Performance Summary August 2010

SA Metropolitan Fire Service Superannuation Scheme

Funds SA is responsible for investing the assets of the SA Metropolitan Fire Service Superannuation Scheme. In this summary Funds SA provides an overview of the performance of the multi-sector products offered under the Scheme.

Performance

Key drivers of multi-sector performance during August 2010 included:

- The release of weaker-than-expected economic data has heightened concerns that the global economic recovery may be slowing and raised the spectre of a double-dip recession in the US, negatively impacting risk assets, such as equities; and
- Lingering global macroeconomic uncertainties extended expectations of official cash rates remaining very low for an extended period. This expectation lowered global sovereign bond yields and drove strong returns in debt markets.

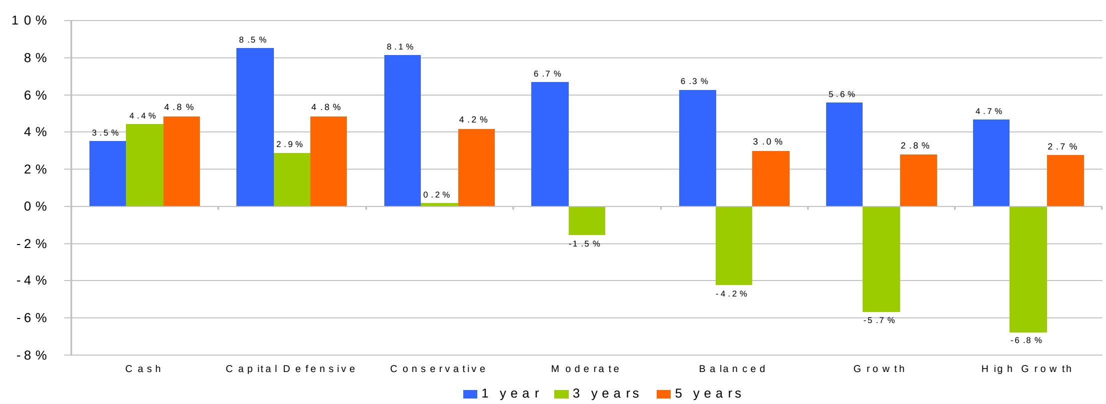
The table and chart below shows Funds SA's multi-sector taxable product returns based on the post tax unit prices in the SLA.

Table 1: Multi-sector product returns net of fees to 31 August 2010 [1, 2]

	1 mth %	3 mths %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.
Cash	0.3	1.0	0.7	3.5	4.4	4.8
Capital Defensive	1.2	2.7	1.8	8.5	2.9	4.8
Conservative	0.8	2.2	1.9	8.1	0.2	4.2
Moderate	0.3	1.5	2.0	6.7	-1.5	n.a.
Balanced	0.0	1.2	2.0	6.3	-4.2	3.0
Growth	-0.2	1.0	2.0	5.6	-5.7	2.8
High Growth	-0.8	0.5	1.9	4.7	-6.8	2.7

1. Returns are based on the post tax unit prices in the SLA.
2. The taxable products were established in April 2005, with the exceptions of the Moderate product (established in July 2006) and the Socially Responsible Balanced product (established in March 2009)

Chart 1: Multi-sector product annualised returns net of fees to 31 August 2010



Asset Allocation

The targeted asset allocation of the multi-sector products is shown in the table below.

Table 2: Targeted asset allocation for the 2010-2011 financial year

	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	Growth %	High Growth %
Cash	100.0	25.0	15.0	8.0	3.0	2.0	2.0
Long Term Fixed Interest	0.0	5.0	5.0	9.0	6.0	3.0	0.0
Short Term Fixed Interest	0.0	23.0	13.0	7.0	5.0	2.0	0.0
Inflation Linked Securities B	0.0	22.0	22.0	16.0	13.0	10.0	0.0
Diversified Strategies Income	0.0	15.0	15.0	10.0	10.0	10.0	8.0
Property B	0.0	4.0	6.0	8.0	8.0	12.0	14.0
Australian Equities B	0.0	4.0	14.0	25.0	29.0	33.0	41.0
International Equities B	0.0	2.0	10.0	17.0	20.0	22.0	27.0
Diversified Strategies Growth B	0.0	0.0	0.0	0.0	6.0	6.0	8.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Financial Market Snapshot

The table below summarises market performance.

