Performance Summary

SA Metropolitan Fire Service Super Scheme – Members

December 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 31 December 2024

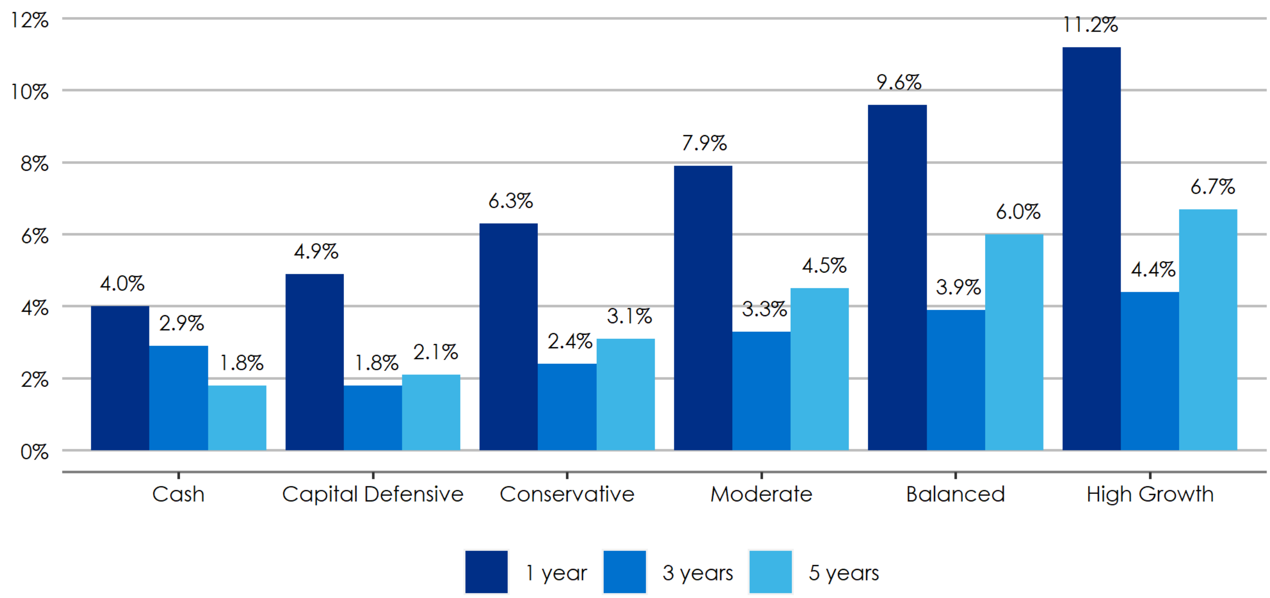
Returns are net of fees and tax

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	0.4	1.0	2.1	4.0	2.9	1.8	1.7	1.7
Capital Defensive	0.0	0.9	3.3	4.9	1.8	2.1	2.6	2.9
Conservative	-0.1	1.2	3.9	6.3	2.4	3.1	3.7	4.1
Moderate	-0.4	1.4	4.6	7.9	3.3	4.5	4.9	5.3
Balanced	-0.7	1.9	5.4	9.6	3.9	6.0	6.3	6.5
High Growth	-0.8	2.5	6.4	11.2	4.4	6.7	7.1	7.7

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 December 2024

Returns are net of fees and tax



Key drivers of performance:

- The Cash and Capital Defensive investment options delivered positive returns for the month ended 31 December 2024. The other investment options were negative.
- Except for Cash, investment options underperformed their respective benchmarks.
- The Australian Equities asset class was the major driver of negative returns, falling more than 3% in the month, the weakest monthly performance since October 2023. Stock selection within the Industrials and Materials sectors was the major detractor. Technology and Health Care were positive contributors.
- The International Equities asset class was the strongest performer due to the significant decline in the Australian dollar which fell 5% relative to the US dollar. Emerging Market exposures were major contributors.
- Private Markets gained on favourable valuation changes across several underlying investments in the venture capital segment. The legacy fund-of-funds portfolio also contributed positively.
- Infrastructure achieved small gains driven by positive independent revaluations for several underlying assets in the airport and registry infrastructure sectors.
- The Fixed Interest assets classes were mixed in December. Active management was a source of positive returns. Those asset classes with greater sensitive to bond yield changes were negative, largely on the back of the significant increase in US treasury yields.

