

Fund Summary

OnePath Global Listed Infrastructure Index

OneAnswer Frontier Pension

30 June 2024

Fund details

Investment manager	OnePath Funds Management Limited
Fund code	MMF8529AU
Asset type	Equity Global Infrastructure - Currency Hedged
Region	Global
Fund size	\$26.4 million as at 30 Jun 2024
Commencement date	20 Sep 2021
Distributions	Retained

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 †	-2.41	0.61	2.83	-	-	-	-
Benchmark ‡	-2.46	0.52	2.60	-	-	-	-
Excess Return	0.05	0.09	0.23	-	-	-	-

Investment objective

The fund seeks to track the returns of the FTSE Developed Core Infrastructure 50/50 Net Hedged to AUD Index (including income and capital appreciation) before taking into account fees, charges and taxes.

Calendar year returns	YTD	2024	2023	2022	2021
Total Return †	2.62	0.32	-4.28	-	-
Benchmark ‡	2.49	0.02	-4.16	-	-
Excess Return	0.13	0.30	-0.12	-	-

Investment strategy

The fund will have exposure to global listed infrastructure securities. The weightings relative to the index may vary from the index from time to time. This fund may invest in infrastructure securities that have been or are expected to be included in the indices. Derivatives are not utilised to leverage the portfolio.

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



■ Global Property Securities (97.88%)
■ International Shares (1.49%)
■ Cash (0.59%)
■ Australian Shares (0.04%)

* 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 (FTSE Dvlp Core Infra 50/50 NR Hdg 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.

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Market and portfolio review

Global macroeconomic data surprises turned slightly negative over the past month, though a “bad news is good news” dynamic played out where yields broadly fell and US equities outperformed. The cooler data and further disinflation progress has meant that rate cuts are back on track, and the Bank of Canada and the European Central Bank became the first G7 central banks to cut interest rates. Politics took center stage with the US presidential debate and first round legislative elections in France inciting some uncertainty and hence market volatility. The US continues to get mixed economic data suggesting that despite overall economic resilience, lower income households are under some pressure. The Fed has a delicate balancing act ahead, watching to see if the US economy slows enough to warrant rate cuts. Moving ahead of the Fed, the ECB cut rates by 25bps in their June meeting. Still, the ECB suggested its pace will be slow and that the timing of additional cuts will be very data dependent. The risk of economic softness is more pronounced in the Eurozone, which was illustrated by the Euro area composite flash PMIs declining by 1.3 points to 50.8. European markets experienced substantial divergence, largely a result of political uncertainty in France. This was exacerbated by a recent S&P downgrade of French sovereign debt because of concerns about France’s deficit. In the wake of political uncertainty, the spread between the French 10-year government bond and the German 10-year government bond amplified to its widest level in more than a decade. Policy action also took the spotlight in Asia. The PBoC held rates higher, likely to take some pressure off the RMB. Chinese policymakers instituted some aptly timed stimulus directed at the flagging property sector. New home prices fell by -0.71% sequentially in May from a month prior, the steepest drop in a decade. The stimulus measures include a removal of mortgage rate floors, reduction in downpayment requirements and RMB300 billion in funding to initiate the buyback of unsold homes, to name a few. In contrast, Japan is in somewhat of a different place. The BOJ decided to hold rates lower and allow time to gauge inflation dynamics as expected. The bigger surprise was the vagueness relating to the timing and scale of reducing bond purchases, with the BOJ promising more details in their upcoming July meeting.

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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