



Performance Summary March 2019

SA Metropolitan Fire Service Superannuation Scheme

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 multi-sector funds offered under the Scheme.

Performance

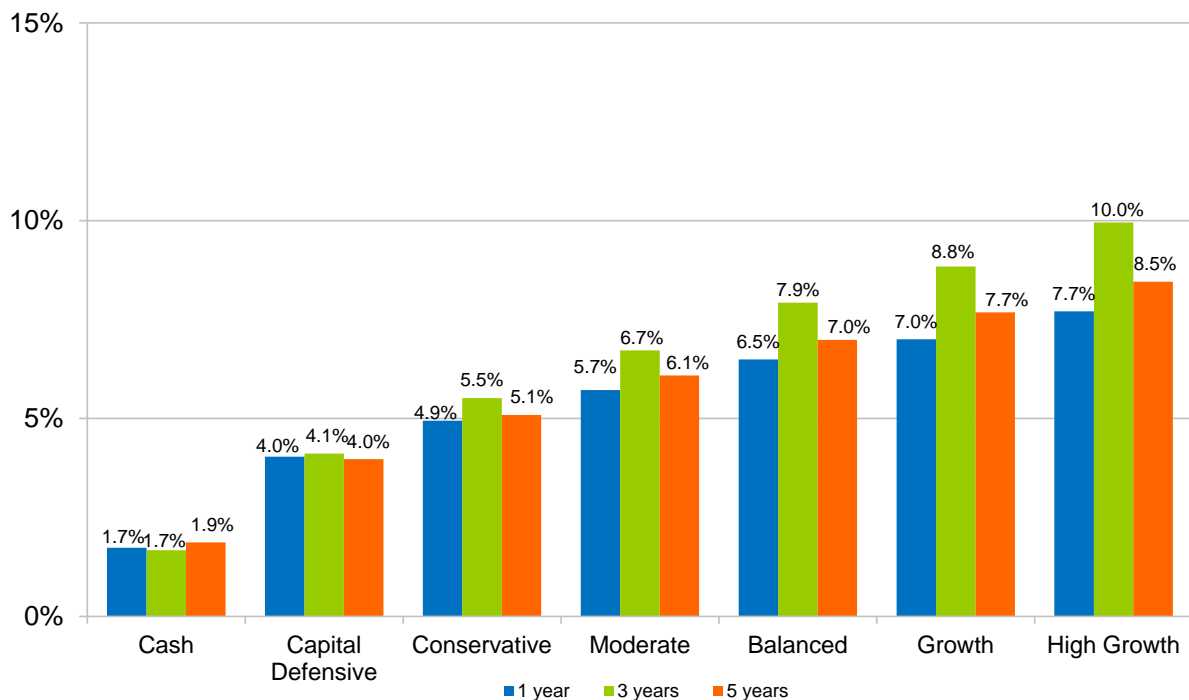
The table and chart below show Funds SA's multi-sector taxable fund returns based on the post tax unit pricing model detailed in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 31 March 2019 ¹

	1 mth %	3 mths %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Cash	0.1	0.4	1.3	1.7	1.7	1.9	2.1	2.6
Capital Defensive	0.7	2.6	2.9	4.0	4.1	4.0	4.3	5.4
Conservative	0.8	3.8	3.2	4.9	5.5	5.1	5.7	6.7
Moderate	0.9	4.5	3.5	5.7	6.7	6.1	6.8	7.5
Balanced	0.9	5.3	3.6	6.5	7.9	7.0	7.9	8.4
Growth	0.8	5.8	3.7	7.0	8.8	7.7	8.7	9.1
High Growth	0.8	6.8	3.6	7.7	10.0	8.5	9.7	10.0

1. The taxable funds were established in March 2005, with the exception of the Moderate fund (established in June 2006)

Chart 1: Multi-sector fund annualised returns net of fees and tax to 31 March 2019



Key drivers of performance during March 2019 included:

- Global government bonds outperformed equities.
- Australian equities underperformed most of their global counterparts.
- Australian listed property outperformed most of their global counterparts.

This environment proved to be favourable for portfolios with relatively larger allocations to Listed Property.

Asset Allocation

The targeted asset allocation of the multi-sector funds is shown in the table below.

