

Performance Summary

SA Metropolitan Fire Service Superannuation Scheme
September 2019



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

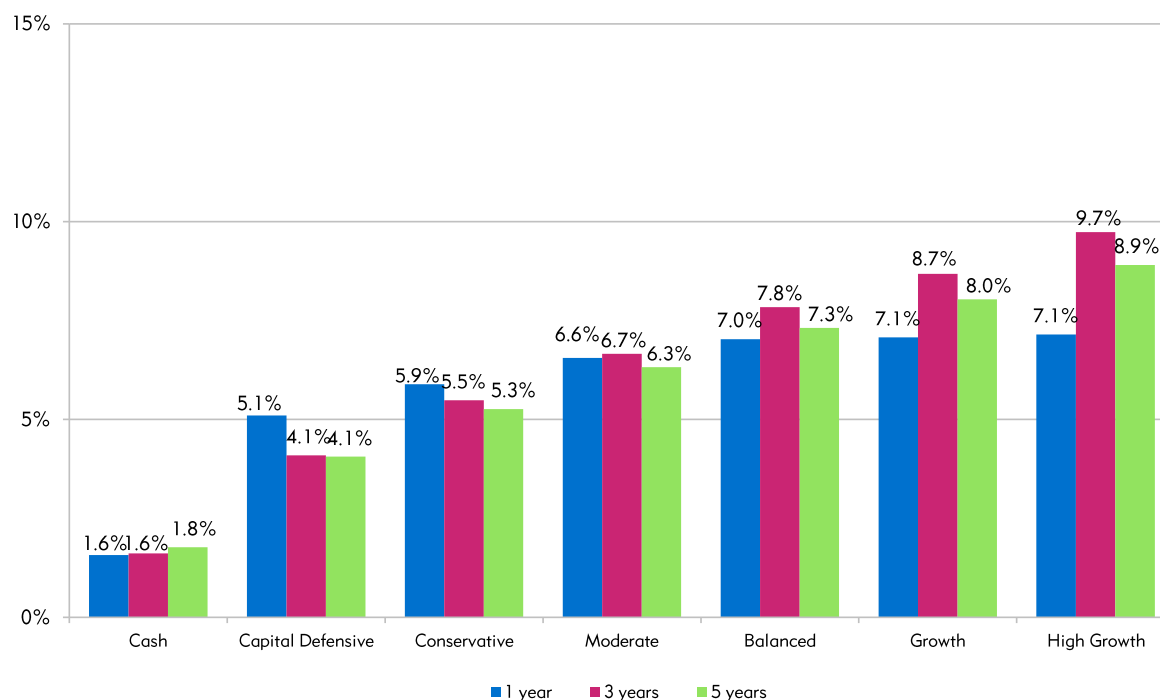
The table and chart below show Funds SA's multi-sector taxable fund returns based on the post tax unit pricing model detailed in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 30 September 2019¹

	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	0.3	0.3	1.6	1.6	1.8	2.0	2.6
Capital Defensive	0.4	1.0	1.0	5.1	4.1	4.1	4.2	5.1
Conservative	0.6	1.2	1.2	5.9	5.5	5.3	5.7	6.1
Moderate	0.7	1.5	1.5	6.6	6.7	6.3	7.0	6.7
Balanced	0.9	1.7	1.7	7.0	7.8	7.3	8.1	7.4
Growth	1.1	1.8	1.8	7.1	8.7	8.0	9.0	7.9
High Growth	1.3	1.9	1.9	7.1	9.7	8.9	10.2	8.5

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 30 September 2019



Key drivers of performance during September 2019 included:

- Global equities posted positive returns and outperformed government bonds
- Government bonds posted negative returns
- Australian dollar appreciated against most major currencies

This environment proved to be favourable for portfolios with relatively larger allocations to growth assets such as equities

