FUNDS SA

Performance Summary July 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 July 2010 included:

- A stronger-than-expected start to earnings reporting season in the US fuelled a broad-based rally in global equity markets;
- Further improvements in investor risk appetite following the release of European banking stress-test results, which supported riskier asset classes such as equities and non-government debt sectors; 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 improved the relative appeal of higher yielding risk assets.

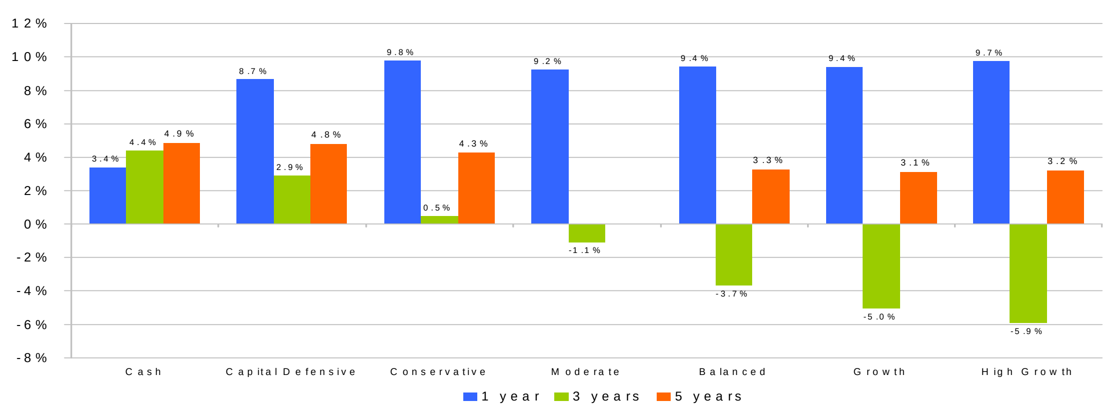
The table and chart below shows Funds SA's multi-sector taxable product returns based on the post tax unit prices in the SLA.

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

	1 mth %	3 mths %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.
Cash	0.4	1.0	0.4	3.4	4.4	4.9
Capital Defensive	0.6	1.6	0.6	8.7	2.9	4.8
Conservative	1.1	0.6	1.1	9.8	0.5	4.3
Moderate	1.7	-0.6	1.7	9.2	-1.1	n.a.
Balanced	2.0	-1.1	2.0	9.4	-3.7	3.3
Growth	2.2	-1.6	2.2	9.4	-5.0	3.1
High Growth	2.7	-2.4	2.7	9.7	-5.9	3.2

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 July 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 July 2010	1 month %	3 months %	FYTD %	1 Year %	3 Years % pa	5 Years % pa
Cash and fixed income						
Cash	0.4	1.2	0.4	4.0	5.5	5.8
Australian Fixed Interest	0.3	3.3	0.3	7.8	7.5	6.0
Australian Inflation-Linked	-0.7	2.0	-0.7	9.4	3.9	4.2
Global Fixed Interest (1)	1.1	3.6	1.1	11.1	9.8	7.5
Global Inflation-Linked(1)	0.3	1.9	0.3	11.5	8.7	6.9
Property (2)						
Australian Listed Property	1.1	-4.2	1.1	18.9	-22.8	-8.5
Global Listed Property	7.2	-3.0	7.2	25.9	-10.8	-0.6
Equities(2)						
Australian Equities	4.5	-6.0	4.5	10.0	-6.1	4.9
Global Equities	5.7	-6.3	5.7	9.8	-8.9	-0.2
US Equities	7.0	-6.7	7.0	13.8	-6.8	-0.2
Japanese Equities	1.2	-13.9	1.2	-9.2	-19.6	-5.2
Asia (ex Japan) Equities	4.6	0.6	4.6	11.3	-0.7	11.3
European Equities	5.9	-2.8	5.9	13.0	-8.4	1.2
Global Small Companies	5.5	-7.0	5.5	18.1	-8.1	1.3
Emerging Market Equities	6.2	0.1	6.2	15.8	-0.5	12.4
Currency (3)						
Australian Dollar vs MSCI Currency Basket	4.6	-3.4	4.6	9.0	1.3	2.5
Australian Dollar vs USD	6.8	-2.4	6.8	8.7	1.7	3.6

(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 July 2010 are summarised below.

Equity Markets

The new financial year started on a positive note for equities, with the majority of markets posting their strongest monthly gains since March. Improving investor confidence saw a reversal of the negative returns in May and June, amid a better-than-expected start to company reporting season in the US. The release of the European banking stress-test results and a softening of the proposed Basel III reforms (financial regulation) seemed to dominate recent concerns over a weakening in the global economic recovery, providing a further boost to investor sentiment.

Against this backdrop, the US equity market was the strongest performer of the developed markets in July, as the majority of corporate earnings announcements surpassed expectations for the sixth consecutive quarter. While the market rally was largely broad based from a sectoral perspective, those sectors perceived to be of higher risk or with close links to global growth did outperform the more defensive areas of the market. Energy stocks performed particularly well this month, as the Gulf of Mexico crisis eased and the oil price continued to rise, while the financial sector responded positively to a further easing of the recent strains on the global financial system.

Elsewhere, equity markets largely followed the US lead and finished the month higher. European markets performed well as recent fears over sovereign debt in the region took a back seat following the release of banking stress test results, while Asian markets generally gained ground amid diminishing concerns over a potential economic slowdown in China. As has often been the case in recent times, Japanese equities underperformed other developed markets, driven lower by concerns over the negative impact of a rising yen on that nation's export-oriented economy.

Australian equities also reacted positively to offshore leads this month, although trading volumes were light as investors await the start of domestic company reporting season in early August. As with global markets, it was higher-risk sectors (industrials, materials, financials) which outperformed the more defensive-oriented sectors (consumer staples, health care, telecommunications). On the economic front, data releases this month showed a moderation of the domestic economy, with inflation data weaker-than-expected, although employment growth remained strong. Against this backdrop, the Reserve Bank of Australia left official interest rates unchanged at 4.50%.

Debt Markets

Ongoing uncertainty surrounding the strength of the global economic recovery and the release of some more cautious commentary from the US Federal Reserve saw government bond yields remain low in most countries, notwithstanding the strong rebound in riskier asset classes. In the local market, on the other hand, bond yields finished the monthly slightly higher as the domestic economy remained relatively robust. Against this backdrop, government bond markets posted modest positive returns, with Australia underperforming other markets.

As with other risk assets, non-government debt sectors started the financial year strongly on further improvements in investor sentiment and a retracement of the European sovereign debt concerns that have weighed on markets in recent months. Global high yield (+4.1%) and emerging market debt (+3.8%) were again among the best performing sectors, while global investment-grade (+1.8%) also performed strongly.

Currency

The major theme driving global currency markets this month was the re-emergence of rising expectations for the US Federal Reserve to engage in quantitative easing again. This weakened the US dollar against most major currencies, while those currencies which are most sensitive to global growth and commodity prices performed the best. Consequently, the Australian dollar gained 6.8% against the USD to close the month at US$0.90, while also posting a respectable 4.6% gain against the broader MSCI Currency Basket.

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