

Fund Summary

OnePath Sustainable Investments Aust Share Trust Wholesale

31 December 2020

Fund details

Investment manager	OnePath Funds Management sub- advised by Alphinity
Fund code	MMF0335AU
Asset type	Equity / All Cap
Region	Australia
Fund size	\$1.06 million as at 31 Dec 2020
Commencement date	01 Jul 2001
Distributions	Half yearly

Investment objective

The fund aims to achieve returns (after costs but before fees and taxes) that exceed the S&P/ASX 300 Accumulation Index, over periods of three to five years or more.

Investment strategy

The fund seeks to invest in sustainable companies that have the capacity to make a positive impact on society in areas of economic, environmental and social development. Specifically, the fund will target companies which contribute toward the advancement of the UN Sustainable Development Goals (SDG) agenda, have strong ESG characteristics and display appealing investment characteristics.*

Minimum time horizon

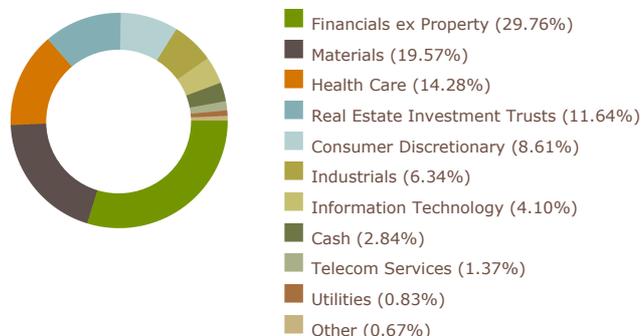
5 years

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:



Equity sector 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 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 Dec 2020

	1 mth %	3 mth %	1 yr %	3 yr % pa	5 yr % pa	7 yr % pa	10 yr % pa
Total Return †	2.07	13.85	7.48	8.42	7.55	6.41	7.54
Benchmark ‡	1.32	13.79	1.73	6.87	8.84	7.45	7.75
Excess Return	0.75	0.06	5.75	1.55	-1.29	-1.04	-0.21
Distribution	0.89	0.99	2.29	4.03	3.45	3.34	3.62
Growth	1.17	12.86	5.20	4.35	4.07	3.07	3.57
Risk (1 Std Dev)	-	-	26.08	16.99	14.57	14.25	13.63
Tracking Error	-	-	3.77	3.27	2.90	2.90	3.10
Info. Ratio	-	-	1.5	0.5	-0.5	-0.4	-0.2

Calendar year returns	2020	2019	2018	2017	2016
Total Return †	7.48	28.48	-7.82	7.02	5.47
Benchmark ‡	1.73	23.77	-3.06	11.94	11.79
Excess Return	5.75	4.71	-4.76	-4.92	-6.32

Growth of \$50,000 invested since fund inception



Top 10 holdings

Security	% of fund
COMMONWEALTH BANK OF AUSTRALIA	8.86%
CSL ORD	8.77%
FORTESCUE METALS GROUP ORD	5.63%
NATL AUST BANK ORD	5.07%
WESFARMERS ORDINARY	4.64%
MACQUARIE GROUP LTD ORD	4.46%
GOODMAN GROUP CF	3.74%
AUSTRALIA NEW ZEALAND BANKING	3.47%
TRANSURBAN GRP REIT	3.43%
OZ MINERALS ORD	3.14%
Total Top 10	51.21%

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Market and portfolio review

Confidence around vaccine approval and stimulus hopes after the Biden US election victory outweighed fears over Covid second waves and led to broad market gains across the globe over the December quarter. Australian stocks finished 2020 with a 13.3% gain in the fourth quarter which was in line with global developed markets, and outperformed the US (+11.7%) and Europe (+10.5%). The strength in the Australian dollar, fuelled by rising commodity prices and weakness in the USD, was also a feature over the quarter. In USD terms the S&P/ASX 300 index was up 21.5%. A strong rotation into the cyclical value part of the market occurred in November, and the higher oil price led to energy stocks being the best performers over the quarter rising 26%. Financials (+22%) and materials (+15%) were among the best performing sectors. Not surprisingly, the more defensive healthcare (-1%) and utilities (-7%) sectors fared the worst. From a style perspective, although value factors outperformed growth over the quarter, momentum returned in December and EPS revisions was the best performing factor. Commodities were stronger across the board, with iron ore gaining 27% over the quarter, thanks to continued Chinese demand for steel and supply disruptions helping the spot price. Oil prices also enjoyed a rebound with Brent +19% to USD51.8, and copper continued to surge higher with a 16% gain. Gold was the noticeable laggard, with gold spot price moving up 0.7% to USD1,898.

Future investment strategy

The earnings outcome in 2020 turned out to be better than we initially feared but the strong market rebound that has taken place since March has so far primarily been driven by a rerating of the market in anticipation of an earnings recovery in 2021 and beyond. Fortunately, economic indicators have remained positive despite the resurgence in Covid cases globally, especially in the US and Europe, as well as the setbacks in Australia, which of course have been on a very different scale. The vaccine rollout and diminishing fear of the unknown should mean that the current economic recovery has a good chance of staying more or less on track, supporting further market gains. In summary, we expect earnings growth to more than compensate for any potential interest and currency headwinds. Of course, these macro factors will have larger impacts on some sectors than others. To us, the Technology sector continues to look the most vulnerable to higher interest rates due to its large valuation premium. At the same time, the already substantial recovery in many cyclical sectors would suggest investors will have limited patience with any companies that fail to deliver on the well-anticipated earnings recovery, meaning that stock selection will remain important in 2021.

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