OFFICIAL: SENSITIVE

Performance Summary

SA Metropolitan Fire Service Super Scheme – Members

October 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 October 2024

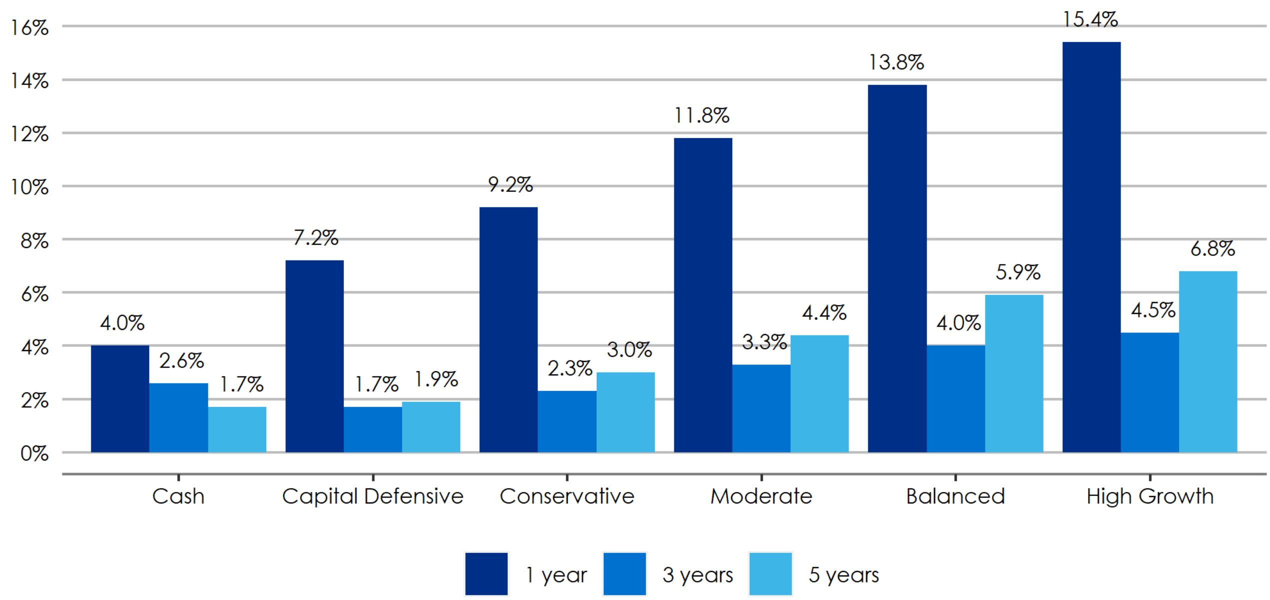
Returns are net of fees and tax

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	1.4	4.0	2.6	1.7	1.7	1.7
Capital Defensive	-0.5	0.7	1.9	7.2	1.7	1.9	2.5	2.9
Conservative	-0.4	0.9	2.3	9.2	2.3	3.0	3.6	4.1
Moderate	-0.4	0.9	2.7	11.8	3.3	4.4	4.8	5.2
Balanced	-0.3	1.0	3.2	13.8	4.0	5.9	6.2	6.5
High Growth	0.1	1.4	3.8	15.4	4.5	6.8	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 October 2024

Returns are net of fees and tax



Key drivers of performance:

- Performance across the investment options was mixed for the month of October. Those asset classes that have been strong positive contributors over recent months, including Australian Equities, Fixed Interest and Credit were negative. The High Growth investment option has now returned 15.4% over 1-year.
- The International Equities asset class rose 3.6%, in line with its benchmark, benefiting from unhedged exposure as the AUD depreciated against major currencies. Exposures to global industrial companies and the broader emerging markets added value over the period.
- The Australian Equities asset class fell 2.3% during the month led by declines in the Consumer Staples, Energy and Materials sectors. Being underweight Banks was a significant detractor. On the positive side, security selection within the Healthcare sector was a highlight.
- The Fixed Interest asset classes declined. The Long-Term Fixed Interest asset class fell 3.3% for the month driven by the sharp move higher in long-dated bond yields around the world. Yields rose due for several reasons including the US election outcome and the prospect of increase USD debt no matter the winner, strength in the labour market, and a marked slowdown in dis-inflation expectations. The Short-Term Fixed Interest asset class fell 0.6% with stronger economic data reducing investor expectations regarding the pace and quantum of central bank rate cuts.
- The Credit asset class declined in October in line with credit benchmarks. The sector's sensitivity to rising nominal yields overwhelmed the continued spread tightening. Spreads are at historically tight levels driven by expectations of a soft economic landing in developed markets and the potential for a looser regulatory environment should Trump retake the White House.
- Cash posted a positive return on the back of rising money market yields as investors unwind inflation and policy rate cut expectations.
- Property produced a positive return for the month. More data points are emerging that indicate valuations are beginning to stabilise across sectors.
- The foreign currency hedge detracted during October driven by the 4.8% fall in the AUDUSD.