Table 3: Major Market Index Returns

Index movements as at 31 August 2010	1 month %	3 months %	FYTD %	1 Year %	3 Years % pa	5 Years % pa
Cash and fixed income						
Cash	0.4	1.2	0.8	4.2	5.5	5.7
Australian Fixed Interest	1.9	3.6	2.2	9.1	7.9	6.3
Australian Inflation-Linked	2.7	3.8	2.0	10.7	4.1	4.4
Global Fixed Interest (1)	2.1	4.5	3.2	12.0	10.1	7.7
Global Inflation-Linked(1)	3.2	4.5	3.5	13.1	9.5	7.1
Property (2)						
Australian Listed Property	3.5	3.6	4.7	6.0	-23.9	-8.2
Global Listed Property	0.7	4.9	8.0	15.2	-11.5	-0.3
Equities(2)						
Australian Equities	-1.1	0.6	3.3	2.1	-7.1	4.2
Global Equities	-3.4	-2.1	2.2	2.3	-9.9	-0.9
US Equities	-4.5	-3.2	2.2	4.9	-8.7	-0.9
Japanese Equities	-5.2	-8.4	-4.1	-15.1	-19.5	-7.2
Asia (ex Japan) Equities	-0.8	5.9	3.8	13.5	-0.8	11.5
European Equities	-2.2	1.0	3.6	4.4	-8.9	0.8
Global Small Companies	-4.0	-3.4	1.3	7.5	-8.8	0.5
Emerging Market Equities	-1.4	4.1	4.7	14.1	-0.7	11.8
Currency (3)						
Australian Dollar vs MSCI Currency Basket	-1.3	2.9	3.3	6.6	2.6	2.5
Australian Dollar vs USD	-1.6	5.5	5.1	5.6	2.9	3.4

(1) Australian dollar return (hedged)

(2) Local currency return

(3) A positive number represents appreciation of the Australian dollar. A negative number represents depreciation.

Key factors impacting financial markets performance during August 2010 are summarised below.

Equity Markets

August witnessed a partial reversal of July's equity market rally, as concerns over the strength of the global economic recovery again came to the fore. Fears of a "double-dip" recession in the US escalated this month, fuelled by the release of weaker-than-expected housing, employment, and manufacturing data, and warnings from the US Federal Reserve that the economic recovery would take significantly longer than initially anticipated. Investor sentiment did improve late in the month, however, on the back of a reassurance from the Fed that further action would be taken should it prove necessary in order to stimulate the economic recovery.

Against this backdrop, the US equity market underperformed most other markets this month, despite a relatively strong corporate earnings reporting season. On a sectoral basis, the more defensive sectors (consumer staples, utilities, health care) were favoured, while materials stocks also outperformed as commodity prices held firm despite the weaker economic conditions.

Elsewhere, equity markets largely followed the US lead and finished the month lower. Markets in the Euro-zone weakened in a similar amount to the US, despite some positive corporate results from the troubled banking sector. The UK market held up much better due to its higher exposure to resource stocks. Asian markets generally held up much better, as Chinese economic indicators continued to point to robust growth, albeit at a slower pace to recent times. Japanese equities were again, however, the worst performing developed market, as concerns over the negative impact of a rising yen on that nation's export-oriented economy continues to worry investors.

Australian equities outperformed in August, despite an undecided Australian Federal election and a relatively lacklustre corporate earnings reporting season. As with offshore markets, defensive sectors and mining stocks were among the strongest performers, while telecommunications and financials were hardest hit amid bearish company outlook statements. Results in other sectors were mixed, with relative performance largely driven by individual earnings announcements and outlook statements, as well as a revival of corporate merger activity. The listed property sector also performed strongly, posting a positive return for the month, on the back of an increasingly positive outlook for the sector.

Debt Markets

The recent fall in government bond yields accelerated in August, with yields falling sharply across all major markets. This trend has been largely driven by the release of consistently weak economic growth data out of the US and Europe, and the lowering of expectations for future growth as public support programs begin to contract. In addition, increased speculation that the US Federal Reserve quantitative easing program would be expanded, applied further downward pressure on yields. This environment was highly constructive for government bonds, with most markets posting strong monthly returns. Inflation-linked bonds outperformed nominal bonds this month, due to the combination of falling real yields and the relatively long duration nature of this asset class.

Despite the general weakening of investor sentiment toward risk assets, and the resultant widening in risk premiums demanded in these markets, most non-government debt sectors still managed to post positive returns as the impact of falling government bond yields more than offset losses from risk premiums widening. Against this backdrop, global investment-grade (+2.4%), global high yield (+1.0%) and emerging market debt (+2.0%) all performed well.

Currency

Currency market activity was largely muted in August, with the Australian dollar falling only marginally against both the US dollar and the broader MSCI Currency Basket. A general weakening in investor risk appetite was broadly offset by sustained resilience in commodity prices, causing the AUD to trade largely range-bound over the month, before closing close to where it started, at US$0.8897.

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