Table 2: Targeted asset allocation for the 2018-2019 financial year

	Cash	Capital Defensive	Conservative	Moderate	Balanced	Growth	High Growth
	%	%	%	%	%	%	%
Cash	100.0	15.0	10.0	8.0	2.0	2.0	2.0
Short-Term Fixed Interest	0.0	30.0	18.0	7.0	3.0	0.0	0.0
Long-Term Fixed Interest	0.0	5.0	5.0	9.0	8.0	4.0	0.0
Inflation-Linked Securities B	0.0	15.0	16.0	12.0	9.0	6.0	0.0
Diversified Strategies Income	0.0	17.0	18.0	17.0	16.0	16.0	12.0
Property B	0.0	6.0	9.0	10.0	12.0	14.0	16.0
Australian Equities B	0.0	7.0	13.0	17.0	23.0	26.0	33.0
International Equities B	0.0	5.0	11.0	15.0	19.0	22.0	27.0
Diversified Strategies Growth B	0.0	0.0	0.0	5.0	8.0	10.0	10.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note that due to rounding, the sum of the individual numbers within the table may not equal the totals quoted.

Financial Market Snapshot

The table below summarises market performance.

Table 3: Major market index returns to 31 March 2019

	1 mth %	3 mths %	FYTD %	1 Year %	3 Years % p.a.	5 Years % p.a.	7 Years % pa	10 Years % pa
Cash and fixed income								
Australian Cash	0.2	0.5	1.5	2.0	1.9	2.1	2.4	3.0
Australian Government	2.2	3.9	7.3	8.1	4.2	5.3	4.8	5.0
Australian Inflation-Linked	1.7	3.4	4.8	6.2	3.5	5.2	4.8	5.8
Global Treasuries ⁽¹⁾	1.7	2.4	4.3	4.6	2.9	5.0	5.3	6.1
Global Inflation-Linked ⁽¹⁾	3.1	3.7	3.3	3.6	4.8	5.7	5.0	7.2
Credit								
Global Credit ^{(1),(2)}	2.0	4.1	5.2	4.8	4.2	5.1	5.7	8.3
Global High-Yield ⁽¹⁾	0.7	6.4	5.2	4.0	8.2	6.1	8.2	13.7
Emerging Market Debt ⁽⁴⁾	1.5	6.6	7.3	3.5	5.2	4.8	4.7	8.1
Property								
Australian Listed Property	6.0	14.4	14.7	25.9	10.2	14.9	15.5	15.3
Equities⁽³⁾								
Australian Equities	0.7	10.9	3.1	11.7	11.4	7.4	9.8	10.3
Global Equities	1.6	12.6	3.0	6.7	11.2	8.4	10.6	12.6
US Equities	1.9	13.6	5.9	9.5	13.5	10.9	12.8	15.9
European Equities	2.0	11.6	0.2	4.3	8.4	5.5	8.2	10.1
Japanese Equities	0.2	7.8	-5.2	-4.2	8.0	7.9	11.5	9.5
Asia (ex Japan) Equities	1.7	11.6	0.6	-2.6	12.0	7.6	7.1	11.0
Emerging Market Equities	1.4	9.9	1.9	-1.6	11.7	7.5	6.7	10.5
Global Small Companies	-0.6	13.7	-3.7	0.9	10.7	7.6	11.1	14.7
Currency⁽⁵⁾								
Australian Dollar vs Developed Market Basket	0.3	0.9	-3.4	-5.4	-2.2	-3.9	-4.2	0.5

(1) Australian dollar return (hedged)

(2) Includes obligations of corporates, supranational agencies, and other government-related (e.g. government agencies, government guaranteed bank debt, etc)

(3) Local currency return

(4) Hedged to USD

(5) A positive number represents appreciation of the Australian dollar. A negative number represents depreciation.

Key factors impacting financial market performance during March 2019 are summarised below.

Equity Markets

Equity market performance was positive in March continuing the previous month's strong performance. The US Federal Reserve continued its cautious stance, stating that it may be quite some time before the outlook for unemployment and inflation calls for a change in policy. However the US Federal Reserve also decreased its growth and inflation expectations. Trade negotiations between the US and China continued, while progress has been made it is still uncertain how the negotiations will evolve. In addition if a truce is made between the US and China, there is no guarantee that the US will have the same stance towards negotiations with Europe.

The Reserve Bank of Australia again left interest rates on hold, coming to the market with a patient stance. This helped Domestic equities generate a positive return but underperformed most of their global counterparts. Domestic listed property benefited greatly from the decrease in government bond interest rates, posting very strong positive returns.

Debt Markets

Global government bond markets produced positive returns over the month. Non-government bond performance was positive, with corporate bonds, emerging market debt and high yield bonds posting positive returns. Domestic bonds outperformed global given concerns around the Australian residential property market, this increases the chances of an official interest rate cut in Australia.

Currency

The Australian dollar was flat as the potential for lower domestic interest rates lowered the attractiveness of the domestic currency, on the other hand employment data helped.

Disclaimer

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