Lonsec

Recommended

Product Review
OnePath Growth Index

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ANALYST: ISRIN KHOR | APPROVED BY: ALEC LEUNG

About this Review

ASSET CLASS REVIEWED	MULTI-ASSET
SECTOR REVIEWED	61-80% GROWTH ASSETS
SUB SECTOR REVIEWED	LOW-COST DIVERSIFIED
TOTAL FUNDS RATED	16

About this Fund

ASIC RG240 CLASSIFIED	NO
FUND REVIEWED	ONEPATH GROWTH INDEX
APIR CODE	MMF1569AU
PDS 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.
STATED RISK OBJECTIVE	TRACKING ERROR (+/- 0.5% P.A. OF THE TARGET BENCHMARK, WHICH IS BASED ON EACH OF THE UNDERLYING INDEX FUNDS) OVER SEVEN-YEAR PERIODS.
DISTRIBUTION FREQUENCY	QUARTERLY
FUND SIZE	$840.9M (31 MARCH 2023)
FUND INCEPTION	28-09-2010
ANNUAL FEES AND COSTS (PDS)	0.31% P.A.
RESPONSIBLE ENTITY	ONEPATH FUNDS MANAGEMENT LIMITED

About the Fund Manager

FUND MANAGER	ONEPATH FUNDS MANAGEMENT LIMITED
OWNERSHIP	100% OWNED BY INSIGNIA FINANCIAL LTD
ASSETS MANAGED IN THIS SECTOR	$4.3BN (31 MARCH 2023)
YEARS MANAGING THIS ASSET CLASS	28

Investment Team

PORTFOLIO MANAGER	STANLEY YEO
INVESTMENT TEAM SIZE	46
INVESTMENT TEAM TURNOVER	MODERATE
STRUCTURE / LOCATION	PM / ANALYST, SYDNEY AND MELBOURNE
ASSET CONSULTANT	MERCER

Investment process

STYLE	SAA
SECTOR EXPOSURE	PASSIVE
GROWTH / DEFENSIVE SPLIT %	70/30
USE OF ALTERNATIVES	NO

Fund rating history

APRIL 2023	RECOMMENDED
OCTOBER 2021	RECOMMENDED
MAY 2021	INVESTMENT GRADE

What this Rating means

The **'Recommended'** rating indicates that Lonsec has strong conviction the financial product can generate risk adjusted returns in line with relevant objectives. The financial product is considered an appropriate entry point to this asset class or strategy.

Strengths

- Invesco is a large, well-resourced and reputable investment manager.
- Invesco has a dedicated index management team which is supported by specialist functions, e.g. trading and corporate actions analysis.
- The Manager has an established SAA process managed by an experienced and well-led investment team.
- Integration of the broader heritage IOOF, MLC and OnePath investment teams has been progressing well to further enhance the Manager's investment capabilities.

Weaknesses

- While acknowledging this as a straightforward index strategy, it is notable that the Fund has less 'tools' (for instance no dynamic asset allocation or alternative asset classes) which can curtail downside protection potential.

Fund Risk Characteristics

	LOW		MODERATE		HIGH
BUSINESS SUSTAINABILITY RISK			●		
CAPITAL VOLATILITY				●	
FOREIGN CURRENCY EXPOSURE			●		
LEVERAGE RISK	●				
SECURITY LIQUIDITY RISK		●			
SECURITY CONCENTRATION RISK	●				
REDEMPTION RISK		●			

Risk categories are based on Lonsec's qualitative opinion of the risks inherent in the financial product's asset class and the risks relative to other financial products in the relevant Lonsec sector universe.

BIOmetrics

Aggregated risks

	1	2	3	4	5	6	7
STD RISK MEASURE					●		

A Standard Risk Measure score of 5 equates to a Risk Label of 'Medium to High' and an estimated number of negative annual returns over any 20 year period of 3 to less than 4. This is a measure of expected frequency (not magnitude) of capital losses, calculated in accordance with ASFA/FSC guidelines.

We strongly recommend that potential investors read the product disclosure statement Lonsec Research Pty Ltd ABN 11 151 658 561 • AFSL No. 421 445 • This information must be read in conjunction with the warning, disclaimer, and disclosure at the end of this document. This report supersedes all prior reports.

