

Fund Summary

OnePath Diversified Bond Index

OneAnswer Frontier Pension

30 November 2023

Fund details

Investment manager	OnePath Funds Management
Fund code	MMF1693AU
Asset type	Fixed Income / Income
Region	Global
Fund size	\$90.25 million as at 30 Nov 2023
Commencement date	28 Sep 2010
Distributions	Retained

Investment objective

The fund seeks to track the return of a tailored diversified index representing a 30% allocation to the Bloomberg AusBond Composite 0+ Yr Index and a 70% allocation to the Bloomberg Barclays Global Aggregate Index (hedged to Australian dollars), before taking into account fees, expenses and tax.

Investment strategy

The fund invests in Australian and international bonds by holding units in a range of underlying fund's and/or direct assets. The fund seeks to reduce credit risk in the portfolio by selecting only bonds with a sufficiently high credit rating and by diversifying the fund's holding across issuers. Futures may be used to gain market exposure without investing directly in fixed interest securities.

Minimum time horizon

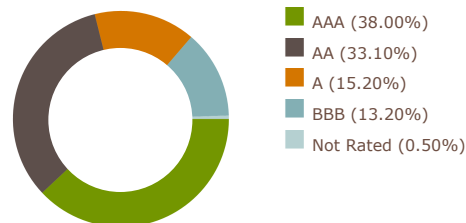
3 years

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:



Quality allocation



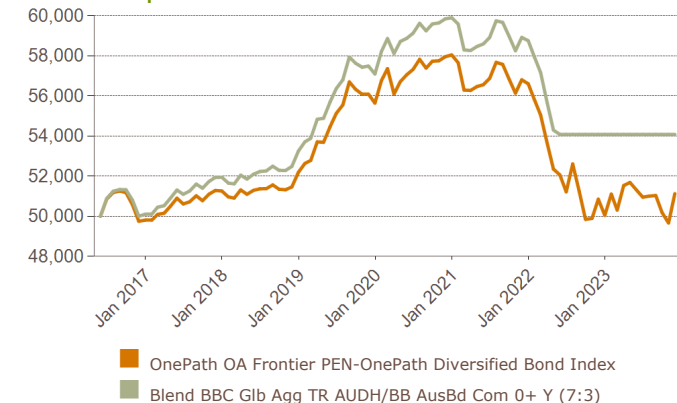
Fund performance

As at 30 Nov 2023

	1 mth %	3 mth %	1 yr %	3 yr % pa	5 yr % pa	7 yr % pa	10 yr % pa
Total Return †	2.95	0.18	0.54	-4.09	-0.13	0.39	1.80
Risk (1 Std Dev)	-	-	5.62	5.31	4.85	4.17	3.86
Tracking Error	-	-	-	-	-	-	-
Info. Ratio	-	-	-	-	-	-	-

Calendar year returns	YTD	2022	2021	2020	2019
Total Return †	2.16	-11.59	-2.48	4.32	6.61
Benchmark ‡	-	-	-1.91	4.91	7.22
Excess Return	-	-	-0.56	-0.60	-0.61

Growth of \$50,000 invested since fund inception



Top 10 holdings

Security	% of fund
AUSTRALIA GOVERNMENT BOND	14.88%
UNITED STATES TREASURY	13.74%
JAPAN (GOVERNMENT OF)	8.29%
CHINA PEOPLES REPUBLIC OF (GOVERNMENT)	3.76%
NEW SOUTH WALES TREASURY CORPORATION	2.47%
TREASURY CORPORATION OF VICTORIA	2.46%
FRANCE (REPUBLIC OF)	2.40%
QUEENSLAND TREASURY CORPORATION	1.98%
GERMANY (FEDERAL REPUBLIC OF)	1.90%
ITALY (REPUBLIC OF)	1.85%
Total Top 10	53.74%

* 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 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.

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Market and portfolio review

Bond market returns were positive in November as global bond yields fell significantly, with the closely watched US 10-year Treasury yield ending the month over half a percentage point lower. Wage and labor markets showed signs of moderation, which eased fears over a higher for longer interest rate scenario and led to a repricing of rates lower.

The Fed Funds target range remained at the 5.25%-5.50% level at month end. The 2-year treasury yield rose from 5.07% to 4.73%, the 5-year treasury ended higher from 4.82% to 4.31%, and the 10-year treasury jumped from 4.88% to 4.37%. The 30-year rate also rose from 5.04% to 4.54%.

Investment grade corporates notably outperformed treasuries for the month, driven by increased expectations that a pivot by the Fed may be on the horizon. Possible Fed cuts in the coming year, combined with attractive all-in yields drove strong global demand for investment grade credit. Fixed-rate, gross investment grade supply for November was about \$112bn, up from the previous month's \$102bn.

High yield corporates also outperformed comparable maturity treasuries given a relatively strong economic backdrop and potential easing in monetary policy by the Fed. High yield supply rose substantially in November, with \$18bn of new issuance versus the \$9bn in issuance during October.

Structured securities (ABS, CMBS, MBS) posted positive excess returns in November. MBS significantly outperformed due to the rapid decline in rate volatility, which benefits residential mortgages given prepayment optionality, while ABS and CMBS were only modest outperformers.

Future investment strategy

Corporate credit remains a strategic theme across the investment grade platform, but caution persists as the longer-term impacts of tight monetary policy flow through the various segments of the market. An inverted yield curve may continue to present challenges across sectors, particularly with Banks given deposit flight risks. However, opportunities within financials may be a near term focus with spread levels remaining cheap compared to industrials. Credit fundamentals are weakening at this stage in the cycle, but balance sheet strength remains supportive as issuers weather tight financial conditions. Up-in-quality investment grade is preferred at this stage in the cycle, and while lower-rated credits remain a longer-term preference, where applicable. Curve positioning remains slightly favored towards short and intermediate maturities, but the appetite for duration is strengthening as rates may have peaked at this stage in the cycle.

Global growth should continue to trend lower as central bank policies target inflationary pressures, but resilient consumption and strong labor markets bode well for a soft-landing scenario. Disinflation has continued in line with expectations as the year comes to a close, and we believe the Fed is finished with hiking rates. Maintenance cuts are being priced in for 2024, but reacceleration and recession risks remain as tail scenarios. Market volatility is expected to persist, as the market reprices with policy expectations.

It is likely that global risk appetite is increasing as 2024 begins, with markets experiencing some volatility as they start to price in a recovery later in the year. The current market environment should favor equities, although fixed income is also poised to perform well given the likelihood of falling rates.

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