Performance Summary June 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 June 2010 included:

- Continued sovereign debt concerns in Europe and related banking stress resulted in sustained volatility in global financial markets;
- 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, which negatively impacted risk assets, particularly equities and commodities; and
- Gains in government bond markets, driven by a flight-to-quality amid rising macroeconomic concerns.

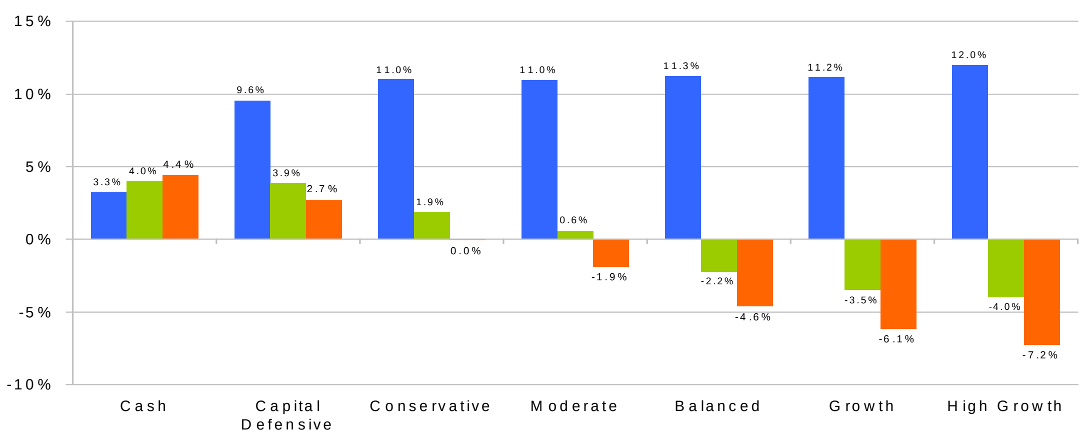
The table and chart below shows Funds SA's multi-sector taxable product returns net of effective tax rates and after the deduction of all fees and costs.

Table 1: Multi-sector product returns net of fees to 30 June 2010 [1, 2]

	1 mth %	3 mths %	FYTD %	1 year %	2 years % p.a.	3 years % p.a.
Cash	0.3	0.9	3.3	3.3	4.0	4.4
Capital Defensive	0.9	1.9	9.6	9.6	3.9	2.7
Conservative	0.3	0.1	11.0	11.0	1.9	0.0
Moderate	-0.4	-1.9	11.0	11.0	0.6	-1.9
Balanced	-0.7	-2.9	11.3	11.3	-2.2	-4.6
Growth	-0.9	-3.6	11.2	11.2	-3.5	-6.1
High Growth	-1.3	-5.0	12.0	12.0	-4.0	-7.2

1. Returns are net of effective tax rates and after deduction of all fees and costs.
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 30 June 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 2009-2010 financial year

	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	Growth %	High Growth %
Cash	100.0	25.0	11.0	8.0	5.0	5.0	2.0
Fixed Interest	0.0	25.0	20.0	14.0	7.0	2.0	0.0
Inflation Linked Securities B	0.0	25.0	24.0	18.0	15.0	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 30 June 2010	1 month %	3 months %	FYTD %	1 Year %	3 Years % pa	5 Years % pa
Cash and fixed income						
Cash	0.4	1.1	3.9	3.9	5.6	5.8
Australian Fixed Interest	1.4	3.6	7.9	7.9	7.7	6.1
Australian Inflation-Linked	1.8	3.6	10.2	10.2	4.4	4.5
Global Fixed Interest (1)	1.2	3.4	11.5	11.5	9.8	7.2
Global Inflation-Linked(1)	1.0	3.1	12.2	12.2	9.4	6.7
Property (2)						
Australian Listed Property	-1.0	-1.5	20.3	20.3	-24.3	-8.3
Global Listed Property	-2.9	-6.2	26.3	26.3	-14.9	-1.0
Equities(2)						
Australian Equities	-2.6	-11.2	13.1	13.1	-8.0	4.5
Global Equities	-4.2	-11.2	11.5	11.5	-11.5	-0.6
US Equities	-5.2	-11.4	14.4	14.4	-9.8	-0.8
Japanese Equities	-4.5	-14.4	-8.1	-8.1	-21.0	-5.0
Asia (ex Japan) Equities	2.0	-2.9	19.4	19.4	0.0	11.6
European Equities	-2.5	-9.9	16.6	16.6	-11.2	0.8
Global Small Companies	-4.6	-8.7	20.3	20.3	-10.6	1.3
Emerging Market Equities	-0.5	-5.6	19.8	19.8	-0.9	12.6
Currency (3)						
Australian Dollar vs MSCI Currency Basket	-0.4	-6.5	6.4	6.4	-0.2	1.5
Australian Dollar vs USD	0.4	-7.8	4.9	4.9	-0.1	2.1

