

OPTIMIX UPDATE

JUNE QUARTER 2022



Quarterly market review

The second quarter of 2022 saw the world continue to grapple with the terrible human tragedy of war in Ukraine, and the additional disruptions to commodity supplies as a result. Global inflation has persisted and surged further, challenging global markets, with energy and food prices remaining high, and central banks starting to rapidly raise rates to try and contain it.

Key events in global markets

Global shares delivered a very weak return in the three months to June 2022. Investors were initially concerned about persistent inflation pressures and rising bond yields, meaning investors are selling bonds in the expectation that interest rates will increase.

Russia's invasion of Ukraine on 24 February then generated alarm in financial markets. The tragic loss of Ukrainian lives and the traumatic flight to safety westwards cast a troubling shadow as well as intensifying inflation and interest rate concerns.

In the US, stocks made a sharp retreat from the record highs set in early January. Inflation concerns dominated with US consumer annual inflation reaching 8.6% in May. US government bond yields and interest rates rose sharply given these inflation risks, denting investors' previous optimism. The US Federal Reserve (Fed) raised the US interest rate by 0.25% in March, 0.5% in May and by a further 0.75% in June in response to high inflation.

European shares also fell sharply in response to inflation concerns as well as the Ukraine crisis. Similarly, Asian share markets also struggled given rising global recession concerns. By contrast, China's share market gave some early signs of stabilisation with a 4.5% quarterly gain after a disappointing year in 2021. Hopes for more government support to a subdued Chinese economy and weak property market appears to have supported Chinese shares.

Key events in local markets

Australian shares have fallen sharply in response to global political and inflation concerns. For the three months to June, Australian shares delivered a very weak - 11.9% return in the key market index (ASX 200 – an index of Australia's 200 largest companies on the share market).

At a sector level, we saw Information Technology lead the slide given a negative assessment of prospects with higher inflation and interest rates. Resources went into reverse after robust gains with investors worried about global recession risks. Financial shares were also a major disappointment given concerns that higher interest rates will adversely impact demand for loans.

That said, Australia's economy appears to be improving judging by solid results in business surveys, employment, and retail spending. Australia's unemployment rate has fallen to 3.5% in June, the lowest rate in 48 years. However, the inflation acceleration is very concerning and has warranted the Reserve Bank of Australia (RBA) to raise the interest rate by 0.25% in May and 0.5% in June. The RBA Governor, Philip Lowe, has added to concerns by signalling that Australia's annual inflation is expected to rise to 7% by the end of this year.

What's next for markets?

We continue to assess whether central banks can safely navigate the challenge of moderating inflation without severely damaging economic growth. As interest rates sharply rise and financial conditions for borrowers become tougher, naturally concerns about recession may increase.

We've been allocating funds towards alternative assets which have different return patterns to traditional assets and offer attractive yields relative to cash and bonds. We also believe our alternative assets are more favourably positioned for an environment of rising inflation and rising interest rates compared to fixed income and shares.

Major asset class performance (%)

Asset classes	3 months	12 months	5 years (p.a.)
Australian shares	-12.22	-6.78	6.90
International shares (hedged)	-15.10	-12.51	7.33
International shares (unhedged)	-8.42	-6.52	10.12
International emerging markets (unhedged)	-3.30	-18.43	4.44
International small companies (unhedged)	-9.18	-14.86	7.10
Global listed property	-17.05	-11.20	1.96
Cash	0.07	0.10	0.95
Australian fixed interest	-3.81	-10.51	0.87
International fixed interest	-4.66	-9.33	0.78

