Performance Summary

SA Metropolitan Fire Service Super Scheme – Members

September 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 September 2024

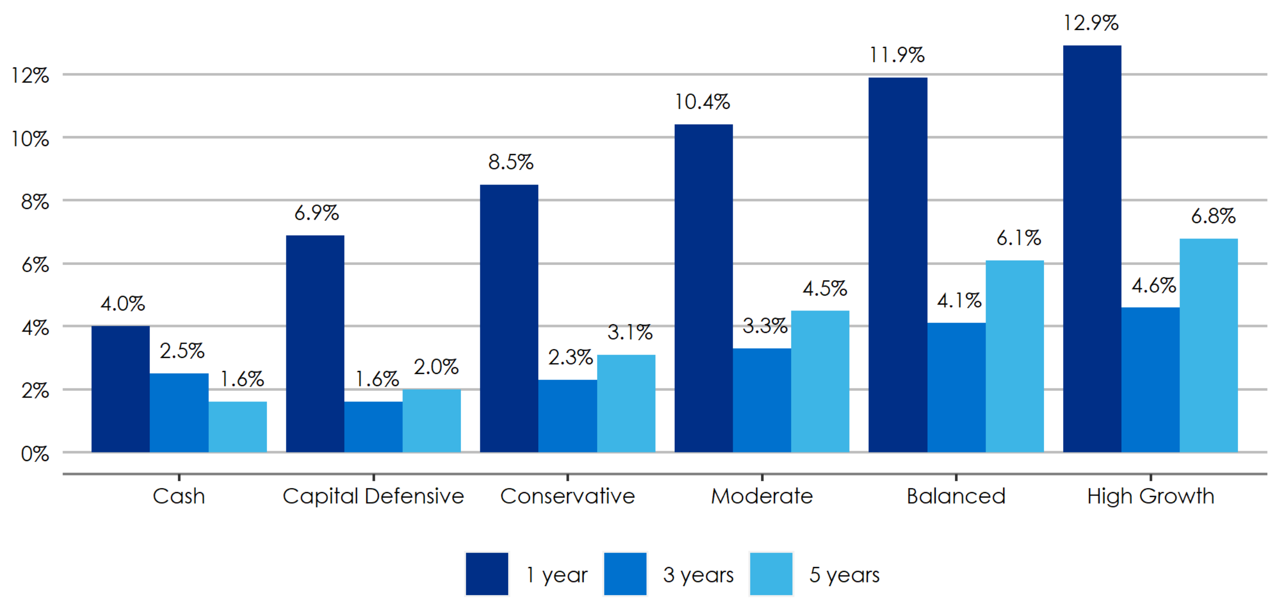
Returns are net of fees and tax

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	1.0	4.0	2.5	1.6	1.6	1.7
Capital Defensive	0.6	2.4	2.4	6.9	1.6	2.0	2.7	3.0
Conservative	0.7	2.7	2.7	8.5	2.3	3.1	3.8	4.2
Moderate	0.9	3.1	3.1	10.4	3.3	4.5	5.1	5.4
Balanced	1.0	3.4	3.4	11.9	4.1	6.1	6.5	6.7
High Growth	1.0	3.7	3.7	12.9	4.6	6.8	7.5	7.9

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 September 2024

Returns are net of fees and tax



Key drivers of performance:

- All investment options produced positive absolute returns for the month of September, the key drivers being the Australian Equities, Credit, Fixed Interest and Infrastructure asset classes.
- The Australian Equities asset class gained 3.2% for the month, outperforming its benchmark by 0.2%. Sector allocation was positive, specifically being underweight Financials and overweight Materials. Positive stock selection in Real Estate, being overweight Charter Hall, Goodman Group, also contributed to outperformance.
- The Credit asset class performed strong, returning 1.3% for the month as spreads on credit securities tightened, particularly for lower rated credit. Overall, spreads remain at tight levels, implying defaults are expected to fall and remain at low levels.
- The Fixed Interest asset classes continue to perform strongly as global longer dated yields move lower. Developed market central banks continued their easing programs with the US Federal Reserve surprising the market in September with a 0.50% cut to their target policy rate.
- Property was a detractor due to further softening in valuations which impacted the office and diversified fund holdings.
- The foreign currency hedge provided positive returns.