OnePath Growth Index

Features and benefits

	LOW		MODERATE		HIGH
COMPLEXITY		●			
ESG			●		

Fee profile

	LOW		MODERATE		HIGH
FEES VS. UNIVERSE	●				
FEES VS. ASSET CLASS	●				
FEES VS. SUB-SECTOR			●		

Fee BIOmetrics are a function of expected total fee as a percentage of expected total return.

What is this Fund?

- The Fund is designed as a low-cost product offering, providing access to a diversified Strategic Asset Allocation ('SAA') that encompasses 'traditional' asset classes such as equities and fixed interest, both domestic and international. The Fund does not invest in Alternative assets. The Fund provides investors with exposure to a 70/30 mix of passively-managed growth and defensive asset classes. The underlying asset classes are passively managed and aim to track their respective benchmarks. There is no use of Tactical Asset Allocation ('TAA') in the management of the Fund.
- OnePath Funds Management Limited (the 'Manager' or 'OPFM'), previously part of ANZ Wealth, now part of the Insignia Financial Ltd ('IFL'), has offered diversified investments to investors for more than two decades, making it one of the longest standing managers in this peer group.
- The Manager's multi-asset investment team is responsible for setting the Fund's SAA and employs Invesco to passively manage each of the underlying asset classes, with the exception of the cash portion which is managed by IOOF.
- The Fund's PDS dated 25 July 2022 disclosed the Annual Fees and Cost ('AFC') totaling 0.31% p.a.. This value comprises (1) Management Fees and Costs of 0.30%, (2) Performance Fees of 0% and (3) Net Transaction Costs of 0.01% p.a. In-line with RG97, some fees and costs have been estimated by the issuer on a reasonable basis. Actual fees and costs may vary to these estimates.
- The Fund charges buy/sell spread set at 0.4%/0.4%. These spreads can be subject to change, most notably during periods of market volatility, and can be sourced from the Manager's website.

Using this Fund

This is General Advice only and should be read in conjunction with the Disclaimer, Disclosure and Warning on the final page.

- Lonsec notes that the Manager has produced a Target Market Determination (TMD) which forms part of the Responsible Entity's Design and Distribution Obligations for the Trust. Lonsec has collected the TMD that has been provided by the Manager and notes that this should be referred to for further details on the Target Market Summary, Description of Target Market and Review Triggers
- Low-Cost Diversified funds are well suited to investors who desire a portfolio that provides exposure to a range of asset classes via a single investment option, at a lower cost than traditional Diversified funds. The 'low-cost' nature of these strategies is largely achieved by utilising index/passive exposures at the underlying asset class level.

Suggested Lonsec risk profile suitability

SECURE	DEFENSIVE	CONSERVATIVE	BALANCED	GROWTH	HIGH GROWTH
				●	

For guidance on appropriate asset allocations and risk profiles, refer to the latest Lonsec Strategic Asset Allocation Review and Risk Profile Definitions on our website.

Changes Since Previous Lonsec Review

- Effective July 2022, Dan Farmer was appointed as the Chief Investment Officer ('CIO') for the combined heritage IOOF, MLC and OnePath multi-manager businesses. The investment team is structured with responsibilities broadly segmented by Portfolio Construction, Portfolio Enablement and Special Capabilities functions. A number of team member responsibilities will be transitioned in a measured way over time.
- In June 2022, James Tayler was appointed as Head of Responsible Investment.
- In August 2022, Myooran Mahalingam resigned from the Manager and Liam Wilson took over as Portfolio Manager for the MLC Global Equities portfolios, in addition to already being the PM for IOOF and OptiMix Global Equities portfolios.
- There has been additional investment team changes effective 12 September 2022 which include:
  - Paul Crisci departed the Manager and Peter Sumner was appointed as Portfolio Manager for the Australian Equities and A-REIT portfolios.
  - Simon Elimelakh, Head of Investment Portfolio Analytics, transitioned to a contracting role. Furthermore, the analysts previously reporting through to Elimelakh now report to Daniel Ackland, Investment Analytics Manager.
  - David Djukanovic, Head of Exposure Management and Trading, leads a team of five including Head of Derivatives, Clifford Bayne who reports directly to Djukanovic.
- In January 2023, Insignia Financial entered into a binding share sale agreement to divest its remaining 45% equity stake in JANA to JANA's management team. JANA would become a wholly management-owned business following the transaction. The completion of this transaction is expected to occur in early 2023. Lonsec notes, no changes in terms of JANA asset consulting services provided to the investment team.