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 31 December 2024

Asset class	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	High Growth %
Australian Equities	0.0	4.6	9.5	17.3	24.8	30.2
International Equities	0.0	7.7	14.8	23.9	33.6	40.2
Private Markets	0.0	1.0	2.0	2.6	4.6	6.2
Property	0.0	5.0	5.7	5.5	6.5	9.0
Infrastructure	0.0	8.9	7.9	6.9	6.9	5.9
Alternatives	0.0	3.6	3.6	2.6	1.8	0.0
Credit	0.0	1.9	5.8	6.2	5.1	7.0
Fixed Interest	0.0	48.9	36.7	25.5	12.5	0.0
Cash	100.0	18.4	14.1	9.6	4.2	1.4
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Foreign Currency	**0.0**	**4.9**	**9.9**	**14.5**	**20.6**	**25.9**
Foreign Currency Hedge*	**0.0**	**2.6**	**4.6**	**8.7**	**11.6**	**12.6**

Notes: 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 31 December 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	-3.1	-0.8	6.9	11.4	7.1	8.0	8.4	8.5
International Equities	2.8	11.1	14.0	29.8	11.3	13.0	13.0	12.4
Australian Unlisted Property	-0.3	0.4	-0.2	-6.4	-2.6	0.2	2.3	5.2
Credit	0.2	1.0	4.9	8.1	2.7	2.6	3.0	4.4
Global Fixed Interest	-0.4	-1.6	2.1	1.0	-3.4	-1.7	0.7	1.6
Australian Fixed Interest	0.7	0.8	3.5	5.2	2.5	1.8	2.3	2.3
Cash	0.4	1.1	2.2	4.5	3.2	2.0	1.9	1.9
Foreign Currency (AUD v. Developed Markets)	-4.5	-9.4	-7.6	-8.5	-5.2	-3.0	-3.6	-2.6

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

Financial market commentary

US and Australian equity markets were significantly weaker in December, retracing much of the gains from November. US bond yields and the US dollar rose, pushing the Australian dollar down to levels not seen since early in 2020 (refer Chart 1). A resilient US economy, uncertainty surrounding the incoming presidency and investors recalibrating Central Bank target policy rate settings were some of the market drivers in December.

Australian equities

The S&P/ASX 300 index returned -3.1% for the month, recording its weakest monthly performance since October 2023. The Australian market hit an all-time high early in December before moving lower and wiping out most of the prior month's gains. The unwind was attributed to concerns around China's ability to stimulate its flagging economy, along with the markets shift to a slower pace of US rate cuts following the US Federal Reserve's Federal Open Market Committee (FOMC) meeting statement. The Real Estate, Materials, Technology and Financials sectors had the largest falls.

Global equities

The MSCI World ex-Australia index returned +2.6% (unhedged in AUD terms) in December and finished the year up +31.2%. In local currency terms, however, the index returned -1.9% (unhedged, local currency terms) driven by weaker US equities (S&P500 -2.5%, Dow Jones Industrials -5.1%, Russell 2000 -8.4%). The MSCI Emerging Markets index returned +5.1% (unhedged, AUD) in December outperforming developed market indices.

US equities fell in the wake of the US Federal Reserve's FOMC statement. Concerns analysts around stretched valuations and a deterioration in the breadth of performance increased. According to FactSet, Bank of America's Global Fund Manager Survey for December highlighted a record high allocation to US equities and a record low allocation to cash, increasing contrarian risks. The survey results also showed the long Magnificent Seven trade continues to be the most crowed trade.

The broader STOXX 600 European equity index fell 0.5% driven by weak UK and Spanish equities. However German, French and Italian markets were all more than +1.0% higher. Concerns remain about the EU macro-economic environment, with the Purchasing Manager's Index (PMI) data indicating ongoing contraction in manufacturing. Central Banks are still on an easing path, although commentary suggests a more gradual approach to further cuts.