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 September 2024

Asset class	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	High Growth %
Australian Equities	0.0	4.9	10.2	18.5	25.9	31.5
International Equities	0.0	7.6	14.6	23.4	32.1	38.7
Private Markets	0.0	1.1	2.0	2.7	4.6	6.2
Property	0.0	5.2	5.8	5.3	6.8	10.3
Infrastructure	0.0	8.0	6.9	4.5	5.5	4.9
Alternatives	0.0	5.5	5.4	3.9	3.1	0.0
Credit	0.0	1.5	5.5	6.0	5.1	7.0
Fixed Interest	0.0	49.1	37.3	25.0	13.5	0.0
Cash	100.0	17.1	12.4	10.8	3.5	1.4
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Foreign Currency	**0.0**	**4.9**	**9.8**	**15.3**	**21.5**	**26.3**
Foreign Currency Hedge*	**0.0**	**2.6**	**4.6**	**7.5**	**8.9**	**9.0**

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 September 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	7.8	7.8	21.7	8.1	8.3	9.7	8.9
International Equities	0.0	2.6	2.6	22.6	9.5	11.6	12.2	12.0
Australian Unlisted Property	-1.0	-0.6	-0.6	-9.5	-1.3	0.4	2.8	5.5
Credit	1.3	3.9	3.9	13.0	2.4	2.8	3.0	4.2
Global Fixed Interest	0.5	3.8	3.8	8.6	-3.1	-1.8	1.1	2.3
Australian Fixed Interest	0.5	2.7	2.7	7.0	1.8	1.6	2.3	2.4
Cash	0.4	1.1	1.1	4.4	2.8	1.8	1.8	1.9
Foreign Currency (AUD v. Developed Markets)	1.9	2.0	2.0	4.9	-1.9	-0.5	-2.3	-2.0

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

Financial market commentary

Global equity markets moved higher again in September as the interest rate easing cycle began to take hold globally. The MSCI AC World index closed +1.8%. Key drivers included the US Federal Reserve's decision to reduce their target policy rate by 50 basis points during the month along with the European Central Bank (ECB), the Swiss National Bank and Sweden's Riksbank who cut their policy rates by 25 basis points. Markets were further boosted late in September by China's announcement of a raft of aggressive stimulatory measures that would be implemented. These included cuts to bank reserve requirements, mortgage rate and downpayment reductions, and baby bonuses in attempt to boost activity and reverse its deflationary spiral.

US equities closed up for a fifth consecutive month. Despite falling 4% early in the period due to weak employment and manufacturing survey data, the S&P500 recovered to finish +2.0%. The Dow Jones Industrial Index and NASDAQ closed +1.85% and +2.7% respectively. S&P500 sector winners were Consumer Discretionary +7.0% and Utilities +6.5% while Energy was the biggest loser -2.8% due to a decline in the oil price. The consensus view amongst investors for a soft-landing and continued consumer resilience appeared to buoy markets.