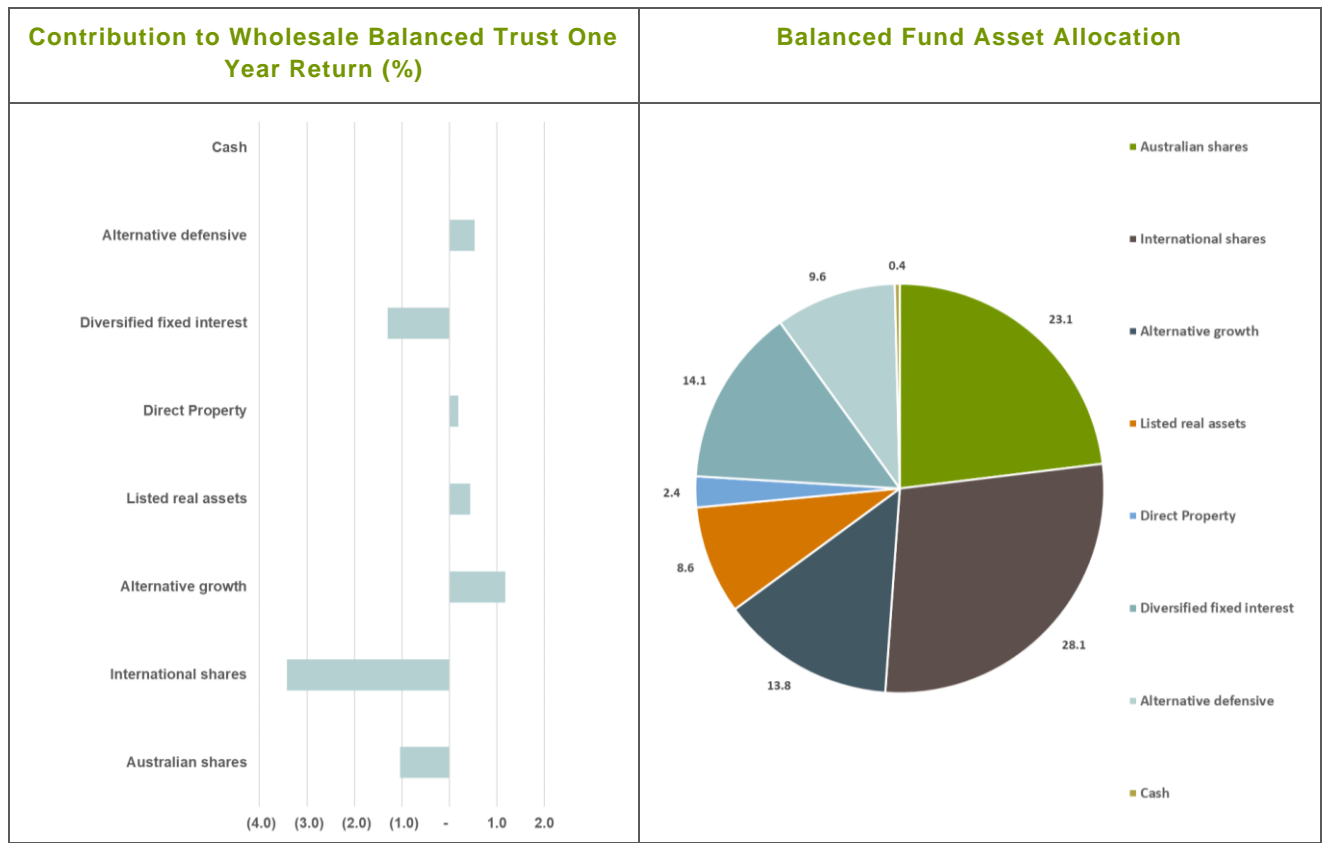
Source: JP Morgan and IOOF

Past performance is not a reliable indicator of future performance.

Indices: Australian shares: S&P/ASX 300 Accumulation | International shares (hedged/unhedged): MSCI World ex Australia Net | International emerging markets: MSCI Emerging Markets Net in AUD (unhedged) | International small companies (unhedged): MSCI World ex Aust Small Cap | Global listed property: FTSE EPRA/NAREIT Developed Rental Index ex Australia (hedged) | Cash: Bloomberg Bank Bill | Australian fixed interest: Bloomberg AusBond Composite 0+ Yr Index | International fixed interest: Barclays Global Aggregate Bond Index (hedged).