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OnePath Growth Index

Lonsec Opinion of this Fund

People and resources

- Insignia Financial Limited ('Insignia Financial', ASX code: IFL) is a leading provider of wealth management services including superannuation, platform administration and investment management, with over $285.1bn assets under management and administration as 31 December 2022. Following the completion of the acquisition of MLC Wealth ('MLC') from National Australian Bank (ASX Code: NAB) in May 2021, Lonsec believes there are meaningful synergies realised from the breadth of resources, investment and risk management tools and significant collective industry experience of the combined businesses. The investment team members continue to collaborate effectively to manage their respective products.
- Stanley Yeo is the portfolio manager of the Fund. The SAA framework is managed by the Manager's multi-asset investment team led by Dan Farmer as CIO. Lonsec believes that Farmer possesses the appropriate experience and skillset to lead the team and has skillfully navigated the significant changes arising from the MLC/Insignia Financial Ltd merger. Farmer leads a well-resourced team of 46 including an experienced professional dedicated to asset allocation, Sidney Chong. David Djukanovic, Head of Exposure Management and Trading, is responsible for day-to-day cash flow management. The investment team has been recently restructured with responsibilities broadly segmented by Portfolio Construction, Portfolio Enablement and Special Capabilities functions. Lonsec believes the reporting lines, roles and responsibilities remain clearly defined under the current structure with team integration progressing well.
- The Manager has appointed Invesco Australia ('Invesco') as the underlying manager to passively manage each of the underlying asset classes. Invesco is a substantial global asset manager with US$1.5 trillion in AUM as at February 2023 from across a range of asset classes and strategies. Indexing comprised US$460bn of total AUM. Invesco's NASDAQ 100 tracker QQQ with circa US$170bn in AUM has been a success and while this has brought concentration risk to the business, Invesco has been broadening its offering and market presence considered by Lonsec as part of a growth and mitigation strategy. Lonsec notes that Invesco is an ETF specialist and will look on with interest to see how its Australian business strategy unfolds over time.
- The Invesco index business is led by Brian Hartigan, Global Head of Index Implementation and Passive Investments. Hartigan has been with Invesco, and a predecessor firm, since 2000 and is considered by Lonsec to be appropriately experienced. He leads over 30 dedicated indexing professionals. These include Peter Hubbard (and his team of 10 portfolio managers) focused on equities indices and Raphael Stern responsible for Fixed Income index tracking. This specialist resourcing is viewed positively.
- The portfolio management team is further supported by functional experts in areas such as trading and corporate actions. Additional support is also provided as needed by the Hong Kong Fixed Income desk.
- Lonsec considers the alignment of interest to investors to be moderate. 60% of the remuneration of the investment teams is directly linked to the performance of the multi-manager range of funds, which is heavily weighted to three and five year returns and can be taken as cash, salary sacrifice to superannuation or a combination of the above. The bonuses have a deferral component which promotes further alignment across the team.

Asset allocation

- The Manager is responsible for developing and monitoring the SAA for the Fund. The Fund has adopted a static SAA approach and manages the target asset allocation within tight ranges predominantly using cashflows to rebalance asset class weights. The Manager continues to adopt the SAA of the previous underlying manager, Vanguard, to minimise disruption though Lonsec notes an SAA review is currently being conducted by the Manager. This is expected to complete over the next few months. Dynamic asset allocation ('DAA') is not employed in the management of the Fund. Lonsec considers the Fund to be reasonably diversified, investing across the major traditional asset classes. Pleasingly, the scope of the SAA review currently underway includes research into the inclusion of other asset classes and implementation methods which may build on the diversification characteristics of the Fund.
- Lonsec notes the the Fund adopts a relatively straightforward, static SAA approach. While not an input into the Fund's construction at this stage, Lonsec notes it has gained confidence in the Manager's internalised approach to asset allocation as the framework incorporates greater flexibility in managing risk and return outcomes, and potentially in navigating regime shifts in the market. Lonsec believes there is capacity for this approach to be somewhat adopted in the management of the Fund.

