

Performance Summary

SA Metropolitan Fire Service Superannuation Scheme

April 2020



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

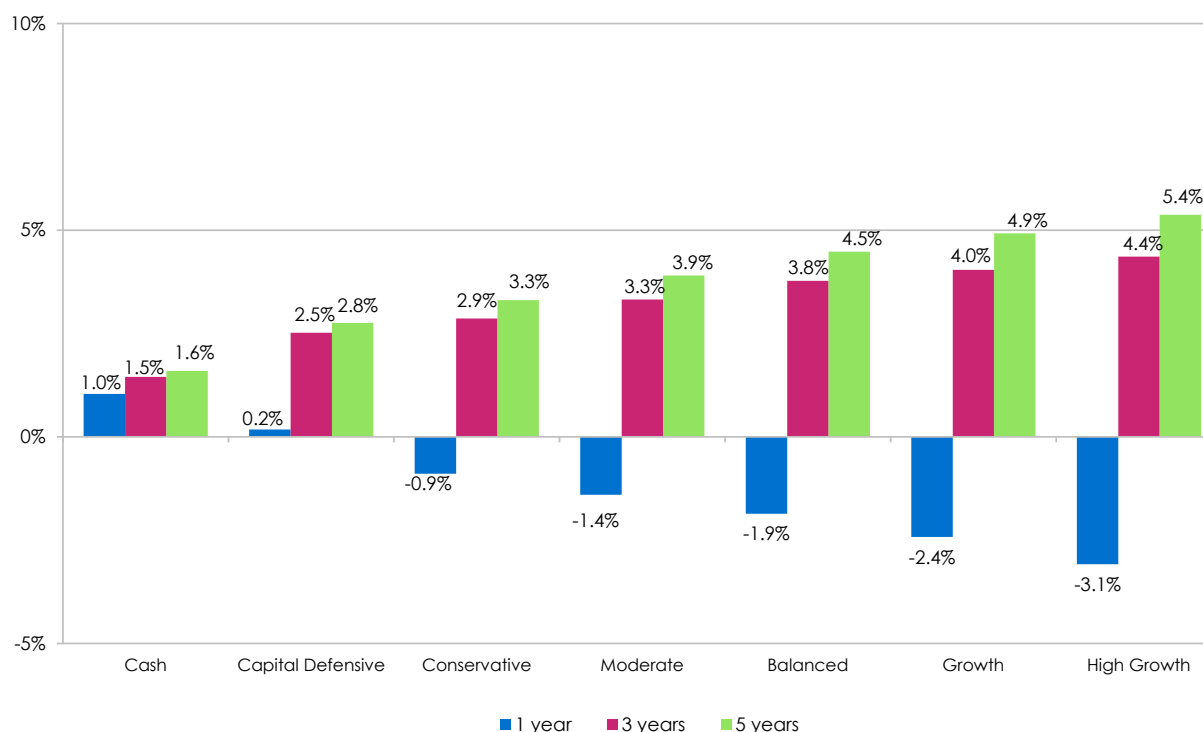
The table and chart below show Funds SA's Taxable funds returns based on the post tax unit pricing model detailed in the SLA.

Table 1: Taxable funds returns net of fees and tax to 30 April 2020¹

	1 mth %	3 mths %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Cash	0.0	0.2	0.8	1.0	1.5	1.6	1.8	2.4
Capital Defensive	1.2	-3.7	-1.0	0.2	2.5	2.8	3.4	4.4
Conservative	2.1	-5.9	-2.2	-0.9	2.9	3.3	4.3	5.2
Moderate	2.5	-7.4	-3.0	-1.4	3.3	3.9	5.2	5.7
Balanced	3.4	-8.8	-3.6	-1.9	3.8	4.5	6.0	6.4
Growth	3.8	-9.8	-4.1	-2.4	4.0	4.9	6.6	6.8
High Growth	3.9	-11.1	-4.8	-3.1	4.4	5.4	7.3	7.3

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

Chart 1: Taxable funds annualised returns net of fees and tax to 30 April 2020



Key drivers of performance during April 2020 included:

- Global equities posted strong returns and bounced back strongly from earlier losses
- Non-government bonds posted positive returns and outperformed government bonds
- The Australian dollar appreciated against most major currencies

This environment proved to be favourable for portfolios with relatively larger allocations to growth assets such as listed equities, as the forceful policy response to offset the Covid-19 impact, was viewed positively by investors.

Asset Allocation

The asset allocation of the investment options is shown in the table below.

