Performance Summary

SA Metropolitan Fire Service Super Scheme – Members

November 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 November 2024

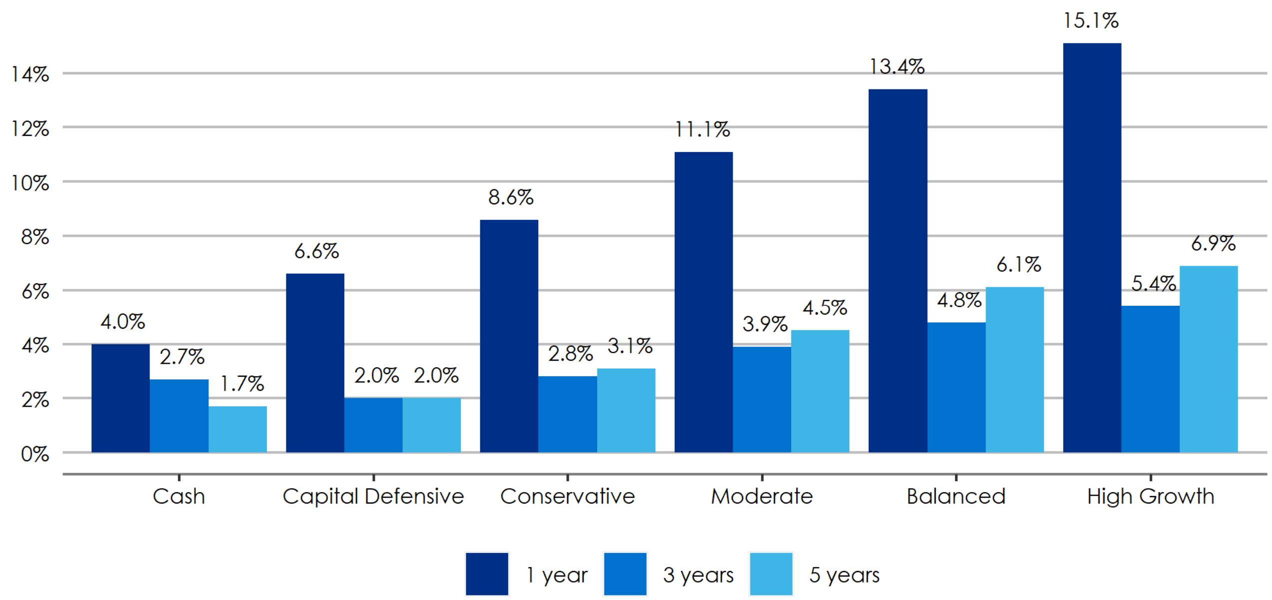
Returns are net of fees and tax

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	1.7	4.0	2.7	1.7	1.7	1.7
Capital Defensive	1.3	1.4	3.2	6.6	2.0	2.0	2.6	3.0
Conservative	1.7	2.1	4.1	8.6	2.8	3.1	3.7	4.2
Moderate	2.3	2.8	5.0	11.1	3.9	4.5	5.0	5.4
Balanced	2.9	3.6	6.1	13.4	4.8	6.1	6.4	6.7
High Growth	3.2	4.4	7.2	15.1	5.4	6.9	7.4	8.0

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 November 2024

Returns are net of fees and tax



Key drivers of performance:

- All investment options posted strong gains to the end of November. All options, except Cash and Socially Responsible Investment, which performed in line with their benchmarks, comfortably exceeded their respective benchmark returns.
- The dominant positive contributors to option performance continues to the be the listed asset classes, with International Equities rising 4.3% and Australian Equities 4.1% for the month. The absolute performance of both asset classes was driven by the market reaction to the US election and the pro-growth stance of the incoming presidency.
- Relative to its benchmark, the Australian Equities asset class delivered an excess return of 0.4% driven by positive security selection within the Healthcare sector, most notably an overweight in Sigma Pharmaceutical (which rallied post the ACCC approval of the merger with Chemist Warehouse), and Materials, Industrials and Property sectors.
- The International Equities asset class performed in line with its benchmark. While there were gains driven by security selection in the US, these were offset by stock selection in Emerging Markets and European markets.
- Unlisted asset classes had a strong month with several recent investments including co-investments producing strong returns on the back of valuation write-ups and partial realisations.
- Infrastructure Taxable rose 3.4% in November. A material write-up in the value of a recent co-investment, Cyan Renewables, was the dominant driver (Cyan provides transportation and services for ocean bound commerce, including offshore wind energy).
- Private Markets Taxable gained 2.6% in November. This was the result of broad-based gains in the ‘buyouts’ segment driven by strong revenue growth and realisation of earnings. The ‘venture capital/growth equity’ segment has performed well, having been mixed over the last 2-years. The recent performance is a result of valuations being reset as listed equities valuations continue to rise. Non-core infrastructure investments have also performed strongly driven by write-ups in the Communications and Healthcare sectors.
- Fixed interest investments also added value with the Long-Term Fixed Interest asset class returning 1.5% and Short-Term Fixed Interest 0.7% in November. Post the US election, Government bond yields fell. Fears of a US deficit blowout moderated and there was a supportive view of the pick for the US Treasury Secretary. Shorter dated yields also fell as the market increased expectations for policy rate cuts.