(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 June 2010 are summarised below.

Equity Markets

Most major equity markets finished the month lower, as investors continue to be unnerved by ongoing turmoil in the Euro-zone sovereign debt markets and by growing concerns that the global economic recovery is faltering. Fears that the US recovery could stall weighed heavily on markets, amid a sharp fall in consumer confidence and the release of worse-than-expected housing data. In addition, mixed economic data out of China saw the emergence of concerns of a slowdown in the emerging markets, while commentary from the G20 meeting of further fiscal restraint also raised questions over longer-term economic growth.

Relative performance globally largely took a sectoral perspective, with those sectors perceived by the market to be more defensive (consumer staples, utilities, telecommunications) generally outperforming more cyclical sectors (consumer discretionary, industrials). The lingering effects of the Gulf of Mexico oil spill and the associated off-shore drilling moratorium continued to weigh on the energy sector, while the release of less positive economic data from China saw a sell-off in commodity-related stocks. In a continuation of the recent trend, gold stocks outperformed, as the price of gold continued to drift higher, reaching an all-time high intra-month.

Despite positive performance over the first three weeks of June, the domestic equity market also finished the month in negative territory, as a shift in sentiment led by global macro fears erased the month’s early gains. This month was also notable on the political front, with the removal of first-term Prime Minister Kevin Rudd creating some further regulatory uncertainty for some sectors. As with global markets, defensive sectors typically outperformed cyclical stocks, while those companies with significant exposure to Europe or the US were also sold-off. The telecommunications sector was the standout performer (+9.2%), driven by Telstra finally coming to an agreement with the government over the National Broadband Network. In contrast to offshore markets, the local materials sector actually outperformed despite falling commodity prices, on hopes of a Resources Super Profit Tax compromise following the change in Prime Minister.

Debt Markets

Positive bond market performance over the past couple of months extended further in June, with government bond yields falling in all major markets, as global macro issues weighed heavily on investor sentiment and resulted in strong performance in “safe-haven” government bonds and the relative underperformance of the fundamentally weaker countries. In Australia, bond yields fell across all maturities, as global macro issues also saw a reduction in market expectations of further RBA interest rate hikes in the near future.

Credit markets performed broadly in line with government bonds this month, as a slight increase in risk premiums in some non-government debt sectors was offset by an overall fall in bond yields. While sentiment in these markets were negatively impacted by heightened sovereign credit concerns and the equity market sell-off, most sectors managed to post healthy returns, including global investment-grade credit (1.6%), global high yield (1.7%), and emerging markets debt (2.2%).

Currency

Currency market action was more muted in June after markets experienced some sharp moves during the sell-off in May. After gaining ground early in the month, commodity currencies, such as the Australian dollar, weakened on rising concerns about a slowdown in China and the heightened risk of a double dip recession in developed economies. All up, the AUD gained 0.4% against the USD, finishing the month at US$0.8467, though finished 0.4% lower against the broader MSCI Currency Basket. In other notable events, the People’s Bank of China announced that they would be adopting a more flexible yuan exchange rate policy, though subsequent moves in the RMB/USD exchange rate to date have been modest.

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