Asset Allocation

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

Table 2: Asset allocation as at 30 September 2019

	Cash	Capital					High
	%	Defensive	Conservative	Moderate	Balanced	Growth	Growth
	%	%	%	%	%	%	%
Cash	100.0	14.9	9.9	8.7	3.7	3.6	1.6
Short-Term Fixed Interest	0.0	30.2	18.3	6.4	2.4	0.0	0.0
Long-Term Fixed Interest	0.0	5.1	5.1	9.1	8.1	4.1	0.0
Inflation-Linked Securities B	0.0	14.5	15.5	11.5	8.5	5.5	0.0
Diversified Strategies Income	0.0	17.2	18.2	14.9	11.9	11.8	11.7
Property B	0.0	5.3	8.3	9.1	11.1	13.0	15.0
Australian Equities B	0.0	5.8	11.8	15.9	21.9	24.7	27.6
International Equities B	0.0	6.4	11.9	16.5	21.1	23.6	29.9
International Passive Equities B	0.0	0.5	1.0	1.4	1.8	2.0	2.6
Diversified Strategies Growth B	0.0	0.0	0.0	6.6	9.6	11.6	11.6
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 30 September 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	0.1	0.3	0.3	1.7	1.8	2.0	2.2	2.9
Australian Government	-0.7	2.2	2.2	12.9	4.8	5.5	4.7	5.8
Australian Inflation-Linked	0.1	2.2	2.2	11.5	4.8	5.2	4.5	6.9
Global Treasuries ⁽¹⁾	-0.6	2.7	2.7	10.3	3.6	5.2	5.3	6.4
Global Inflation-Linked ⁽¹⁾	-0.9	3.8	3.8	11.1	4.1	6.0	5.3	7.2
Credit								
Global Credit ^{(1),(2)}	-0.6	2.5	2.5	10.7	4.4	5.4	5.6	7.4
Global High-Yield ⁽¹⁾	0.5	-0.2	-0.2	5.5	5.2	6.1	7.3	10.1
Emerging Market Debt ⁽⁴⁾	-0.4	1.3	1.3	10.7	3.8	5.1	4.1	6.5
Property								
Australian Listed Property	-2.7	1.1	1.1	18.4	9.5	13.8	13.9	11.1
Equities⁽³⁾								
Australian Equities	1.9	2.6	2.6	12.6	11.9	9.5	10.9	8.0
Global Equities	2.3	1.5	1.5	2.9	10.9	8.4	11.2	9.9
US Equities	1.9	1.7	1.7	4.3	13.4	10.8	13.3	13.2
European Equities	3.1	2.0	2.0	5.1	8.1	6.1	8.8	7.1
Japanese Equities	6.1	3.4	3.4	-9.9	8.7	5.9	13.9	7.8
Asia (ex Japan) Equities	1.2	-3.4	-3.4	-2.5	7.1	5.4	6.2	6.0
Emerging Market Equities	1.5	-1.9	-1.9	0.2	8.0	5.9	6.3	6.3
Global Small Companies	1.8	-0.5	-0.5	-4.5	8.4	8.2	11.4	10.8
Currency⁽⁵⁾								
Australian Dollar vs Developed Market Basket	0.5	-2.9	-2.9	-5.9	-3.7	-4.1	-4.8	-1.9

(1) Australian dollar return (hedged)

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

(3) Local currency return

(4) Hedged to USD

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

Commentary

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

Equity Markets

Equity market performance was positive in September, a change from the previous month's negative performance. In the US, the Federal Reserve cut interest rates from 2.25 to 2.00, noting implications of global developments for the economic outlook as well as muted inflation pressures. The manufacturing sector of the US economy remains weak and has begun to impact business activity, whilst consumer spending is still holding up. Trade tensions between the US and China eased following last month's escalation. The tariffs announced by both parties will now come into place by the end of the year unless renewed talks make sufficient progress.

In Europe, the European Central Bank responded to the weaker economic outlook by cutting interest rates, restarting asset purchases and committing to continue this until it achieves its inflation target. The European Central Bank's decisions came against a backdrop of weakening growth, with the business surveys showing an economy that continues to slow, particularly in the manufacturing sector.

Debt Markets

Global government bond markets produced negative returns over the month with long duration securities underperforming. Corporate bonds and emerging market debt posted negative returns, while high yield bonds were positive reflecting the strong equity market environment. Domestic bonds underperformed global bonds given concerns around growth in the global economy.

Currency

The Australian dollar appreciated due to de-escalation of the trade war between the US and China.

Disclaimer

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