Performance Summary

SA Metropolitan Fire Service Super Scheme – Members

March 2023

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 investment options offered under the Scheme.

Performance

The table and chart below show Funds SA's Taxable investment option returns based on the post-tax unit pricing model.

Table 1: Taxable investment option returns to 31 March 2023

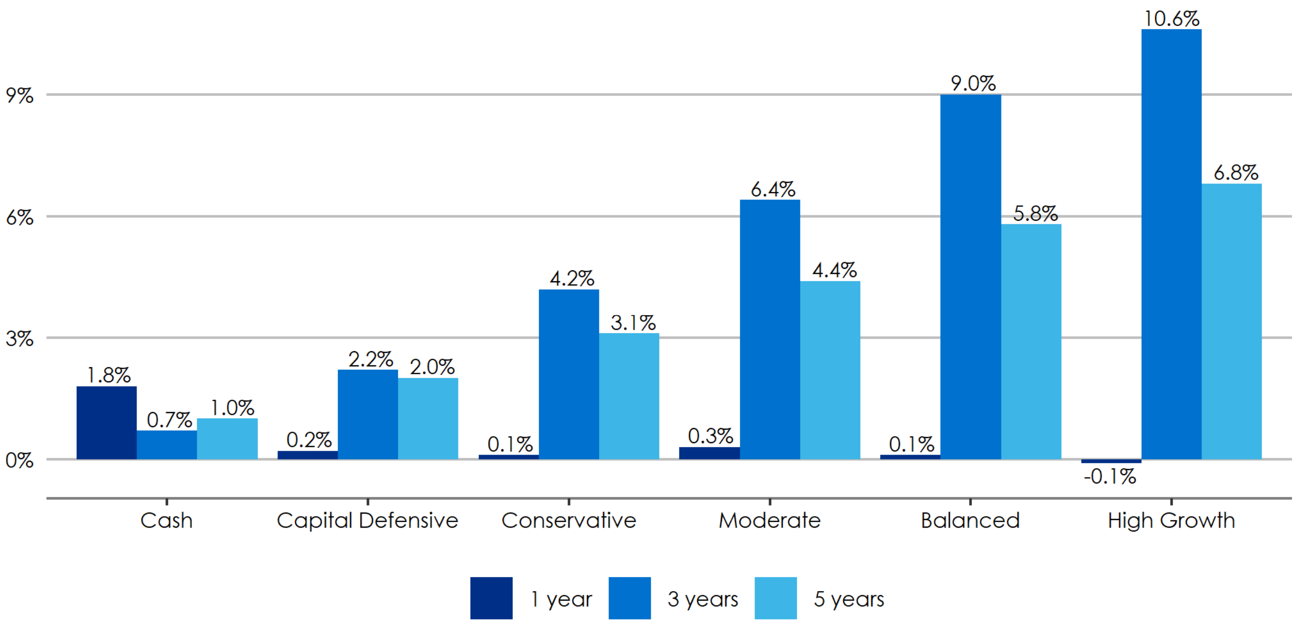
Returns are net of fees and tax

Investment option	1 month %	3 months %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Cash	0.2	0.7	1.7	1.8	0.7	1.0	1.2	1.5
Capital Defensive	1.0	2.4	3.7	0.2	2.2	2.0	2.6	3.0
Conservative	0.9	2.9	4.8	0.1	4.2	3.1	3.9	4.2
Moderate	0.9	3.4	5.8	0.3	6.4	4.4	5.2	5.5
Balanced	0.7	3.8	6.8	0.1	9.0	5.8	6.6	6.7
High Growth	0.5	3.9	7.5	-0.1	10.6	6.8	8.0	8.2

Note: The Taxable investment options were established in March 2005, with the exception of the Moderate investment option (established in June 2006).

Chart 1: Taxable investment options annualised returns to 31 March 2023

Returns are net of fees and tax



Key drivers of performance:

- All investment options generated positive returns.
- International Equities was a key contributor across all investment options. International equity markets rallied following swift actions from regulators to resolve instability in the global banking sector.
- Fixed Interest delivered positive returns as yields fell following a market repricing. This bolstered performance for the lower risk investment options (Capital Defensive, Conservative, and Moderate). The higher risk investment options also benefited however to a lesser extent due to smaller allocations to the asset classes.
- Property detracted across all investment options due to negative performance of listed Australian property and revaluation activity in Office and Diversified funds.
- Australian Equities was a consistent detractor across the investment options. The Australian equity market declined as the global banking turmoil had spill over effect to the Australian Financial and Real Estate sectors.
- The Reserve Bank of Australia (RBA) increased the Official Cash Rate (OCR) 0.25% from 3.35% to 3.60%. At the time of writing, the RBA left the OCR unchanged at 3.60% (4 April 2023).

