Performance Summary

SA Metropolitan Fire Service Super Scheme – Members

April 2024

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 30 April 2024
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	0.3	0.9	3.2	3.8	2.0	1.4	1.5	1.6
Capital Defensive	-0.8	0.4	3.8	3.3	0.9	1.8	2.4	2.9
Conservative	-1.1	0.9	4.6	4.5	1.8	2.9	3.5	4.0
Moderate	-1.5	1.4	5.5	5.7	3.2	4.3	4.7	5.2
Balanced	-1.8	1.8	6.2	6.9	4.2	5.8	6.1	6.5
High Growth	-1.9	2.2	6.7	7.5	4.9	6.6	7.1	7.6

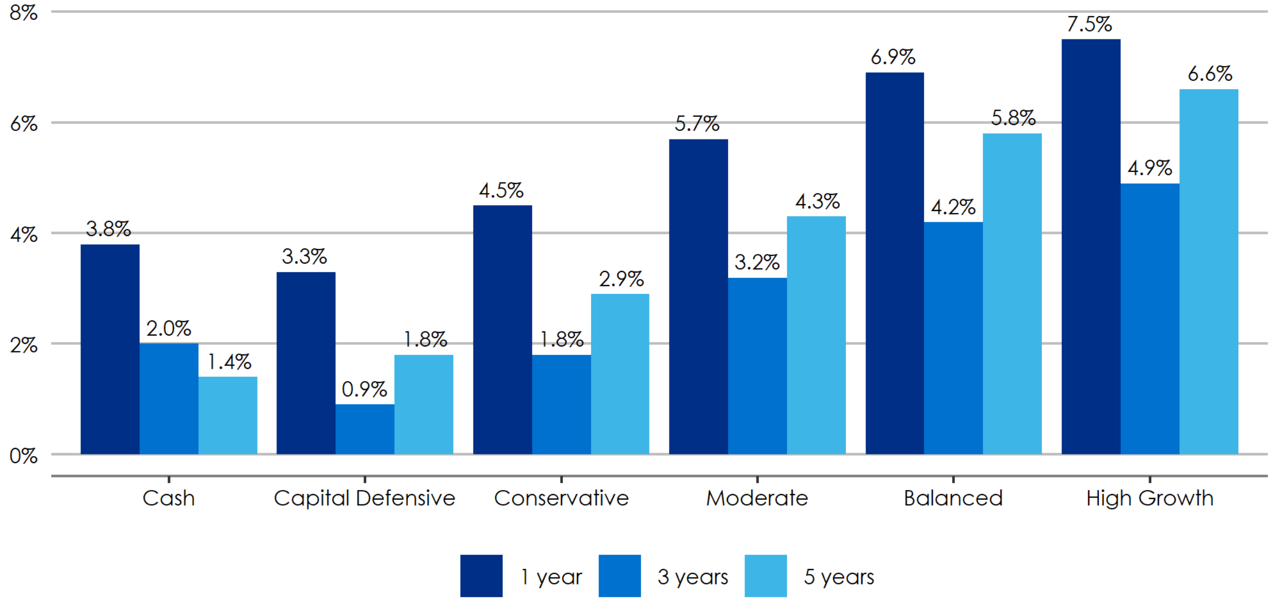
Note: The Taxable investment options were established in March 2005, with the exception of the Moderate investment option (established in June 2006).

Key drivers of performance:

- All investment options generated negative returns for the month. The Equities asset classes accounted for most of the negative performance.
- Higher-than-expected inflation reported in the US, resilient jobs market conditions, and reduced expectations for interest rate cuts led to most financial markets declining in value during the month.
- Within International Equities, most major developed market equity markets declined. Emerging Markets provide small positive returns, particularly Chinese equities on the back of improving sentiment toward that market.
- The International asset class underperformed benchmark due to stock selection within the US Communication and US and European Healthcare sectors.
- Within the Australian Equity market, interest rate sensitive sectors such as Real Estate Investment Trusts (REITs) and Consumer Discretionary were the weakest performers.
- The Australian Equity asset class was flat against benchmark, driven by positive stock selection in Industrials and Health Care, in particular being overweight Fisher & Paykel, and to a lesser extent being underweight Financials.
- Fixed Interest delivered small negative returns as bond yields moved higher. Interest rate sensitive sectors were impacted the most. Within the Credit sector, credit spreads tightening due to strong demand somewhat offset rising bond yields.
- Alternatives, Infrastructure and Cash were the only asset classes to provide positive returns during the month.