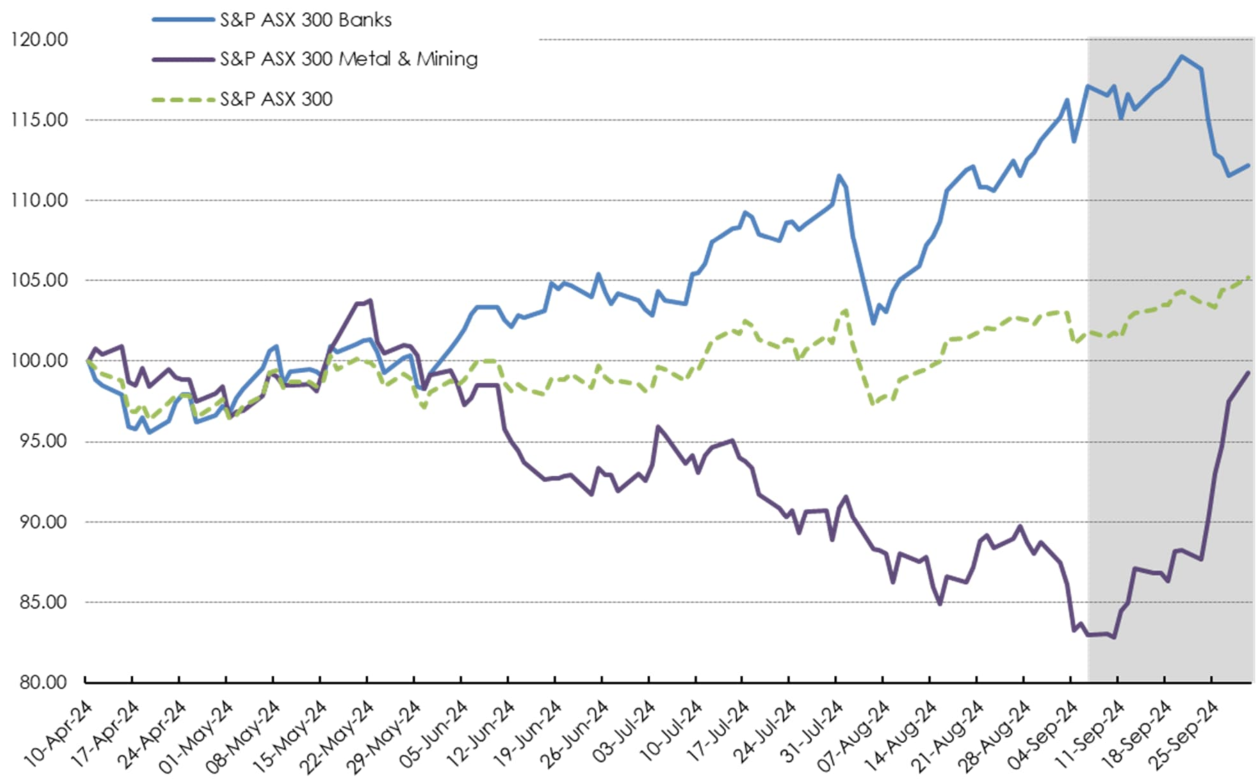
European equities were mixed. The MSCI AC Europe index was -0.8%. The UK's FTSE 100 index closed -1.7% while Germany's DAX finished the month +2.2%. European markets were mostly supported by the US and ECB rate cuts. However, both the Bank of England and Norway's Norges Bank left their target policy rates unchanged which prompted a sell-off in their respective equities markets.

Asian markets, including Australia all soared in September on the back of the China stimulus measures announced. The MSCI AC Asia ex-Japan index closed the month +7.2%, the notable performers being Hong Kong's Hang Seng index +15.1% and China's CSI 300 index +21.0%. Property, consumer and technology companies were the beneficiaries of funds flow.

Australia's S&P ASX 300 index returned +3.1% for the month. The Materials sector was +13.0%, boosted by China stimulus at the expense of Banks -1.3% (refer chart below). The Reserve Bank left the official cash rate unchanged at 4.35% at the September meeting. The RBA Governor emphasised that the Board does not anticipate rate cuts in the near-term and, while acknowledging that global central banks have begun cutting rates, Australia's economic circumstances are different with inflation not falling as fast. The impact was felt immediately, in fixed interest markets bond yields moving higher, erasing recent gains.

In global fixed interest markets, yields were mostly flat. Bond yields fell (prices rose) markedly during August and the early part of September based on investor's expectations that an aggressive interest rate easing cycle was imminent. More conservative rhetoric from the US Fed Reserve Chair and several Board members since the September decision, and the release of macro data points suggesting economic resilience, prompted investors to dial back expectations of rate cuts and unwind some of the recent gains. Market pricing at the end of September suggested another two to three cuts of 25 basis points from the US Federal Reserve by the end of this calendar year. Credit remains strong.

Chartn 2. S&P ASX 300 Materials versus Banks.



Source: FactSet.

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