Table 2: Asset allocation as at 30 April 2020

	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	Growth %	High Growth %
Cash	100.0	20.5	15.3	13.9	8.9	8.5	6.3
Short-Term Fixed Interest	0.0	30.0	18.1	7.2	2.2	0.0	0.0
Long-Term Fixed Interest	0.0	2.1	2.1	6.1	4.1	0.1	0.0
Inflation-Linked Securities	0.0	13.5	13.5	9.5	5.6	0.5	0.0
Taxable							
Diversified Strategies Income	0.0	13.5	14.6	10.3	6.3	7.8	7.8
Property Taxable	0.0	5.8	8.8	9.4	11.4	13.4	14.8
Australian Equities Taxable	0.0	6.5	12.6	17.1	23.3	26.4	27.2
International Equities Taxable	0.0	7.5	13.7	17.4	25.4	28.1	28.7
International Passive Equities	0.0	0.5	1.2	1.7	2.5	2.8	2.9
Taxable							
Diversified Strategies Growth	0.0	0.0	0.0	7.4	10.3	12.3	12.3
Taxable							
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 financial market performance.

Table 3: Major market index returns to 30 April 2020

	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	0.0	0.2	0.8	1.1	1.6	1.8	2.1	2.8
Australian Government	-0.4	0.8	4.0	7.3	6.0	4.7	4.8	5.8
Australian Inflation-Linked	-0.1	-5.4	-0.9	1.9	3.7	2.8	3.7	6.0
Global Treasuries ⁽¹⁾	0.8	2.1	5.3	8.3	5.0	4.5	5.0	6.2
Global Inflation-Linked ⁽¹⁾	2.9	0.3	4.1	7.0	4.1	4.7	4.4	6.6
Credit								
Global Credit ^{(1),(2)}	3.6	-2.2	2.6	5.6	4.4	4.4	4.8	6.6
Global High-Yield ⁽¹⁾	4.1	-12.3	-9.9	-8.3	-0.2	3.2	4.3	7.4
Emerging Market Debt ⁽⁴⁾	2.2	-11.4	-6.7	-3.3	0.6	2.9	2.4	5.0
Property								
Australian Listed Property	13.7	-29.7	-25.0	-20.1	-1.4	3.3	6.1	8.2
Equities⁽³⁾								
Australian Equities	9.0	-20.4	-13.8	-9.1	2.0	3.5	5.4	5.9
Global Equities	10.5	-11.5	-3.6	-3.8	5.0	5.3	8.1	8.3
US Equities	12.8	-9.3	0.6	0.9	9.0	9.1	11.2	11.7
European Equities	5.4	-16.2	-12.1	-12.2	-1.4	0.7	4.4	5.0
Japanese Equities	4.3	-11.8	-3.2	-6.9	1.0	0.4	5.5	6.1
Asia (ex Japan) Equities	8.4	-6.0	-3.9	-6.8	4.0	2.6	5.1	5.3
Emerging Market Equities	8.8	-8.9	-5.3	-7.3	3.8	3.0	5.1	5.0
Global Small Companies	13.0	-17.8	-13.2	-14.1	-0.2	2.8	6.6	7.7
Currency⁽⁵⁾								
Australian Dollar vs Developed Market Basket	6.6	-2.2	-6.3	-7.4	-4.6	-3.5	-5.5	-2.9

(1) Australian dollar return (hedged)

(2) Includes obligations of corporates, supranational agencies, and other government-

(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 April 2020 are summarised below.

Equity Markets

Equity market performance was positive in April, a strong recovery from the previous month's sharp drawdown, roughly half of its prior decline was recovered. The outbreak of the Coronavirus continued to spread globally, but some countries experienced a decrease in daily new infection cases and are now planning to slowly reopen their economies. To help reduce the damage caused by the economic shutdown governments and central banks introduced very significant stimulus measures which improved sentiment and buoyed markets.

In China, the reopening of its economy has been underway, with economic indicators showing signs of improvement in production, retail sales and investment. However, demand for Chinese goods overseas is still very weak and Chinese equities underperformed global equities in April.

In Europe, the number of new cases has been decreasing, Italy being the initial epicentre of the outbreak in this region has announced a gradual business re-opening. Germany has also started to relax some restrictions. Economic indicators were negative with manufacturing falling to an all-time low, confirming a severe hit to businesses. The International Monetary Fund estimates a large drop in GDP for 2020, with a significant increase in government spending and overall debt levels. The combination of these measures caused European equities to deliver a positive return but underperform global equities.

In the United States, economic data releases were negative with a large increase in the number of jobless claims. To combat the contraction in the economy the US government released a very large fiscal package aided by central bank buying government bonds directly and supporting liquidity in non-government debt markets. This policy response caused investors risk appetite improved and US equities to outperform most other regions.

Debt Markets

Fixed income markets were positive as globally central banks committed to purchase more government and corporate bonds as well as introducing direct lending programs. Global government bond markets produced positive returns over the month. The US Federal Reserve stated that it is committed to using its full range of tools to support the US economy. Corporate, high yield and emerging market bonds posted positive returns outperforming government bonds in earlier months.

Currency

The Australian dollar appreciated due to extractive commodity prices rising and a reversal of the flight to the safety of the US Dollar seen in the previous month. Emerging market currencies remained under pressures as they are seen not to be benefiting directly from US central bank liquidity support, whilst the dramatic fall in oil prices adversely impacted select countries.

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