Performance Summary

SA Metropolitan Fire Service Super Scheme – Members

June 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 June 2024

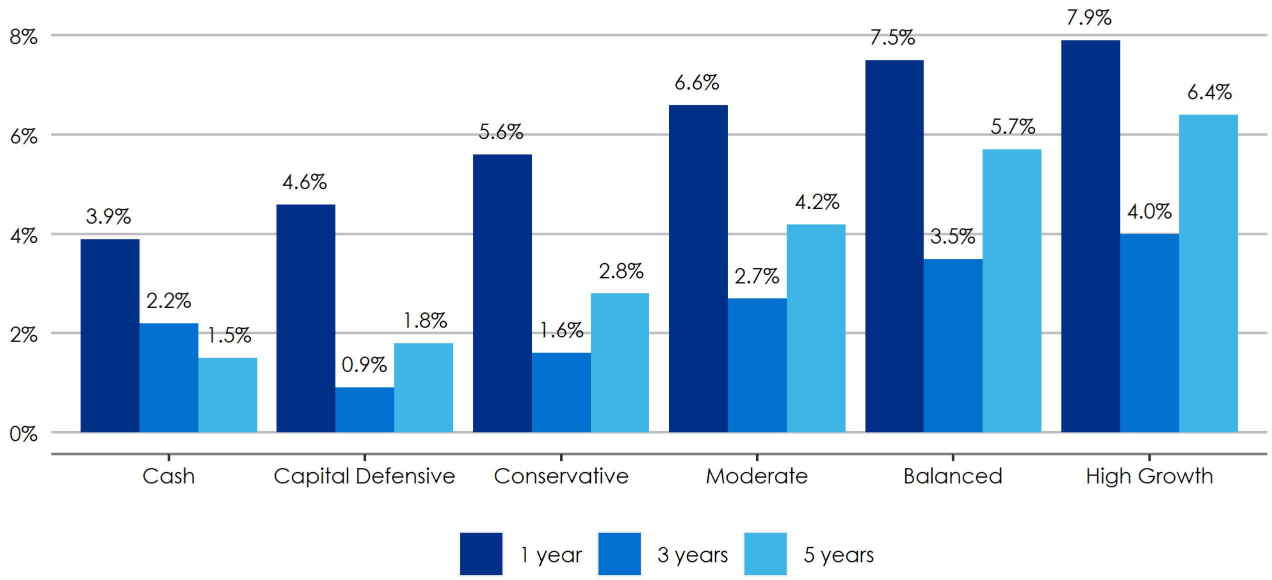
Returns are net of fees and tax

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	1.0	3.9	3.9	2.2	1.5	1.5	1.7
Capital Defensive	0.2	-0.1	4.6	4.6	0.9	1.8	2.5	2.9
Conservative	0.2	-0.2	5.6	5.6	1.6	2.8	3.6	4.0
Moderate	0.3	-0.4	6.6	6.6	2.7	4.2	4.9	5.2
Balanced	0.3	-0.6	7.5	7.5	3.5	5.7	6.2	6.4
High Growth	0.1	-0.8	7.9	7.9	4.0	6.4	7.2	7.6

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 30 June 2024

Returns are net of fees and tax



Key drivers of performance:

- Most investment options enjoyed positive absolute returns for the month of June.
- Except for Cash, the investment options slightly trailed their respective benchmarks.
- For the Balanced and High-Growth investment options, positive performance was dominated by the International Equities asset class. However, the Property asset class was a significant detractor as material asset write downs washed through the Office sector.
- For the Capital Defensive, Conservative, and Moderate investment options, the Fixed Interest asset class delivered strong performance on the back of long-dated bond yields falling (values increasing). Inflation is beginning to soften in most major developed economies, Australia being the exception, which has caused short-dated bond yields to rise with the expectation of possible interest rates rises in the near-term. The Infrastructure asset class was also a positive contributor resulting from better-than-expected performance in individual assets, which led to valuation increases.
- International equities performance remains extremely narrow, driven by a small number of US large cap technology companies including NVIDIA and Apple Inc., whose ballooning marketing capitalisations are turbo-charging the returns of market cap weighted indices such as the S&P500 and NASDAQ.
- The International Equities asset class lagged its benchmark in June due to stock selection in the United States and Europe. The asset class's underweight to NVIDIA and Apple Inc. continued to detract from asset class and, ultimately, investment option performance.