Asset allocation

The asset allocation of the Funds SA Taxable investment options is shown in the table below.

Table 2: Asset allocation as at 31 March 2023

Asset class	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	High Growth %
Cash	100.0	20.4	15.9	11.5	8.5	5.2
Fixed Interest	0.0	37.0	21.9	14.0	7.1	0.0
Inflation-Linked Securities Taxable	0.0	11.9	11.4	9.9	5.4	0.0
Diversified Strategies Income	0.0	10.5	14.6	11.7	7.9	6.9
Property Taxable	0.0	6.2	8.6	8.6	9.7	14.6
Australian Equities Taxable	0.0	5.3	11.3	18.4	25.2	29.3
International Equities Taxable	0.0	5.5	12.1	20.1	26.3	31.9
Diversified Strategies Growth Taxable	0.0	3.2	4.2	5.8	10.0	12.0
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Due to rounding, the sum of the individual numbers within the table may not equal the totals quoted.

Financial market snapshot

The table below summarises general financial market performance. The market indices used in the table below are different to the indices that Funds SA uses to target and measure the performance of its asset classes and investment options. As a result, the table below is not reflective of Funds SA performance and should not be used for comparison purposes.

Table 3: Major market index returns to 31 March 2023

Market index	1 month %	3 months %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Cash and Fixed Income								
Australian Cash	0.3	0.8	2.0	2.0	0.7	1.1	1.3	1.7
Australian Government	3.5	4.9	4.4	0.4	-3.0	1.3	1.6	2.6
Australian Inflation-Linked	4.1	6.7	8.7	2.3	1.9	2.9	2.7	3.4
Global Treasuries	2.4	2.6	-1.1	-5.2	-3.4	0.2	0.8	2.5
Global Inflation-Linked	3.3	3.2	-3.3	-13.0	-1.1	0.8	2.1	2.5
Credit								
Global Credit	2.0	2.4	-0.2	-7.0	-1.8	0.3	1.3	2.6
Global High-Yield	0.4	2.3	6.3	-5.6	3.8	0.7	3.4	3.9
Emerging Market Debt	1.4	2.2	5.2	-5.9	0.3	-0.2	1.5	1.8
Property								
Australian Listed Property	-6.8	0.3	4.2	-14.0	14.2	5.2	4.6	8.0
Equities								
Australian Equities	-0.2	3.3	13.3	-0.6	16.6	8.6	9.4	8.1
Global Equities	2.5	7.4	10.3	-5.5	16.7	8.9	10.2	9.8
US Equities	3.7	7.5	10.0	-7.7	18.6	11.2	12.4	12.2
European Equities	0.1	8.6	15.0	5.0	15.1	6.6	7.7	7.1
Japanese Equities	1.7	7.2	9.5	5.3	15.4	6.0	8.4	9.2
Asia (ex Japan) Equities	2.9	4.5	1.1	-5.2	8.0	1.5	6.5	5.2
Emerging Market Equities	2.2	3.8	1.9	-6.2	9.2	2.3	6.8	5.4
Global Small Companies	-2.4	4.5	10.1	-8.8	17.7	4.5	7.9	7.8
Currency								
Australian Dollar vs Developed Market Basket	-1.6	-2.2	-3.9	-9.5	3.4	-2.0	-1.6	-3.6

Note:

Returns hedged to the Australian Dollar: Global Treasuries, Global Inflation-Linked, Global Credit, Global High-Yield.

Equity returns are expressed in local currency.

Emerging Market Debt is hedged to the US Dollar.

Currency: A positive number represents appreciation of the Australian Dollar. A negative number represents a depreciation of the Australian Dollar.

Financial market commentary

Financial markets were highly volatile during the month stemming from the failure of some US regional banks and the takeover of Credit Suisse by UBS. However, by months end financial markets had settled and global bond and equity markets returned 2.4% and 2.5%, respectively. Inflation and central bank actions, however, remain the key drivers of market movements.

Inflation pressures continued to persist, and many developed market central banks raised rates. The Reserve Bank of Australia, the US Federal Reserve, and the Bank of England raised rates 0.25%. Communication from these central banks was unanimous in their intent to address inflation, however, many were cognisant of tensions in markets following the collapse of Silicon Valley Bank (SVB), Signature Bank, and Silvergate Bank in the US, and Credit Suisse in Europe. Initially, markets fell following the collapse of the banks amid fears of potential global contagion. However, markets rallied after regulators acted quickly to provide confidence to depositors, investors, and markets.

There are signs that monetary policy tightening is slowing economic growth and dampening in inflation. This, coupled with the bank collapses, saw expectations for monetary policy change significantly over the month with the market pricing in a rate cut cycle late this year.