Chart 1: Taxable investment options annualised returns to 30 April 2024

Returns are net of fees and tax



Effective asset allocation

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

Table 2: Effective asset allocation as at 30 April 2024

Asset class	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	High Growth %
Australian Equities	0.0	5.0	10.1	18.0	25.7	29.9
International Equities	0.0	5.5	12.1	20.1	26.7	32.4
Private Markets	0.0	1.1	2.1	3.0	5.1	6.9
Property	0.0	5.7	6.4	6.1	7.7	11.9
Infrastructure	0.0	6.4	5.6	4.1	5.4	5.0
Alternatives	0.0	4.2	4.2	3.1	2.2	0.0
Credit	0.0	2.9	7.2	7.0	6.1	6.9
Fixed Interest	0.0	51.7	37.1	24.8	13.0	0.0
Cash	100.0	17.4	15.1	13.7	8.2	7.0
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Foreign Currency	**0.0**	**4.4**	**9.4**	**15.8**	**21.0**	**25.2**
Foreign Currency Hedge*	**0.0**	**1.1**	**2.7**	**4.9**	**5.6**	**7.0**

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

* The partial foreign currency hedge is the exposure converted back into Australian Dollars from investing in International Equities to achieve the Foreign Currency strategic allocation.

All other asset classes that have international investments are typically fully currency hedged.

Financial market snapshot

The table below summarises broad financial market performance.

Table 3: Major market index returns to 30 April 2024

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.
Australian Equities	-2.9	1.2	10.0	9.0	7.1	8.0	8.0	7.8
International Equities	-2.8	6.0	15.1	19.7	10.5	11.3	11.8	12.2
Australian Unlisted Property	-0.1	-2.1	-6.2	-9.1	2.1	2.0	4.2	6.5
Credit	-0.5	1.5	7.9	9.5	1.1	2.1	2.6	3.9
Global Fixed Interest	-2.6	-2.2	0.3	-2.7	-4.2	-1.4	0.4	2.1
Australian Fixed Interest	-0.6	0.2	4.7	3.4	0.7	1.3	1.8	2.3
Cash	0.4	1.1	3.6	4.2	2.2	1.5	1.6	1.8
Foreign Currency (AUD v. Developed Markets)	0.0	-0.9	-2.3	-1.3	-5.3	-2.2	-2.4	-2.7

Note: Returns hedged to the Australian Dollar: Global Fixed Interest, Credit. Equity returns are expressed in AUD.

Financial market commentary

There were two major developments during the month impacting Equity and Fixed Interest markets. In the US, inflation was stronger than anticipated and the prospects for interest rates cuts diminished. As the US leads global markets, most global financial markets followed the downward momentum. Interest rate sensitive sectors across equity and fixed interest markets were the most impacted by the view that interest rates would be higher for longer.

A secondary factor was concern that the Israel/Gaza conflict would escalate into a broader conflict across the Middle East. Iran launched a drone attack on Israel and Israel launched retaliatory actions. However, both countries de-escalated tensions and no further action has been taken.

In Australia, concerns about sticky inflation added to Equity and Fixed interest market volatility, with both markets down over the month. The equity market finished the month with the worst monthly performance since October 2023.

The prospect of domestic interest rate cuts in the short-term has vanished and the possibility of an interest rate increase before the end of 2024 was being considered by financial markets. As a result, interest rate sensitive sectors performed poorly.

There was some emerging weakness in economic data relating to the consumer sector. Only time will tell if this is enough to lead to declining inflation and reset market expectations for potential interest rate cuts.