



# Performance Summary December 2018

## 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

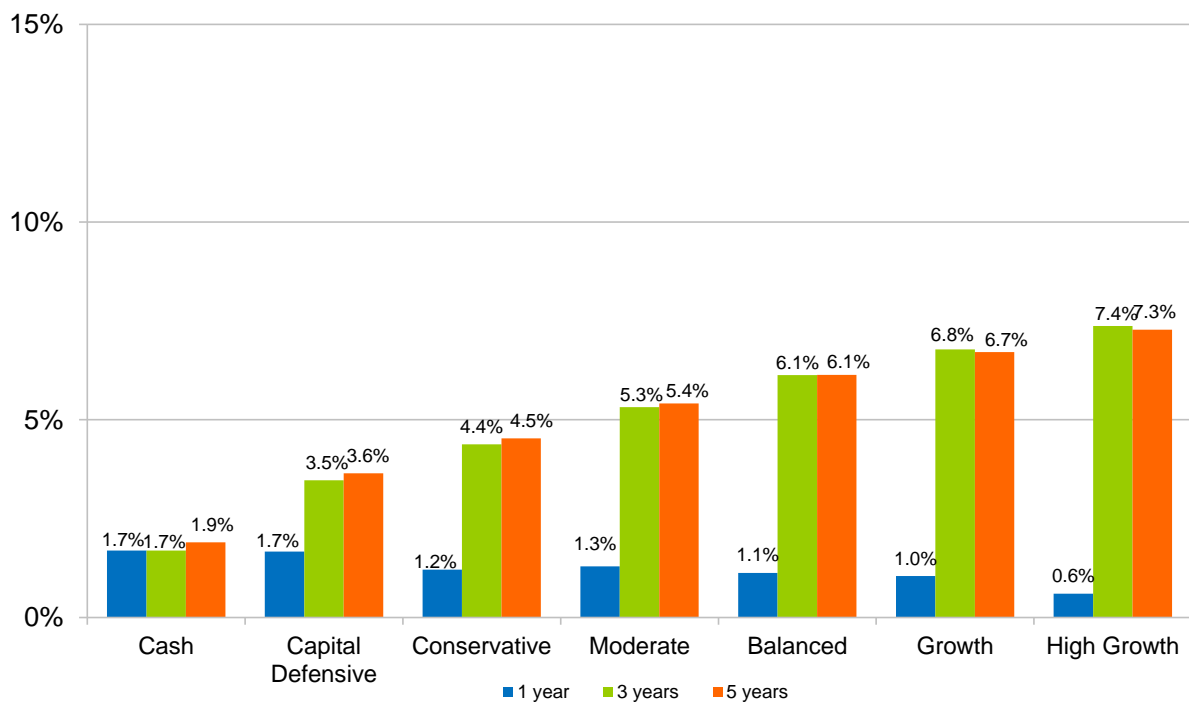
The table and chart below show Funds SA's multi-sector taxable fund returns based on the post tax unit pricing model detailed in the SLA.

**Table 1: Multi-sector fund returns net of fees and tax to 31 December 2018<sup>1</sup>**

	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	0.9	1.7	1.7	1.9	2.2	2.7
Capital Defensive	0.4	-0.4	0.3	1.7	3.5	3.6	4.2	5.2
Conservative	0.1	-1.6	-0.6	1.2	4.4	4.5	5.7	6.3
Moderate	-0.1	-2.3	-1.0	1.3	5.3	5.4	6.8	7.1
Balanced	-0.3	-3.3	-1.6	1.1	6.1	6.1	7.8	7.7
Growth	-0.6	-3.9	-2.1	1.0	6.8	6.7	8.7	8.2
High Growth	-1.0	-5.1	-3.0	0.6	7.4	7.3	9.8	8.9

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 December 2018**



Key drivers of performance during December 2018 included:

- Global government bonds outperformed equities.
- Australian equities outperformed most of their global counterparts.
- Government bonds outperformed non-government bonds.

This environment proved to be favourable for portfolios with relatively larger allocations to government bonds.

## 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
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

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 December 2018**

	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	1.0	1.9	1.9	2.2	2.5	3.1
Australian Government	1.9	2.8	3.2	5.1	3.7	4.7	4.2	4.5
Australian Inflation-Linked	1.2	1.8	1.4	3.7	3.0	4.9	4.5	5.8
Global Treasuries <sup>(1)</sup>	1.6	2.3	1.8	2.7	3.6	5.0	5.2	5.9
Global Inflation-Linked <sup>(1)</sup>	1.1	0.5	-0.4	0.1	5.1	5.6	4.8	7.1
Credit								
Global Credit <sup>(1),(2)</sup>	1.2	0.3	1.0	-0.6	4.0	4.8	5.7	7.8
Global High-Yield <sup>(1)</sup>	-0.9	-3.2	-1.2	-3.0	7.3	5.6	8.4	13.8
Emerging Market Debt <sup>(4)</sup>	1.5	-1.2	0.7	-4.6	4.7	4.2	4.5	7.8
Property								
Australian Listed Property	1.7	-1.7	0.2	3.3	7.6	12.5	14.4	10.7
Equities <sup>(3)</sup>								
Australian Equities	-0.2	-8.4	-7.0	-3.1	6.7	5.6	9.5	8.9
Global Equities	-7.9	-13.1	-8.6	-7.4	6.2	6.0	10.4	10.1
US Equities	-9.0	-13.5	-6.9	-4.4	9.3	8.5	12.7	13.1
European Equities	-5.3	-11.2	-10.2	-10.6	2.7	3.5	7.6	7.5
Japanese Equities	-9.9	-17.3	-12.1	-15.4	0.8	4.7	13.0	7.7
Asia (ex Japan) Equities	-2.9	-8.9	-9.8	-12.3	8.1	5.1	7.1	10.2
Emerging Market Equities	-2.5	-7.4	-7.3	-9.7	9.2	5.4	6.8	10.0
Global Small Companies	-9.6	-17.6	-15.3	-12.5	5.6	5.5	11.0	12.2
Currency <sup>(5)</sup>								
Australian Dollar vs Developed Market Basket	-3.8	-2.4	-4.3	-8.7	-1.3	-3.4	-4.2	0.4

(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 December 2018 are summarised below.

### Equity Markets

Equity market performance was mostly negative in December. The Reserve Bank of Australia again left interest rates on hold, while the US Federal Reserve raised interest rates to 2.50%. Domestic equities generated a slight negative return, and in doing so, outperformed most of their global counterparts.

Political tensions around the globe escalated during December. There was a partial US Government shutdown over funding disagreements related to President Trump's proposed border wall, while in Europe, uncertainty was cast over the UK's Brexit, as a planned parliamentary vote was called off, which in turn led to an unsuccessful prime ministerial leadership challenge. Despite all this, there was some de-escalation in trade tensions, as the US and China agreed to a trade war truce following the G20 summit.

Australian equities outperformed most of their global counterparts posting a slight negative return, while exhibiting meaningful variation at the industry level. Resources sector posted strong positive

returns as key commodity prices increased, while falls in oil prices dragged on returns in the energy sector.

## Debt Markets

Global government bond markets produced positive returns over the month, with the global economic environment showing some signs of slowing. Non-government bond performance was mixed with highly rated corporates and emerging market debt posted positive returns, while high yield bonds fell as the excess returns that investors demand for bearing the additional risk increased meaningfully.

## Currency

The Australian dollar fell due to signs that China's economy was starting to slow.

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