

Fund Summary

OnePath Diversified Bond Index

OneAnswer Frontier Pension

31 December 2024

Fund details

Investment manager	OnePath Funds Management Limited
Fund code	MMF1693AU
Asset type	Bonds - Global / Australia
Region	Global
Fund size	\$101.4 million as at 31 Dec 2024
Commencement date	15 Nov 2010
Distributions	Retained

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 †	-0.41	-0.82	2.21	-1.70	-0.68	0.68	1.39
Benchmark ‡	-0.17	-0.74	2.59	-1.33	-0.31	1.22	1.92
Excess Return	-0.24	-0.08	-0.38	-0.37	-0.37	-0.54	-0.53

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.

Calendar year returns	YTD	2024	2023	2022	2021
Total Return †	-	2.21	5.10	-11.59	-2.48
Benchmark ‡	2.59	5.19	-1.33	-12.93	-0.31
Excess Return	-	-2.98	6.43	1.34	-2.17

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.

Top 10 holdings

Security	% of fund
United States Of America	14.99%
Australia (Commonwealth Of)	14.66%
China Peoples Republic Of (Government)	8.17%
Japan (Government Of)	7.35%
France (Republic Of)	2.83%
Victoria (State Of)	2.82%
New South Wales State Of	2.70%
Germany (Federal Republic Of)	2.36%
United Kingdom Of Great Britain And Northern Ireland (†)	2.23%
Italy (Republic Of)	2.16%
Total Top 10	60.27%

Minimum time horizon

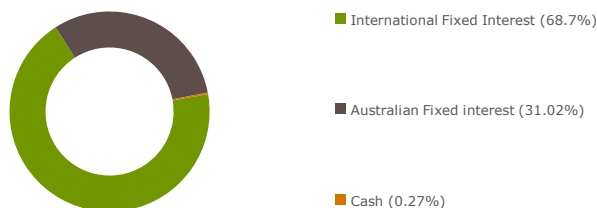
3 years

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:



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 (MorningstarAus BBG AuBd Cmp/BCGA TR HAUD) 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 markets generally performed poorly in December, driven by a rise in government bond yields with curves bear steepening over the month. In the US, data released indicated that the US economy remains in good health. Early in the month, non-farm payrolls rebounded from the slump in November, while hourly earnings were slightly higher than the market had expected, although the unemployment rate did unexpectedly tick up to 4.2%. The Federal Reserve delivered a hawkish 25 basis point cut in mid-December, and the updated Summary of Economic Projections removed 50 basis point of rate cuts for 2025 relative to the September release, leaving just 50 basis points of cuts expected during the next 12 months. This put pressure on US Treasury yields with the curve steepening and the benchmark 10-year Treasury ending the month 46 basis points higher than at the end of November. Elsewhere, the ECB delivered a 25-basis point cut while the Bank of England held rates, both in line with market expectations. Although investment grade credit returns were negative due to rise in risk free rates, spreads continued to tighten with Sterling and euro markets being particularly strong and spreads ending the month 12 and 7 basis points tighter, respectively. Dollar high yield spreads ended the month wider but a strong rally in USD-denominated AT1s, and EUR-denominated high yield and corporate hybrid spreads, along with their low duration, meant these markets ended the month in positive territory.

Future investment strategy

The low in the 10-year US Treasury yield in 2024 coincided with the first rate cut from the Federal Reserve in September. Since then, while the Fed Funds rate is now 100 basis points below the peak, 10-year Treasury yields have risen by more than 100 basis points, potentially signaling concerns that aggressive rates cuts could allow inflation to rise once more. Nevertheless, the outright level of yields, with only a couple of further rate cuts currently being priced in for the whole of 2025, does leave the US Treasury market at relatively attractive levels. Some headwinds, however, remain which could keep upward pressure on yields with uncertainties around Trump's fiscal policies, potential tariffs, along with \$2.5Tn US Treasuries maturing, and therefore needing to be refinanced, during 2025. Overall, the path of least resistance appears to be a steeper yield curve in the months ahead. Investors may decide to keep their powder dry in the near-term, continuing to focus on 'safe-haven' assets such as cash and short-dated government bonds, while they wait for better opportunities to increase duration risk within their bond portfolios during 2025. Emerging market credit has trended softer, but spreads are still tight, making the asset class unattractive on a risk-adjusted basis. Emerging market fundamentals are improving and rating upgrades have been outpacing downgrades but polices coming out of the US election that may support US growth are likely to be negative for emerging markets, leaving us cautious on emerging market credit. In Asia, Chinese local rates are likely to continue to do well as policymakers seek to keep monetary policy easy. The weakening trend in China's currency is also likely to continue, as policymakers seem to be supportive of currency weakness. The Japanese yen looks extremely cheap and may offer an opportunity. Credit spreads are currently trading at historically tight levels across both investment grade and high yield markets. However, the probability of a recession remains relatively low, and corporate balance sheets appear to be relatively healthy. Combined with the attractive yield on offer, this means there appears to be little reason for spreads to widen materially in coming months. So, while spreads may struggle to tighten much further, taking the additional carry offered by credit markets is likely to remain appealing.

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