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 October 2024

Asset class	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	High Growth %
Australian Equities	0.0	4.9	10.0	17.9	25.3	30.7
International Equities	0.0	7.9	15.2	24.3	33.3	39.4
Private Markets	0.0	1.0	1.9	2.6	4.5	6.1
Property	0.0	5.2	5.9	5.3	6.7	9.7
Infrastructure	0.0	8.1	7.0	4.5	5.5	4.9
Alternatives	0.0	3.8	3.8	2.8	2.1	0.0
Credit	0.0	1.5	5.4	5.9	5.0	6.8
Fixed Interest	0.0	49.3	37.2	25.8	13.5	0.0
Cash	100.0	18.2	13.5	10.8	3.9	2.7
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Asset class	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	High Growth %
Foreign Currency	**0.0**	**5.0**	**9.9**	**15.1**	**20.8**	**26.0**
Foreign Currency Hedge*	**0.0**	**2.9**	**5.4**	**9.0**	**11.4**	**11.1**

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 October 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	-1.3	2.2	6.4	24.9	7.6	8.1	8.9	8.3
International Equities	3.6	2.3	6.3	28.4	10.5	12.3	12.1	12.4
Australian Unlisted Property	0.4	-0.3	-0.2	-9.4	-1.3	0.4	2.8	5.4
Credit	-0.1	2.5	3.8	13.8	2.4	2.8	2.9	4.1
Global Fixed Interest	-2.7	-0.9	1.0	7.9	-3.1	-2.2	0.6	1.9
Australian Fixed Interest	-0.6	0.8	2.1	6.9	2.3	1.6	2.1	2.3
Cash	0.4	1.1	1.5	4.5	2.9	1.9	1.8	1.9
Foreign Currency (AUD v. Developed Markets)	-4.8	-0.1	-3.0	1.6	-4.7	-1.8	-2.7	-2.6

Note:

Returns hedged to the Australian Dollar: Global Fixed Interest, Credit.

Equity returns are expressed in AUD.

Financial market commentary

Global equity and bond markets fell, and volatility spiked during the month. The MSCI All Cap World Index returned -1.1% (in local currency terms). with the largest falls in Europe with several major exchanges including France, Netherlands, Switzerland and Austria all declining by more than 3%. European falls were triggered by France and UK budget announcements, headlining tax and spending increases and sparking inflation fears. The announcements overshadowed better than forecast third quarter European company earnings results and another 0.25% rate cut from the European Central Bank. The CBOE VIX index, the preferred measure of market volatility, jumped 38.4% month-on-month.

US markets finished lower led by the Dow Jones Industrials (-1.3%), the S&P500 (-0.5%) and the NASDAQ (-1.0%) indices. The S&P500 sector outperformers included Financials, Communication Services and Energy while Healthcare, Real Estate, Consumer and Tech (non-AI semiconductor companies) were weaker.