Research approach

- Lonsec considers the Manager's research process to be thorough, albeit not as applicable to this Fund given its majority allocation to a single manager, Invesco. The formal manager due diligence process is detailed, covering a range of criteria including business and ownership structure, investment team, performance track record and overall fit for the Fund. Lonsec is satisfied that a thorough due diligence process was carried out in the search for an index manager.

ESG Integration

- Lonsec's ESG integration assessment considers how rigorous, robust and structured the ESG process for the Trust is as well as how well it integrates into the overall investment process and the Manager's overall policy and reporting framework. The assessment is not intended to assess the underlying holdings of the Trust's portfolio or the Manager's adherence to any form of impact, green / sustainable or ethical standards.

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- At the corporate level Lonsec views the Manager's overall ESG policy framework and disclosure as lagging peers. The Manager has an articulated commitment to their integration of ESG within their investment process with evidence in their public positioning and policy framework. The Responsible Investment policy together with the proxy voting policy is freely available on the firm's website. The level of disclosure with respect to the proxy voting policy and outcomes is slightly behind peers. The proxy voting policy lacks depth compared to peers and reporting on voting outcomes is publicly available, although rationales for dissenting votes is not provided. The engagement approach is explained within the Responsible Investment policy, however, is considered generic compared to peers. No reporting on engagement outcomes is publicly available.
- The Manager has indicated that their Responsible Investment style is "ESG Integration" and as such that they take Environmental, Social and Governance factors into consideration when assessing investment opportunities. With a primary ESG style of "Stewardship" Managers will usually focus their ESG strategy on Engagement and Voting as the key tool in managing their ESG risks. While stewardship approaches are common across most Managers, they can form the key ESG strategy employed by some Managers. Due to the qualitative nature of this style Lonsec highlights the need for Managers to provide clear and detailed reporting on both engagement and voting activities and recommends investors review the Trust's stewardship reporting where available.
- Lonsec's review of ESG integration for Multi Asset Funds such as this, reviews only the ESG components of the selection of underlying strategies or managers. It does not review the ESG integration at the level of each of the underlying funds or strategies.
- The Manager clearly incorporates an ESG element in their manager selection process. Managers must have ESG policies in place and adhere to other minimum ESG based investment standards. Documentation requirements are appropriate. While there is no monitoring of the ESG characteristics of the underlying stocks performed, ongoing monitoring of the policies of the underlying managers is performed on at least an annual basis. Proxy voting is delegated to the underlying Managers however no clear voting guidelines on how that voting should be considered is issued by the Manager.
- There are no signs that company engagement on ESG issues is a component of the Manager's current investment approach for this Fund.
- While ESG does not form a component of the Managers broader compliance framework, Lonsec looks very favourable on the level of transparency the Manager provides into portfolio holdings. Voting on the Trust is not controlled by the Manager limiting the Trust's ability to vote in alignment with its own analysts views or investment/sustainability priorities.
- In June 2022, James Tayler was appointed as Head of Responsible Investment. Lonsec expects Tayler's appointment to expand the scope of the Manager's ESG integration through time.

Portfolio construction

- Invesco has been appointed as the underlying manager to manage most of the sector allocations within the Fund. Lonsec notes Invesco has a long history in managing index based solutions dating back some 20+ years, albeit the majority of its FUM is in non-market cap weighted index solutions. Nonetheless Lonsec has been satisfied with Invesco, its personnel and systems employed and overall believes their market cap weighted index capability to be a quality capability across the major asset classes.
- Pleasingly, the Manager has stated a desire to increase the breadth of asset classes available for use in the construction of the Fund. This would potentially incorporate the use of 'smart beta' exposures in addition to market cap weighted exposures. Lonsec notes this would give the Manager more opportunity to exercise 'skill' in selecting particular factor exposures (e.g. growth, value, low volatility) or navigating market conditions (e.g. sensitivity to rising interest rates). Incorporation of these additional 'tools' may bring the Fund more in-line with higher rated peers who can access these in their portfolio construction toolkit. Lonsec highlights the Manager is progressing research into the inclusion of non-traditional index exposures within its asset mix, global high yield being one example of an asset class that may be better suited to a non-traditional index exposure.

