Performance Summary December 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 December 2010 included:

- Positive economic news from the developed markets and the implementation of the US Federal Reserve's latest round of monetary easing provided a boost to investor sentiment globally, despite ongoing European sovereign debt concerns.
- Equities, commodities, and non-government debt securities rose across the board, with those assets perceived to be of higher risk outperforming more defensive sectors.
- Government bonds underperformed amid improvements in economic outlook and fears that quantitative easing would trigger higher inflation in the future.

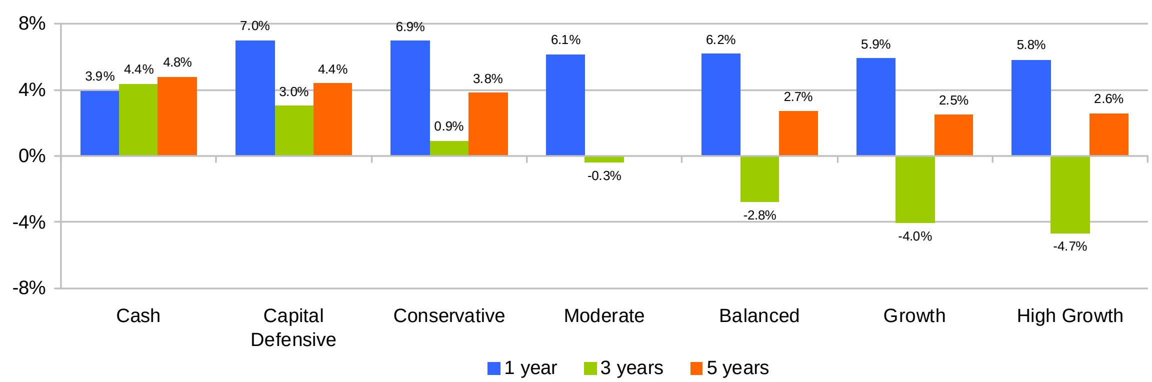
The table and chart below shows Funds SA's multi-sector taxable product returns based on the post tax unit prices in the SLA.

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

	1 mth %	3 mths %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.
Cash	0.4	1.1	2.1	3.9	4.4	4.8
Capital Defensive	0.4	0.6	2.8	7.0	3.0	4.4
Conservative	0.8	1.3	4.4	6.9	0.9	3.8
Moderate	1.3	1.9	5.9	6.1	-0.3	n.a.
Balanced	1.6	2.4	6.8	6.2	-2.8	2.7
Growth	1.8	2.8	7.5	5.9	-4.0	2.5
High Growth	2.3	3.7	9.0	5.8	-4.7	2.6

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)

Chart 1: Multi-sector product annualised returns net of fees to 31 December 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
Short Term Fixed Interest	0.0	23.0	13.0	7.0	5.0	2.0	0.0
Long Term Fixed Interest	0.0	5.0	5.0	9.0	6.0	3.0	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 to 31 December 2010	1 month %	3 months %	FYTD %	1 Year %	3 Years % pa	5 Years % pa
Cash and fixed income						
Cash	0.4	1.2	2.5	4.7	5.2	5.7
Australian Fixed Interest	0.0	-0.2	1.1	6.0	7.4	5.8
Australian Inflation-Linked	-0.1	-1.3	1.3	7.6	3.9	3.6
Global Fixed Interest (1)	0.0	-0.5	3.0	9.3	8.8	7.5
Global Inflation-Linked(1)	0.6	0.4	4.3	10.0	7.9	6.9
Property (2)						
Australian Listed Property	1.2	-1.2	2.6	-0.7	-21.4	-9.8
Global Listed Property	5.2	6.1	20.6	18.9	-5.7	0.1
Equities(2)						
Australian Equities	3.8	4.7	13.3	1.9	-5.0	4.4
Global Equities	5.7	8.3	18.4	10.0	-5.3	0.5
US Equities	6.7	10.8	23.3	15.1	-2.9	2.3
Japanese Equities	4.3	8.5	8.2	0.7	-14.0	-9.8
Asia (ex Japan) Equities	3.7	5.3	18.8	15.3	0.1	12.1
European Equities	5.5	5.0	14.5	6.8	-5.9	1.0
Global Small Companies	7.5	12.4	24.1	22.5	-1.2	2.9
Emerging Market Equities	4.5	5.7	19.2	14.1	0.0	11.4
Currency (3)						
Australian Dollar vs MSCI Currency Basket	5.1	5.6	16.2	12.7	4.9	5.1
Australian Dollar vs USD	6.9	5.9	21.4	14.0	5.3	6.9

(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 December 2010 are summarised below.

Equity Markets

The year ended on a positive note for global equity markets, with all major developed markets posting strong returns in December. Investors shrugged off lingering European sovereign debt concerns and rising inflation pressures in emerging markets, with further improvements in sentiment largely driven by the release of better-than-expected economic data across major developed economies. The MSCI World Index of developed equity markets gained 5.7% in December, extending its post-GFC recovery to 77% since March 2009.

In the US, the release of stronger-than-expected manufacturing and retail sales data saw a further retracement of investor fears of a double-dip recession. In addition, the extension of Bush-era tax cuts and the implementation of the Federal Reserve's latest round of quantitative easing also buoyed equity markets. From a sectoral perspective, while the market rally was largely broad based, those sectors perceived to be of higher risk or with close links to global growth did outperform the more defensive areas of the market. Commodity-related stocks, in particular, saw strong gains as the price of many industrial metals reached post-GFC highs.

Elsewhere, equity markets largely followed the US lead and finished the month higher. European markets were buoyed by positive German economic data, despite the lingering fears of Euro-zone sovereign debt concerns, while Asian markets also started the month strongly, before renewed US dollar weakness saw a moderation of gains in those markets that are heavily reliant on exports, such as Japan.

The Australian market also posted a healthy return for December, though nevertheless lagged offshore markets. Favourable offshore news and the RBA's decision to keep rates unchanged at its December meeting led to strong gains early in the month, before the release of softer-than-expected retail sales data and significant disruptions to the rural and resources sectors due to heavy rains and flooding in Queensland saw a sell-off in those companies exposed to these sectors. As with global markets, the energy and materials sectors were the strongest performers buoyed by higher commodity prices, while small cap stocks also experienced strong gains amid a flurry of corporate activity and a general increase in investor risk appetite.

Debt Markets

December was a mixed month for global bond markets, as those traditional safe-haven markets that had outperformed over recent months fell in price while the riskier markets that had been under pressure for much of that time actually stabilised and outperformed. The US market fared particularly poorly over the month, with 10-year bond yields rising by over 50bps, amid stronger growth prospects, the extension of tax cuts, and rising investor risk appetite. Australian bonds also finished the month weaker, though the release of softer-than-expected Q3 GDP growth and retail sales figures helped limit the extent of losses. The release of robust employment data later in the month, however, saw short-end yields rise significantly.

As with other risk assets, non-government debt sectors benefited from the release of stronger economic data and a general retracement in investor risk aversion. Against this backdrop, the risk premium demanded for holding these assets continued to grind lower, with those higher risk sectors, such as global high yield and emerging markets debt, experiencing the biggest gains. Nevertheless, these improvements in sentiment were partially offset by the increase in underlying government bond yields, tempering the overall gains to this sector.

Currency

Currency markets in December were characterised by the US dollar weakening against nearly all other currencies, as commodity prices continued to grind higher and the US Federal Reserve maintained an extremely accommodative monetary stance. The best performing currencies over the month were those of commodity producers, such as the Australian dollar, which finished the month 6.9% higher against the US dollar and 5.1% against the broader MSCI Currency Basket.

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