Performance Summary January 2011

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 January 2011 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;
- Equities, commodities, and non-government debt securities rose across the board, with those assets perceived to be of higher risk generally outperforming more defensive sectors;
- Emerging market securities underperformed amid concerns that rising inflation in these countries would trigger tightening of policy measures; and
- Government bonds underperformed globally amid improvements in economic outlook and a retracement of the "safe-haven" purchases that had been assisting the sector.

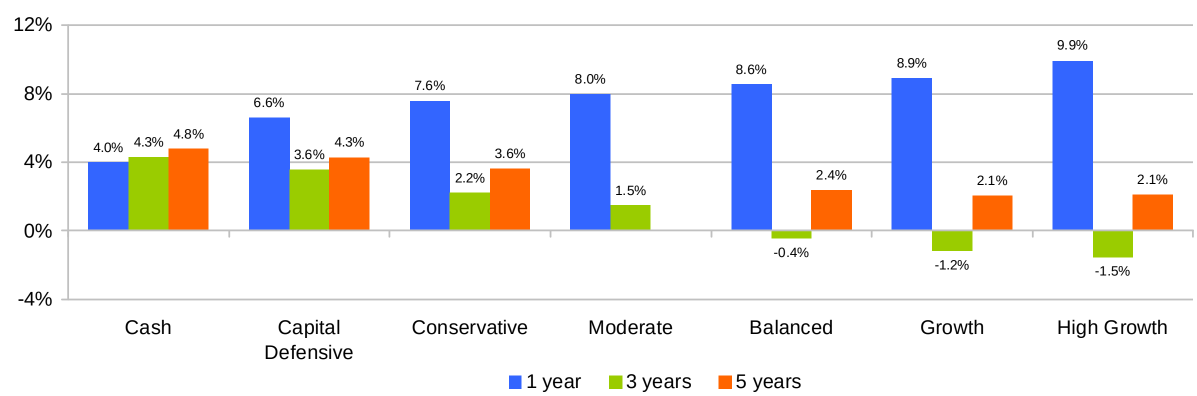
The table and chart below shows Funds SA's multi-sector taxable product returns based on the post tax unit prices in the SLA.

Table 1: Multi-sector product returns net of fees to 31 January 2011 [1, 2]

	1 mth %	3 mths %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.
Cash	0.3	1.1	2.5	4.0	4.3	4.8
Capital Defensive	0.6	0.8	3.4	6.6	3.6	4.3
Conservative	0.7	1.3	5.2	7.6	2.2	3.6
Moderate	0.8	1.8	6.7	8.0	1.5	n.a.
Balanced	0.8	2.1	7.6	8.6	-0.4	2.4
Growth	0.8	2.4	8.4	8.9	-1.2	2.1
High Growth	0.9	3.0	10.0	9.9	-1.5	2.1

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 January 2011



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 January 2011	1 month %	3 months %	FYTD %	1 Year %	3 Years % pa	5 Years % pa
Cash and fixed income						
Cash	0.4	1.2	2.9	4.7	5.2	5.7
Australian Fixed Interest	0.9	0.7	2.0	5.6	7.3	5.9
Australian Inflation-Linked	1.1	0.3	2.3	5.5	3.7	3.6
Global Fixed Interest (1)	0.1	-0.7	3.0	7.9	8.2	7.5
Global Inflation-Linked(1)	-0.1	-0.9	4.2	8.8	6.8	6.8
Property (2)						
Australian Listed Property	2.4	1.5	5.0	4.8	-16.6	-9.2
Global Listed Property	1.4	4.0	22.4	25.5	-3.9	-0.7
Equities(2)						
Australian Equities	0.1	2.9	13.5	8.7	-1.2	3.7
Global Equities	1.9	7.3	20.7	16.3	-1.9	0.3
US Equities	2.4	9.2	26.2	22.2	-0.1	2.2
Japanese Equities	1.1	11.8	9.4	2.6	-11.0	-10.3
Asia (ex Japan) Equities	-0.9	2.6	17.8	21.7	5.0	10.9
European Equities	1.9	3.9	16.7	13.2	-1.4	0.8
Global Small Companies	0.8	10.0	25.2	26.2	2.3	1.9
Emerging Market Equities	-2.1	1.1	17.2	17.8	5.0	10.1
Currency (3)						
Australian Dollar vs MSCI Currency Basket	-2.9	1.7	12.8	10.0	3.4	4.0
Australian Dollar vs USD	-2.7	1.7	18.0	12.2	3.8	5.7

(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 January 2011 are summarised below.

Equity Markets

The upward trend in global equity markets continued into January, with most major developed markets posting positive returns this month. Investors shrugged off concerns over political unrest in Egypt and rising inflation pressures in emerging markets, with further improvements in sentiment largely driven by an abatement of European sovereign debt concerns and the release of better-than-expected economic data across major developed economies. Against this backdrop, the MSCI World Index of developed equity markets finished the month 1.9% higher.

The US market was among the best performers this month, as the release of stronger-than-expected economic growth data reinforced signs of economic recovery. In addition, the Federal Reserve's commitment to easy monetary policy continues to provide an additional boost to equity markets. Elsewhere, signs of improvement across a range of countries in Europe helped reduce concerns of contagion of sovereign debt problems in peripheral Eurozone countries, while political unrest and an increased focus on inflation saw emerging equity markets retreat.

Locally, the equity market posted a small gain for January, though as has been the case over recent months, again lagged offshore markets. This subdued performance was delivered against the backdrop of major floods in Queensland as investors weighed the short-term, negative implications for the economy against the long-term, positive implications of the rebuilding. In addition, fears that China will need to further tighten its monetary policy to deal with rising inflation saw the resources sector significantly underperformed the broader market this month. On the economic front, data releases this month were again mixed, with consumer sentiment weakening against the backdrop of the flood situation, while labour market conditions continued to strengthen.

Debt Markets

Most government bonds markets around the world started 2011 on a weak note, as the combination of improving global macroeconomic data and an increase in inflation expectations saw bond yields rise in most countries. The worst performing markets were the "core" European countries such as Germany and France, where bonds sold-off amid a reduction in sovereign debt concerns, which reduced safe-haven buying of these bonds. In the local market, the devastating flooding which has recently plagued much of the country triggered a fall in bond yields as this is expected to be a significant drag on economic growth in the short-term, while the release of weak CPI data saw a reduction in market expectations of further interest rate hikes in the near term.

As with other risk assets, non-government debt sectors generally benefited from the release of stronger economic data and a further 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, again experiencing the biggest gains. Emerging markets debt was a notable underperformer, however, as rising inflationary concerns due to rising food prices and strong growth throughout much of the developing world continues to weigh on these securities.

Currency

Commodity-linked currencies, such as the Australian dollar, underperformed during January amid growing concerns that Chinese monetary authorities are growing increasingly concerned about the speed of liquidity creation and economic growth in that economy, increasing the likelihood of further interest rate hikes in coming months. Despite this, the AUD managed to remain relatively strong, helped by indications that the US Federal Reserve plan to keep rates on hold for the foreseeable future. After falling sharply early in the month, the AUD traded in a one cent range for the remainder of the month, closing down 2.7% against the US dollar and 2.9% against the broader MSCI Currency Basket.

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