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 November 2024

Asset class	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	High Growth %
Australian Equities	0.0	4.9	10.1	18.1	25.4	31.0
International Equities	0.0	8.4	15.4	24.4	33.3	40.1
Private Markets	0.0	1.0	2.0	2.6	4.5	6.1
Property	0.0	5.0	5.7	5.1	6.6	9.3
Infrastructure	0.0	8.2	7.1	4.5	5.6	4.9
Alternatives	0.0	3.5	3.5	2.6	1.8	0.0
Credit	0.0	1.8	5.6	6.0	4.9	6.8
Fixed Interest	0.0	48.9	36.7	25.5	12.9	0.0
Cash	100.0	18.2	13.9	11.2	5.1	1.9
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Foreign Currency	**0.0**	**5.4**	**10.2**	**15.5**	**20.9**	**26.9**
Foreign Currency Hedge*	**0.0**	**3.1**	**5.3**	**8.7**	**11.0**	**11.5**

Note: 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 November 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	3.7	5.5	10.3	23.2	9.1	8.2	9.2	9.1
International Equities	4.3	8.1	10.9	28.4	10.8	12.3	12.3	12.3
Australian Unlisted Property	0.3	-0.4	0.1	-9.4	-1.4	0.4	2.6	5.4
Credit	0.9	2.1	4.7	11.1	3.0	3.0	3.1	4.2
Global Fixed Interest	1.5	-0.6	2.6	5.2	-3.4	-2.0	0.7	1.8
Australian Fixed Interest	0.7	0.6	2.8	6.1	2.3	1.6	2.1	2.3
Cash	0.4	1.1	1.9	4.5	3.1	1.9	1.9	1.9
Foreign Currency (AUD v. Developed Markets)	-0.2	-3.3	-3.2	-2.2	-3.0	-1.5	-2.5	-2.5

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

Financial market commentary

Developed markets continued their upward trajectory in November as evidenced by the MSCI AC World Index rising 4.9% (USD terms).

US markets were once again very strong with the S&P500 +5.7%, Dow Jones Industrial +7.5%, and NASDAQ+6.2%. The standout performer was the broad-based Russell 2000 index which rose 10.8% during the month. Markets were by and large influenced by the US election outcome and President-elect Trump's proposed policy programme that proposes to lift growth through lower taxes, and reduced regulations. By gaining control of the House, the Republican party increased the likelihood of being able to execute proposed policies.

The best performing S&P500 sectors included Consumer Discretionary and Financials which were both more than 10% higher on the month, while Healthcare and Materials lagged. Technology rose 4.6% led by a 6% increase in the 'Magnificent Seven' names.

European markets were less buoyant given the negative mix of economic and political factors at play. Political issues permeated the continent with the collapse of the German coalition government and the ruling French government difficulties passing a cost-cutting budget. The MSCI EU Index was flat in November, while the UK's FTSE 100 (+2.2%) and Germany's DAX (+2.9%) were both higher while France's CAC (-1.6%) fell.

Asia Pacific markets, most notably those emerging markets and China, were weaker in November on fears that US tariffs on China will impact the region more broadly. The corresponding rise in the US dollar also conspired against these markets – the DXY (US dollar currency index) was 1.8% higher following a 3.8% rise in October. Philippines, Malaysia, Taiwan and Hong King equity indices all fell during November.

The Australian equity market mirrored the US performance with the S&P/ASX 300 index gaining 3.7%. Most sectors rose with Information Technology (+10.2%), Utilities (+9.1%) and Financials (+6.9%) the standouts. The only detractors were Materials (-2.8%) and Energy (-0.6%) thanks to potential tariffs on China weighing on miners and easing Middle East tensions putting downward pressure on oil prices. The Reserve Bank of Australia met on 5-Nov and left the official cash rate unchanged at 4.35%. Markets are not fully pricing in a rate cut until mid-2025.

Government bond yields fell (prices increased) over the course of the month having risen sharply in October on concerns that the incoming US government will ramp up budget deficits and bond issuance. The market's fears moderated, and US 10-year treasuries yields fell to 4.2% at the November close, from 4.3%. The Australian 10-year government bond yield closed down 17 basis points to 4.3%. Inflation remains a focus in Australia. The US Federal Reserve is expected to deliver another 0.25% cut to its policy rate at the December meeting, while in Australia, market participants have pushed out chances of a rate cut to May – June 2025.

Credit markets continued their strong runs in November with the combination of tighter credit spreads relative to government bonds and swap and lower yields combining to lift the value of both investment-grade and non-investment grade securities.

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 remains 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, all-time tights in corporate bond spreads have given reason to move to a small underweight exposure.