has highlighted the increased inflationary and deficit risks. Which is right? It will likely depend on one's time horizon but also on the sequence, pace and extent to which each lever gets pulled, and the flow-on to underlying earnings growth which, apart from the high-flying large technology stocks, has so far been quite muted. The market is starting the year with high expectations but there are significant unknowns that will progressively play out through the year. For any market or sector shift to take place in a sustained manner, it needs to be underpinned by earnings and this is where the strength of Alphinity investment process comes through: not trying to forecast macro and/or multiple shifts but focusing on what we can measure and assess bottom-up through our on-the-ground research: company earnings.

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