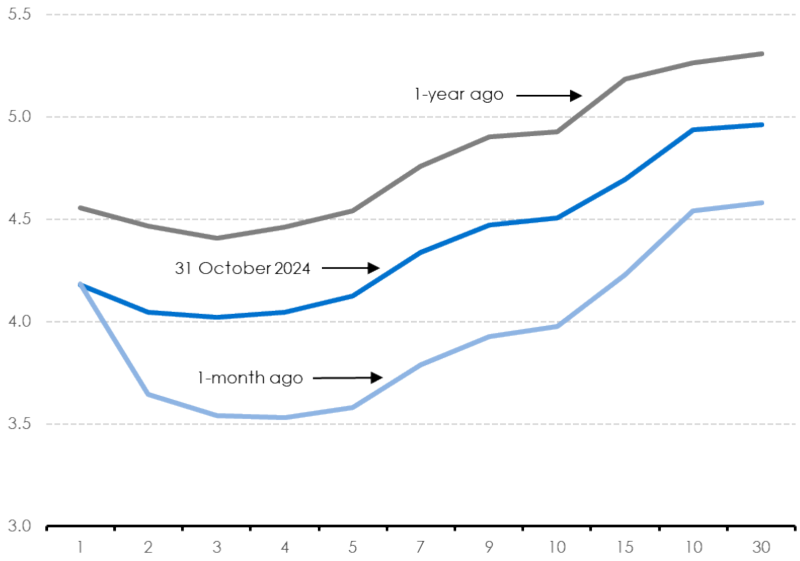
Some 65% of S&P500 constituent companies reported third quarter earnings during October which were ahead of expectations, led by the banks. The Artificial Intelligence thematic remained strong with Nvidia +9.2%. The Magnificent Seven outperformed the broader market despite falls in Meta and Microsoft.

Major Asian equities exchanges declined, led by China, Hong Kong and India. In Australia, the ASX S&P300 dropped by -1.3% over the period led by falls in Utilities, Consumer Staples, Energy and Materials. Banks were stronger.

The local market was focussed on economics and more specifically, the third quarter inflation release late in the month. The annual headline rate fell to 2.8% which is inside of the RBA 2% to 3% target band. The data point was heavily influenced by the government's electricity rebate and falling fuel prices. The Reserve Bank of Australia (RBA) is more focussed on core inflation and the trimmed mean fell on an annualised basis from 4.0% to 3.5% forcing market participants to recalibrate RBA rate cut timing, with a 0.25% cut now expected mid-2025 (Chart 1).

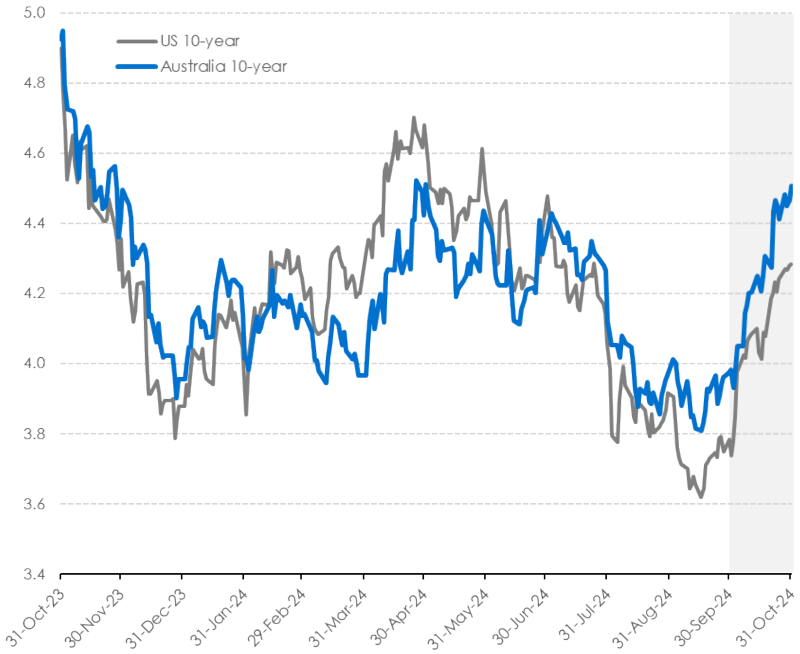
Global bonds were the big story of the month with significant increases in long-dated government bond yields. The US 2-year treasury yield increased 50 basis points to 4.16% and the 10-year by 56 basis points to 4.54% (Chart 2). The Australian 10-year equivalent was 63 basis points higher, to 4.37%. Higher yields caused a decline in global government bond and credit indices in October after several months of positive performance and made the US dollar more attractive. Market drivers included the US election and fears that both candidates would look to implement policies that would increase debt and risk inflation. The AUDUSD fell 4.8%.

Chart 1. Australian government bond yield curve.



Source: FactSet

Chart 2. US and Australian 10-year government bond yields.



Source: FactSet

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