

Fund Summary

OnePath Growth Index

OneAnswer Frontier Personal Super

31 March 2024

Fund details

Investment manager	OnePath Funds Management Limited
Fund code	MMF1814AU
Asset type	Multisector Growth
Region	Global
Fund size	\$586.34 million as at 31 Mar 2024
Commencement date	15 Nov 2010
Distributions	Retained

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

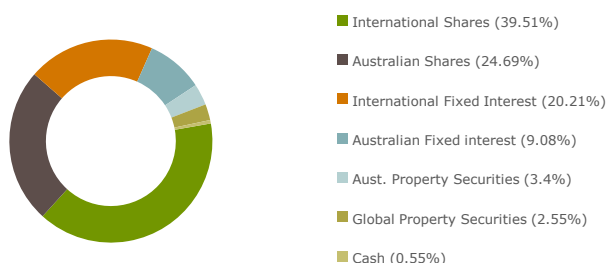
7 years

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 onpath.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 Mar 2024

	1 mth	3 mth	1 yr	3 yr	5 yr	7 yr	10 yr
	%	%	%	% pa	% pa	% pa	% pa
Total Return †	2.16	5.60	13.32	5.80	6.70	6.70	7.07
Benchmark ‡	2.50	5.98	14.32	6.56	7.27	7.42	7.68
Excess Return	-0.34	-0.38	-1.00	-0.76	-0.57	-0.72	-0.61

Calendar year returns	YTD	2024	2023	2022	2021
Total Return †	5.60	12.26	-8.61	12.21	4.49
Benchmark ‡	5.98	12.76	-8.84	14.35	4.45
Excess Return	-0.38	-0.50	0.23	-2.14	0.04

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Market and portfolio review

Equity markets closed out the first quarter of 2024 with solid performances across both developed and emerging markets, with participants seeming to become more comfortable with equities exposure during a period of stable interest rates, even though rate cut expectations have been pushed further out. Encouragingly in March, performance leadership broadened beyond the Tech heavy lifters, with commodities, Industrials and Property stocks all contributing a greater proportion of relative outperformance. This was a relief particularly in the US, where the mega cap tech stocks had dominated the contribution of returns to a concerningly large degree. Australia's quarterly performance (ASX300 +5.4% including dividends) was weaker than both the US (+15%) and Europe (+9.5%) in AUD terms. Emerging markets also staged a comeback. China had a standout month in February and returned 5.5% over the whole quarter, although it remains to be seen whether this rebound can be sustained with the market still waiting for signs of recovery in areas such as credit demand and housing. There was some clear divergence over the quarter between domestic sector returns, with a resilient consumer pushing up Consumer Discretionary stocks (+12%) while Consumer Staples (+0.5%) lagged the market, driven by weakness in supermarket stocks. Iron Ore and Lithium miners dragged Materials lower (-8%), with the miners suffering from a pull-back in the iron ore spot price while lithium and spodumene continued to bear the brunt of selling, given concern around the EV production outlook. Looking at the quarter can mask more recent trends, such as a sharp rotation out of banks and financials into commodity stocks during the month of March. Energy stocks (+1.6%) disappointingly underperformed the broader market and global energy stocks, despite the oil price rising 14%. Similar to much of 2023, it was Technology stocks (+24%) that claimed top place although, as mentioned earlier, it was healthy to see a wider dispersion of outperforming sectors in March, both in Australia and in the US. Economic data continued to print positively across most of the developed world, with the US continuing to add more jobs than expected, while inflation was reasonably inline, with annualised CPI hovering just above 3%. Rate cut expectations continue to be pushed further out, while there is growing consensus in Australia that cuts may not come at all this year. Jobs data here also gave some credence to those with more hawkish views, with the unemployment rate unexpectedly dropping from 4.1% to 3.7%. European manufacturing PMIs are sitting around the 46 level (where <50 is contractionary) while US PMIs printed at 52, above expectations.

Future investment strategy

The economy continues to hold up well and this appears to be a key reason, aside from the largely US-based "AI" driven thematic, that equity markets have continued to push forward. Strong economies with falling cost pressures tend to lead to decent earnings outcomes, and earnings is ultimately the key equity market driver over time. While market commentators scramble to explain the strength of bank share prices this year, despite stretched valuations, the underlying reality is they have had better earnings outcomes and upgrades because the economy has turned out better than expected. The issue the market overall is facing is that the strong run has largely all come about through multiple expansion, and not yet because of better-than-expected earnings outcomes. In Australia, earnings downgrades actually turned a touch positive the last three months – but only a touch. The outlook for China is an important driver for the Australian resources sector. So far, the economic recovery post the Chinese New Year has underwhelmed due to a soft construction bounce. The iron ore price, a significant exposure for Australia, will be dictated by whether a recovery will take place: so far the 30% fall in iron ore price this year infers earnings downgrades for producers should we not see an activity bounce. Meanwhile, a global economic recovery coupled with significant energy transition investments and low supply growth are proving significant tailwinds for base metals, copper and aluminium in particular. Of note, gold has been incredibly strong reaching record levels despite real yields barely moving and the \$US actually strengthening. This rise appears to be largely driven by central bank buying and retail purchasing, both largely out of China. Increasing geopolitical tension is again lifting the oil price, which is a headwind to the inflation recovery. In conclusion, without a valuation boost from lower bond yields, the market increasingly needs better earnings which itself requires continuing improvement in the economy. A more likely outcome for the moment we believe is a resilient (but not strong) economy with pockets of weaknesses and sticky but gradually falling inflation, accompanied at some point this year by small rate cuts. That seems to equate to a market which is fairly well priced at the moment: the opportunities seem to be more within the market than in the market overall. Having largely already priced in a soft landing, we wouldn't be surprised to see a bit of market consolidation around current levels until more certainty exists around the direction and scope of rate movements and the direction of earnings this year.

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