OptiMix Wholesale Balanced Trust Performance (as at 30 June 2022) %

	3 mths	1 year	3 years (p.a.)	5 years (p.a.)	7 years (p.a.)	10 years (p.a.)
Gross returns	-5.61	-3.44	4.27	5.80	5.94	8.16
Benchmark	-6.27	-4.81	4.38	6.25	6.38	8.32
Excess returns against benchmark	0.66	1.37	-0.11	-0.45	-0.43	-0.16
CPI + 5% Benchmark*	3.05	11.10	8.17	7.64	7.30	7.30
Excess returns CPI Objective	-8.66	-14.54	-3.90	-1.84	-1.36	0.86



Performance data of OptiMix Wholesale Diversified Trusts %
(Gross returns as at 30 June 2022)

Fund name/Benchmark	3 mths	1 year	2 years (p.a.)	3 years (p.a.)	5 years (p.a.)	7 years (p.a.)	10 years (p.a.)
OptiMix Conservative	-3.72	-3.11	3.34	2.34	3.93	4.23	5.55
Benchmark	-4.16	-4.46	1.72	2.04	3.83	4.16	5.35
OptiMix Moderate	-4.66	-3.21	5.62	3.22	4.82	5.11	6.91
Benchmark	-5.01	-4.39	4.17	3.26	5.09	5.34	6.92
OptiMix Balanced	-5.61	-3.44	8.18	4.27	5.80	5.94	8.16
Benchmark	-6.27	-4.81	6.58	4.38	6.25	6.38	8.32
OptiMix Growth	-7.19	-4.54	9.47	4.64	6.32	6.48	9.12
Benchmark	-7.79	-5.58	8.20	4.98	7.01	7.07	9.40
OptiMix High Growth	-8.02	-5.47	10.76	4.97	6.83	7.00	10.05
Benchmark	-8.67	-6.33	9.71	5.60	7.84	7.79	10.50

This document is issued by OnePath Funds Management Limited ABN 21 003 002 800 AFSL 238342 (OnePath Funds Management) and is intended for the use of financial advisers and institutional clients only. OnePath Funds Management is a member of the Insignia group of companies, comprising Insignia Financial Ltd ABN 49 100 103 722 (formerly IOOF Holdings Ltd) and its related bodies corporate.

Neither OnePath Funds Management nor any other related or associated company guarantee the repayment of capital, the performance of, or any rate of return of an investment with OnePath Funds Management.

This update is current as at 25 July 2022 and is based in part on information obtained in good faith from third party sources.

Whilst it is believed that the information obtained from such third-party sources is accurate and complete, neither OnePath Funds Management, nor any of its related group companies, nor any of their directors or employees, guarantees its accuracy and completeness or accepts any responsibility for any errors or omissions.

The information provided is of a general nature and is not tailored to any particular investor's personal circumstances. Accordingly, reliance should not be placed by anyone on the information in this update as the basis for making any investment decision. Before acting on the information in this update, you and your clients should consider the appropriateness of the information having regard to their personal objectives, financial situation and needs and should seek financial advice.

You and your clients should also consider the relevant Product Disclosure Statement (PDS), Target Market Determination (TMD) and any product updates available at www.onepath.com.au or by calling 13 36 65.

The inclusion of a manager within the OptiMix Wholesale Trust portfolios does not, and must not be taken to, constitute an endorsement of, or recommendation or statement of opinion by the manager about, the relevant OptiMix Wholesale Trust. None of the OptiMix Wholesale Trust managers are, or should be taken to be, providing any financial product advice, and the recipient of this update should consider obtaining independent advice before making any financial decisions.

Investments in the OptiMix Wholesale Trusts are subject to investment risk, including possible repayment delays and loss of income and principal invested. Past performance is not indicative of future performance. The value of investments may rise or fall and the repayment of subscribed capital is not guaranteed.