Asian markets were mostly lower, the MSCI Asia Pacific ex-Japan index falling -1.2% in the month. Hong Kong and China indices rose post the government stimulus announcement, while other indices in the region fell as their currencies came under pressure from a strong US dollar.

Fixed interest and currencies

Fixed interest markets were weaker in December. Interest rate markets were once again influenced by Central Bank monetary policy moves and commentary. Several banks reduced their target policy rates during the month including the European Central Bank and the US Federal Reserve. US 10-year bond yields rose 40 basis points to 4.6%. This was prompted by strong economic data and comments from the FOMC that led the market to recalibrate expectations for further cuts from 4 to 2 in calendar year 2025. 10-year bond rates have been rising in recent months (refer Chart 2) due to fears of further deterioration in the US deficit. The sharp rise in US bond yields (borrowing costs) drove the US dollar higher. The US Dollar Index (DXY) surged +2.6% which caused the Australian dollar to fall -5%. Asian and emerging market currencies also fell relative to the US dollar.

Active Asset Allocation

Funds SA's investment team utilises Active Asset Allocation (AAA) to add incremental value over and above the returns generated by the Strategic Asset Allocation (SAA) approach. The AAA team remain constructive on global growth and expects that US growth will continue to be resilient.

Across the investment options, exposures to growth assets are neutral relative to their respective SAA's. There is a modest overweight exposure to the listed equity asset classes based on the view that China stimulus will provide a positive backdrop for Australian Equities asset and resilient US growth will support the International Equities asset class.

The investment team, while maintaining a cautious outlook on the broader property market, are looking out for investment opportunities. Across the fixed interest asset classes, the active positioning is neutral. However, for Credit, tightness in corporate bond spreads have given reason to move to a small underweight exposure.

Chart 1 AUDUSD exchange rate.

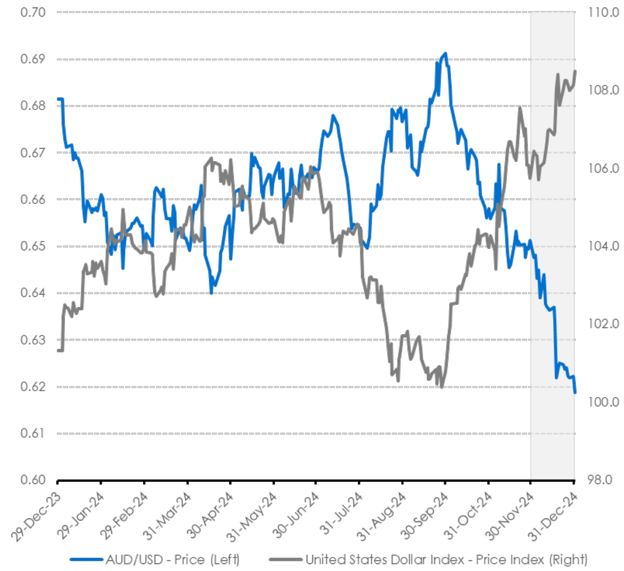
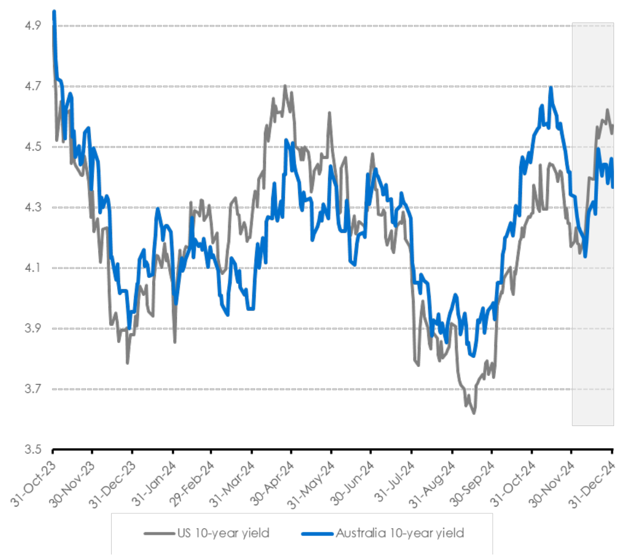


Chart 2. US and Australia 10-year bond yields



Source: FactSet, Funds SA

Disclaimer