Risk management

- Lonsec considers the Manager's risk management process to be stringent. Risk monitoring is conducted daily by the investment team. Further, the team now has three dedicated resources for performance and investment analytics providing additional support.
- Lonsec notes that the Manager's FactSet/Northfield system provides additional rigour in risk management. Generally, Lonsec considers this system to be highly customisable with extensive analytic and reporting capabilities. FactSet is also used to analyse portfolio characteristics and risk attributes.
- A separate Governance team provides oversight which is good practice and a dedicated execution function acts on approved portfolio manager instructions.

Fees

- The Fund's fee comprises of management fee of 0.30% p.a., no performance fee and 0.01% p.a. net transaction costs. Lonsec considers the total fee load for the Fund (AFC of 0.31% p.a.) as moderate relative to peers.

Product

- The Fund is a relatively vanilla multi-manager strategy that invests across a range of growth and defensive asset classes. Hence Lonsec does not consider it to be operationally challenging to implement. Additionally, the Manager employs high quality 'tier 1' service providers.
- The Fund is a registered managed investment scheme (MIS) for which Onepath Funds Management Limited (the 'RE'), a related entity. The RE is responsible for operating and managing the MIS, holds an AFSL and as such is required to comply

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with its AFSL and RE obligations as outlined under the Corporations Act. Lonsec notes the RE has built experience in operating and managing a number of schemes over an extended period of time.

Performance

- The Fund seeks to track the weighted average 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.
- To 28 February 2023, the Fund has produced a return, net of fees, of 3.9% p.a. and 5.3% p.a., over a three and five year period, respectively. The Fund's performance has been below the peer median over these time periods.
- The Fund's volatility (as measured by standard deviation) was broadly in line with the low-cost peers over both time periods. This has lead to risk-adjusted return (as measured by Sharpe ratio) slightly lower than peers over a three and five year period to 28 February 2023.
- The Fund's worst drawdown have been broadly in line with the peer median over three and five years.

Overall

- Lonsec has maintained the **'Recommended'** rating at its recent review. Invesco, the underlying manager, is viewed as being a well-resourced and highly capable index manager. The strategic asset allocation ('SAA') is suitably managed by the Manager's multi-asset investment team and the respective indices being tracked are regarded as standard asset class benchmarks. In addition, the Fund offers a competitively priced passive strategy following a material reduction in management fee. The increased resourcing from the combined heritage IOOF, OnePath and MLC businesses, provides further depth of expertise within investment management, asset allocation and risk management.
- The Fund has limited 'tools' such as dynamic asset allocation or access to alternative asset classes that may assist with downside protection.

People and Resources

Corporate overview

OnePath Funds Management Ltd (OPFM) is the Responsible Entity and Fund Manager of the Trust. OPFM has been a wholly owned subsidiary of Insignia Financial since February 2020. Insignia Financial is listed on the Australian Stock Exchange (ASX code: IFL). As of 31 December 2022, Insignia Financial had $285.1bn in Funds Under Management and Administration.

Invesco is a global investment management firm managing investments across a comprehensive range of asset classes, investment styles and geographies. Globally, Invesco employs over 8,000 employees throughout offices in the US, Canada, Europe, and the Asia-Pacific. Invesco has a strong track record of managing smart-beta, index-based strategies. As at 28 February 2023, Invesco has US$460 billion of FUM invested across its suite of over 450 ETF and index strategies.

Size and experience

NAME	POSITION	EXPERIENCE INDUSTRY / FIRM
DAN FARMER	CHIEF INVESTMENT OFFICER	27 / 13
STANLEY YEO	HEAD OF STRATEGY AND EQUITIES	23 / 13
DAVID DJUKANOVIC	HEAD OF EXPOSURE MANAGEMENT AND TRADING	19 / 16
SIDNEY CHONG	ASSET ALLOCATION MANAGER	33 / 6

The investment team conducts qualitative and quantitative research and provides overall data support and recommendations to the five member Investment Management Committee ('IMC'). The IMC ultimately considers and approves asset allocation decisions and manager appointments.

The IMC meets bi-monthly or more frequently if required, and comprises of Anthony Hodges (Chairman and External Member), Denise Allen and Mary-Anne Nunan (External Members), Daniel Farmer (CIO), and Stanley Yeo (Head of Strategy and Equities). Osvaldo Acosta has been appointed as Secretary.