- Property was a major performance detractor across all investment options. Office valuations continued to soften which resulted in a meaningful capital decline in June.

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 June 2024

Asset class	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	High Growth %
Australian Equities	0.0	4.6	9.6	17.9	24.9	28.9
International Equities	0.0	7.1	14.0	23.0	31.5	36.6
Private Markets	0.0	1.1	2.1	2.9	4.9	6.7
Property	0.0	5.2	5.9	5.6	7.0	10.8
Infrastructure	0.0	6.5	5.7	4.1	5.4	5.0
Alternatives	0.0	4.1	4.1	3.1	2.1	0.0
Credit	0.0	3.0	7.4	7.3	6.3	7.8
Fixed Interest	0.0	51.2	37.7	25.2	13.2	0.0
Cash	100.0	17.3	13.4	10.8	4.7	4.1
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Foreign Currency	**0.0**	**4.6**	**9.7**	**16.0**	**21.7**	**25.2**
Foreign Currency Hedge*	**0.0**	**2.5**	**4.4**	**5.8**	**8.0**	**9.2**

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 30 June 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	0.9	-1.2	11.9	11.9	6.1	7.2	8.7	8.0
International Equities	1.8	0.5	19.1	19.1	9.7	11.9	12.3	12.3
Australian Unlisted Property	-4.7	-4.6	-10.4	-10.4	-0.4	0.8	3.3	5.8
Credit	0.4	1.0	9.6	9.6	1.2	2.1	2.8	3.8
Global Fixed Interest	1.0	-1.2	1.7	1.7	-4.2	-1.9	0.6	2.1
Australian Fixed Interest	0.3	0.3	5.7	5.7	1.0	1.3	1.9	2.2
Cash	0.4	1.1	4.4	4.4	2.4	1.6	1.7	1.9
Foreign Currency (AUD v. Developed Markets)	0.7	2.7	0.3	0.3	-3.6	-1.5	-2.3	-2.6

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

Financial market commentary

Markets were mixed over the month. The MSCI World equities index rose. US equities continued to move higher, while European equities markets weakened. The Australian equities market managed to post a small gain. Bond markets were stronger, and the Australian dollar increased in value versus the US dollar.

The S&P 500 index gained +3.47% in June (+22.70% 1-year) and the NASDAQ +5.96%. US large cap technology names, including Nvidia (+12.7%), Apple Inc. (+9.6%), and Meta (+8.01%), once again, led the charge. US equities performance remains extremely narrow, driven by small number of US mega-cap technology companies whose ballooning market values are having a significant impact on the market cap weighted indices such as the S&P 500 and the NASDAQ. The effect is illustrated when comparing with the S&P 500 equal weighted index which declined -0.65% in June (+9.57% 1-year).

The major European equity markets were all weaker in June including the UK FTSE 100 -1.34% (+8.40% 1-year), France's CAC40 -1.96% (+1.07%), and Germany's DAX -1.42% (+12.93%). Politics was the dominant driver with elections held in the UK, France and European Parliament during the month.

The S&P/ASX 300 index rose +0.9% in June. Financials and Consumer Staples were the best performing sectors with the former supported by strong performance from the banks; the ASX 200 Banks index reached a 9-year high late in the month. Resources continued to be the major drag on the index as iron ore and lithium miners struggling due to falling respective commodity prices.

Weakness in small and micro-cap stocks was exacerbated by tax-loss selling during the last month of the financial year.

10-year bond yields declined in June (values increased), clawing back losses from the prior month. Australian short-dated bond yields edged higher (values declined) reflecting the market's increased expectation of a rise in official cash rates before the end of the year, after a poor monthly inflation data release for May. This contrasts with other major developed markets where inflation data is beginning to soften and driving increasing expectations of official rate cuts.