

OPTIMIX UPDATE

SEPTEMBER QUARTER 2022

Quarterly market review

The quarter ending September 2022 saw inflation persisting, aggressive interest rate rises from major central banks and the tragic war in Ukraine all continuing to cast a shadow over global financial markets.

Key events in global markets

Investor sentiment became increasingly cautious in the face of the acute inflation and interest rate risks and, consistent with this, global shares again delivered a very weak return.

In the US the key index on Wall Street (the S&P 500 Index – an index of the 500 largest companies on the US share market) declined by more than 9% in September. The primary catalysts for weaker US shares were high inflation and another interest rate rise by the US Federal Reserve (Fed). Fed Chair Jerome Powell has warned that the central bank is "strongly resolved" to lower inflation and "will keep at it until the job is done". European shares also disappointed in response to inflation concerns as well as the Ukraine crisis. Asian share markets also struggled.

Key events in local markets

Australian shares were also sensitive to the global turmoil, and the Reserve Bank of Australia (RBA) raising interest rates, but managed to deliver a mild positive 0.4% return for the three months to the end of September in the key market index (ASX 200 – an index of Australia's 200 largest companies on the share market).

The Energy sector continued its strong run given the surge in coal and gas prices. Health Care stocks proved to be a safe haven for investors while the Financial sector was resilient with a mild gain. However, there were disappointing returns from the Utilities and Real Estate Investment Trusts (REITs) sectors given their sensitivity to rising interest rates.

Australia's economy appears solid in contrast to the global recession concerns judging by encouraging results in business surveys, employment, and retail spending. Australia's unemployment rate has fallen to 3.5% in August. Yet the inflation acceleration is very concerning and has warranted the RBA raising interest rates from 0.1% in March to 2.6% in October. Australia's consumer inflation appears on track to meet the RBA's forecast inflation peak of 7.75% at the end of this year.

What's next for markets?

The troubling trio of rising inflation, higher interest rates and the war in Ukraine is proving to be a painful investing climate this year. Inflation is now at multi-decade highs around the world with consumers acutely pressured by the higher 'cost of living'. Central banks are rapidly raising interest rates to cool these inflation pressures.

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, recession risks will likely rise.

We face the task of assessing these considerable inflation and interest rate risks and in this dynamic investment climate multiple positive and negative scenarios are possible. We have been concerned about inflation for some time and that's why we allocated 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.

Markets may continue to be volatile and returns subdued as interest rates continue to rise. But while the current market environment is challenging, we remain focused on our proven disciplined strategy to manage these extraordinary risks over the longer-term.

Major asset class performance (%) (as at 30 Sept 2022)

Asset classes	3 months	12 months	5 years (p.a.)
Australian shares	0.45	-8.00%	6.83%
International shares (hedged)	-5.18	-17.51%	5.31%
International shares (unhedged)	0.35	-9.79%	9.65%
International emerging markets (unhedged)	-5.42	-19.24%	2.18%
International small companies (unhedged)	1.23	-15.82%	6.54%
Global listed property	-10.92	-20.91	-0.51
Cash	0.42	0.52	0.95
Australian fixed interest	-0.64	-11.36	0.75
International fixed interest	-3.78	-12.81	-0.17

Source: JP Morgan and IOOF

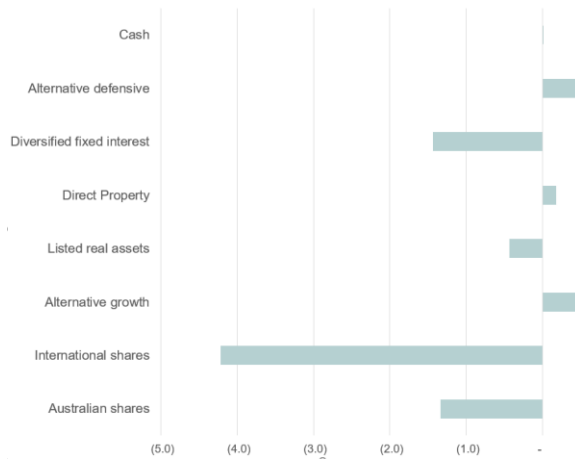
Past performance is not a reliable indicator of future performance.

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).

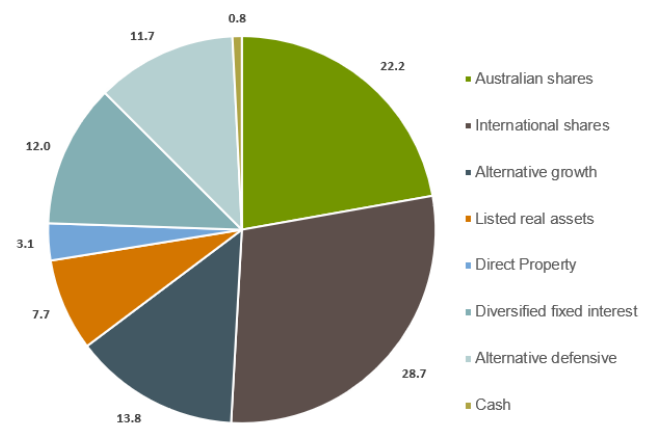
OptiMix Wholesale Balanced Trust Performance (as at 30 Sept 2022) %

	3 mths	1 year	3 years (p.a.)	5 years (p.a.)	7 years (p.a.)	10 years (p.a.)
Gross returns	-1.50	-6.29	2.91	5.17	5.91	7.48
Benchmark	-1.09	-6.95	3.24	5.68	6.53	7.66
Excess returns against benchmark	-0.41	0.66	-0.33	-0.51	-0.61	-0.18
CPI + 5% Benchmark*	3.05	12.30	8.63	7.89	7.51	7.36
Excess returns CPI Objective	-4.55	-18.59	-5.73	-2.72	-1.60	0.13

Contribution to Wholesale Balanced Trust One Year Return (%)



Balanced Fund Asset Allocation



Performance data of OptiMix Wholesale Diversified Trusts %

(Gross returns as at 30 September 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	-0.93	-5.26	2.00	1.35	3.55	4.00	5.09
Benchmark	-0.88	-6.18	0.63	1.08	3.46	3.98	4.92
OptiMix Moderate	-1.27	-5.74	3.97	2.01	4.31	4.95	6.33
Benchmark	-1.01	-6.32	2.77	2.20	4.61	5.30	6.37
OptiMix Balanced	-1.50	-6.29	6.25	2.91	5.17	5.91	7.48
Benchmark	-1.09	-6.95	4.95	3.24	5.68	6.53	7.66
OptiMix Growth	-1.44	-7.41	7.49	3.19	5.66	6.56	8.38
Benchmark	-1.12	-7.92	6.43	3.75	6.37	7.36	8.66
OptiMix High Growth	-1.73	-8.46	8.48	3.27	6.06	7.18	9.23
Benchmark	-1.37	-8.85	7.63	4.18	7.08	8.23	9.67

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 27 October 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.