Back-office functions are performed by Insignia Financial's Investment Operations Team. Compliance monitoring, custody, unit pricing, registry and financial reporting functions are outsourced to various parties including Insignia Financial and JP Morgan; while transition management and implementation are performed by a panel of transition managers including Citi, Macquarie, UBS and State Street.

Invesco's index management team is responsible for managing all passive portfolios. The team is led by Brian Hartigan, Global Head of Index Implementation and Passive Investments. The oversight and day to day responsibility of the Funds are divided between senior portfolio managers and traders within the team across its respective investment mandates.

Asset consultant

IOOF appointed Mercer as its primary external asset consultant in July 2017 and MLC has a long standing relationship with JANA (JANA was previously a fully owned subsidiary of NAB. Insignia Financial Ltd sold its remaining minority share to JANA in January 2023). Post IOOF's acquisition of MLC, the broader Insignia Financial multi manager business benefit from consultancy and research services provided by both Mercer and JANA. These services include manager research and consultancy services when performing due diligence on prospective and currently appointed underlying managers, designing neutral benchmarks, stress testing, strategic tilting advice and performing various other risk management functions.

Asset Allocation

Strategic asset allocation

In the interim, the Manager has continued to adopt the Vanguard's SAA weightings, while an SAA review is being conducted.

IOOF conducts a formal review of this Trust's SAA on an annual basis. The SAA decision is the single

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largest contributor to a portfolio's success and is critical for linking the Trust's objectives to investment opportunities. The Manager broadly identifies this process as having two stages. The first involves deciding the broad asset class exposure (core assets). The second stage involves deciding performance enhancing exposures (sub-sectors of core assets and illiquid assets). The process combines both qualitative and quantitative inputs and leverages the resources of Mercer.

IOOF utilises the Mercer Capital Market Simulator, a forecasting and simulation model which allows the integration of multiple global economies, granular analysis on fixed interest assets and rigorous testing of asset models. Mercer's SAA process also involves the Global Portfolio Toolkit, which undertakes risk-based scenario analysis.

Having identified an asset allocation that broadly meets the Trust's objectives, stress testing is applied to review performance under various macroeconomic conditions. This includes different inflationary and GDP environments, as well as extreme equity market simulations. This quantitative input is overlayed with IOOF's qualitative judgement, allowing the Manager to impart their views on the SAA.

The SAA is set from a long term perspective and reviewed on a periodic basis to ensure it remains appropriate. Peer group considerations are taken into account when setting the SAA, however other factors such as potential asset classes are also considered.

Asset allocation

ASSET CLASS	SAA BENCHMARK	MIN	MAX	CURRENT ALLOCATION
AUSTRALIAN EQUITIES	28.0%	26.0%	30.0%	28.0%
GLOBAL EQUITIES	20.5%	18.5%	22.5%	20.3%
GLOBAL EQUITIES – HEDGED	12.5%	10.5%	14.5%	12.4%
GLOBAL SMALL COMPANIES	5.0%	3.0%	7.0%	5.2%
GLOBAL EMERGING MARKETS	4.0%	2.0%	6.0%	4.0%
AUSTRALIAN FIXED INTEREST	9.0%	7.0%	11.0%	9.2%
GLOBAL FIXED INTEREST – HEDGED	21.0%	19.0%	23.0%	21.1%
CASH	0%	0%	0%	0.2%
GROWTH	70.0%	-	-	69.7%
DEFENSIVE	30.0%	-	-	30.3%
AS AT 31 DECEMBER 2022	-	-	-	-

Tactical/Dynamic asset allocation

The Fund does not engage in short to medium term TAA or DAA.

Research Approach

The research approach is appropriately structured around a determination of a SAA for the Fund and underlying manager allocations in line with the desired asset class mix. Generally, the manager research process is driven by the objective to identify and combine high calibre index managers who are able to generate performance in line with the respective benchmarks with minimal tracking error, and who may be able to provide access to non-market cap weighted index exposures when appropriate.

Portfolio Construction

Overview

The Fund invests in externally managed strategies with the underlying managers consisting solely of indexed funds. The investment team does not engage in derivatives, but the underlying managers may employ derivatives either for hedging or directional exposure purposes.

Underlying manager allocation

The Manager has employed Invesco to manage each of the underlying asset classes within the Fund.

Risk Management

Risk limits

At the broad level, risk within the Fund is controlled through diversification at the asset class and security level, and via the maintenance of a tight tracking error. Ongoing daily monitoring at the portfolio level is managed by the investment team with a tolerance of +/-2% set to ensure the SAA is maintained.

Risk monitoring

Apart from the ongoing monitoring by the investment team, risk monitoring at the portfolio level is managed primarily through regular interaction with the underlying manager. At these meetings each underlying manager's portfolio is reviewed and contribution to the total portfolio in terms of asset allocation, performance, positions and exposures. Each sector is also monitored by way of a Portfolio Risk Characteristics report.

Implementation

Investments are implemented through the purchase/sale of units in the underlying discrete products. This includes any currency hedging decisions which ostensibly form part of the SAA decision whether to invest in either hedged or unhedged unit classes.

Currency management

Some of the underlying funds that the Fund invests in, employ currency hedging through the use of forward foreign exchange contracts to manage currency risk. The returns of those underlying funds that employ currency hedging are thus relatively unaffected by currency fluctuations.

Risks

An investment in the Fund carries a number of standard investment risks associated with investment markets. These include performance, liquidity, counterparty, market and tax risks. These and other risks are outlined in the PDS and should be read in full and understood by potential investors. Lonsec considers the following to be the major risks:

Market risk

Investment returns are influenced by the performance of the market as a whole. This means that investments can be affected by things like changes in interest rates, investor sentiment and global events, depending on which markets or asset classes are invested in and the time-frame considered.

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Currency risk

There is the chance that the value of an unhedged foreign investment, measured in Australian dollars, will decrease because of unfavourable changes in currency exchange rates. In the case of hedged investments, currency hedging involves costs and implementation risks due to the volatility of currency and securities markets, and there are impacts for the income distributions from those underlying funds. When the Australian dollar is appreciating relative to other currencies, the gains from currency hedging may result in significant additional income being distributed. Conversely, when the Australian dollar is depreciating relative to other currencies, the losses from currency hedging can totally offset other income received, resulting in no income distribution from those underlying funds (that employ currency hedging) for the period. This may impact the Fund's distribution to investors.

Derivative risk

The primary risks associated with the use of derivative contracts are: the values of the derivative may fail to move in line with the underlying asset (a performance difference); the potential lack of liquidity of the derivative; the Fund or underlying funds may not be able to meet payment obligations for the derivative contracts as they arise; and the counterparty to the derivative contract may not meet its obligations under the contract.

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OnePath Growth Index

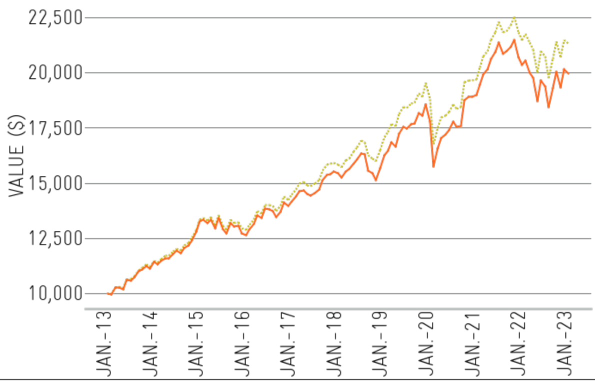
Quantitative Performance Analysis - annualised after-fee % returns (at 28-2-2023)

Performance metrics

	1 YR		3 YR		5 YR		10 YR	
	FUND	PEER MEDIAN	FUND	PEER MEDIAN	FUND	PEER MEDIAN	FUND	PEER MEDIAN
PERFORMANCE (% PA)	-2.01	-1.95	3.94	4.45	5.26	5.62	7.15	7.38
STANDARD DEVIATION (% PA)	13.07	13.23	11.93	11.97	10.37	10.37	8.51	8.51
EXCESS RETURN (% PA)	-1.17	-1.12	-0.33	0.18	-0.83	-0.47	-0.71	-0.47
OUTPERFORMANCE RATIO (% PA)	41.67	41.67	41.67	47.22	43.33	46.67	45.83	49.17
WORST DRAWDOWN (%)	-10.26	-10.58	-14.08	-13.92	-15.12	-15.12	-15.12	-15.12
TIME TO RECOVERY (MTHS)	NR	NR	NR	NR	8	8	8	8
SHARPE RATIO	-0.29	-0.29	0.27	0.30	0.41	0.43	0.64	0.67
INFORMATION RATIO	-0.83	-0.74	-0.29	0.10	-0.69	-0.37	-0.72	-0.27
TRACKING ERROR (% PA)	1.41	2.08	1.17	1.81	1.21	1.75	0.98	1.43

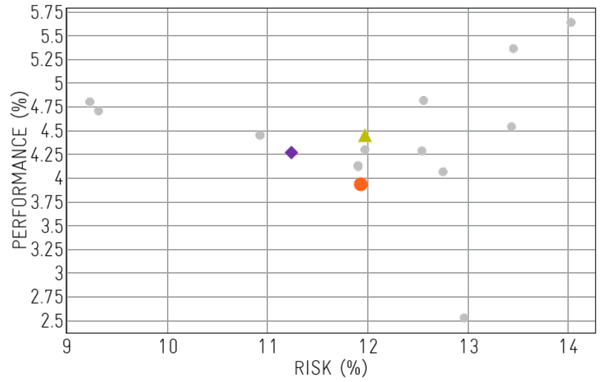
PRODUCT: ONEPATH GROWTH INDEX
LONSEC PEER GROUP: MULTI-ASSET - 61-80% GROWTH ASSETS - LOW-COST DIVERSIFIED
PRODUCT BENCHMARK: LONSEC STRATEGIC MULTI-ASSET (TRADITIONAL) 70% GROWTH INDEX
CASH BENCHMARK: BLOOMBERG AUSBOND BANK BILL INDEX AUD
TIME TO RECOVERY: NR - NOT RECOVERED, DASH - NO DRAWDOWN DURING PERIOD

Growth of $10,000 over 10 years



ONEPATH GROWTH INDEX
LONSEC STRATEGIC MULTI-ASSET (TRADITIONAL) 70% GROWTH INDEX

Risk-return chart over three years



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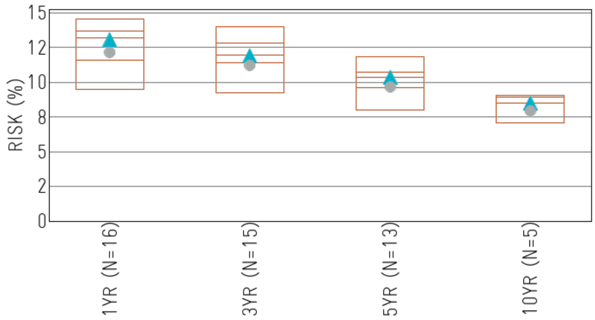
PEER MEDIAN
PEERS

Quartile chart — risk



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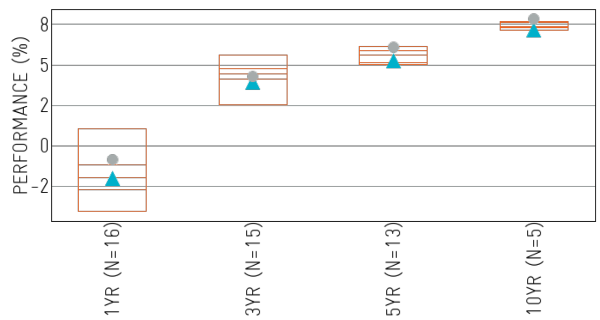
N: NUMBER OF ACTIVE FUNDS

Quartile chart — performance



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N: NUMBER OF ACTIVE FUNDS

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OnePath Growth Index

Glossary

Total return 'Top line' actual return, after fees

Excess return Return in excess of the benchmark return

Standard deviation Volatility of monthly Absolute Returns

Tracking error Volatility of monthly Excess Returns against the benchmark (the Standard Deviation of monthly Excess Returns)

Sharpe ratio Absolute reward for absolute risk taken (outperformance of the risk free return (Bank Bills) / Standard Deviation)

Information ratio Relative reward for relative risk taken (Excess Returns / Tracking Error)

Worst drawdown The worst cumulative loss ('peak to trough') experienced over the period assessed

Time to recovery The number of months taken to recover the Worst Drawdown

Snail Trail A trailing 12-month relative performance and relative risk measurement over the benchmark. The trail is generated using a 12-month rolling window over the specified period

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