



Performance Summary January 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

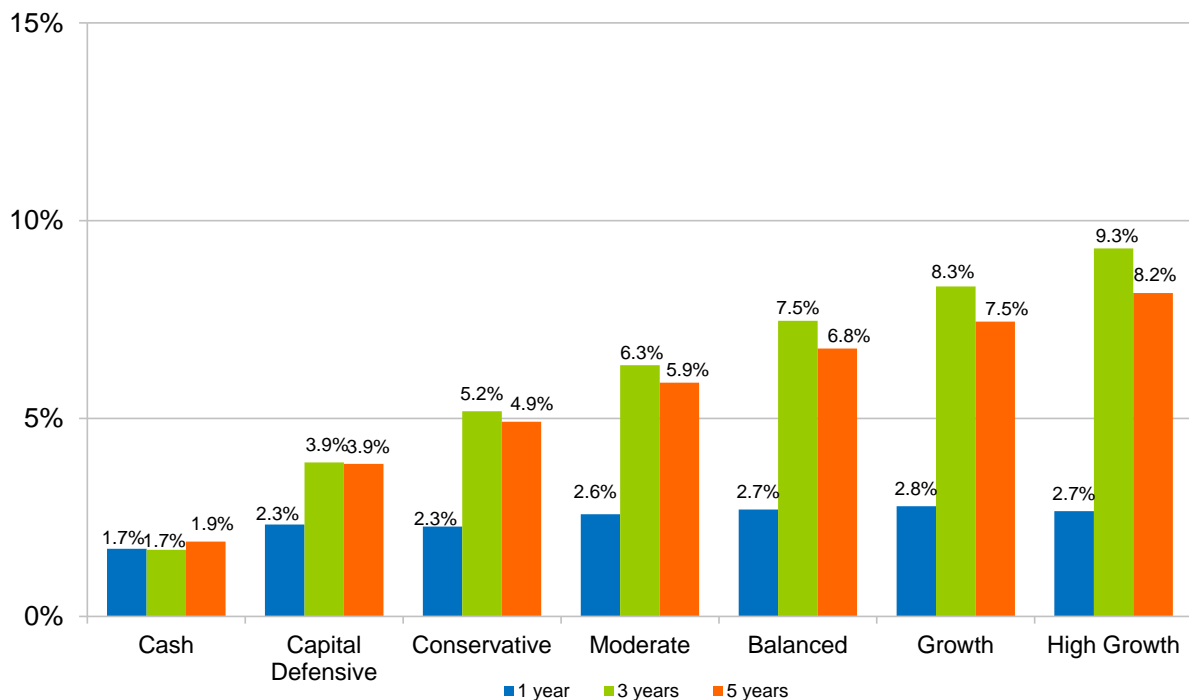
The table and chart below show Funds SA's multi-sector taxable fund returns based on the post tax unit pricing model detailed in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 31 January 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	0.4	1.0	1.7	1.7	1.9	2.2	2.7
Capital Defensive	1.0	1.3	1.3	2.3	3.9	3.9	4.2	5.2
Conservative	1.5	1.3	0.9	2.3	5.2	4.9	5.7	6.5
Moderate	1.8	1.3	0.8	2.6	6.3	5.9	6.7	7.3
Balanced	2.1	1.3	0.5	2.7	7.5	6.8	7.8	8.0
Growth	2.4	1.2	0.3	2.8	8.3	7.5	8.6	8.7
High Growth	2.8	1.0	-0.3	2.7	9.3	8.2	9.7	9.4

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 January 2019



Key drivers of performance during January 2019 included:

- Global equities outperformed government bonds.
 - Australian equities underperformed most of their global counterparts.
 - Non-government bonds outperformed government bonds.
- This environment proved to be favourable for portfolios with relatively larger allocations to global equities and 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 January 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	1.2	1.9	1.9	2.1	2.5	3.0
Australian Government	0.7	3.0	4.0	6.3	3.5	4.6	4.3	4.5
Australian Inflation-Linked	1.1	2.2	2.6	5.2	3.1	5.0	4.5	5.5
Global Treasuries ⁽¹⁾	0.7	3.0	2.6	4.1	3.1	4.9	5.1	6.1
Global Inflation-Linked ⁽¹⁾	1.0	1.5	0.6	2.4	4.6	5.4	4.6	7.1
Credit								
Global Credit ^{(1),(2)}	1.7	2.7	2.7	1.7	4.3	4.8	5.6	7.9
Global High-Yield ⁽¹⁾	4.1	2.2	2.9	0.4	9.1	6.3	8.4	13.6
Emerging Market Debt ⁽⁴⁾	4.4	5.5	5.1	-0.2	6.3	5.3	4.9	8.2
Property								
Australian Listed Property	6.0	7.5	6.2	13.1	9.3	13.7	14.5	12.4
Equities⁽³⁾								
Australian Equities	3.9	1.4	-3.4	1.1	10.0	7.1	9.3	9.9
Global Equities	7.2	-0.1	-1.9	-4.3	10.7	8.2	10.8	11.7
US Equities	8.0	0.3	0.6	-2.3	14.0	11.0	13.2	15.0
European Equities	5.6	-1.0	-5.1	-6.6	6.4	5.2	7.9	8.8
Japanese Equities	5.2	-4.2	-7.5	-12.0	5.2	7.2	13.3	9.1
Asia (ex Japan) Equities	7.2	8.3	-3.3	-12.0	13.2	7.4	6.9	11.3
Emerging Market Equities	7.2	7.7	-0.6	-9.4	13.8	7.8	6.8	11.0
Global Small Companies	0.0	-8.8	-15.3	-14.4	8.2	5.8	10.0	12.9
Currency⁽⁵⁾								
Australian Dollar vs Developed Market Basket	2.8	2.1	-1.6	-7.7	0.4	-2.5	-4.2	1.5

(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 January 2019 are summarised below.

Equity Markets

Equity market performance was positive in January reversing some of the previous month's losses. The main driver of markets was that the US Federal Reserve signalled that it would be more patient with further interest rate increases and also the rate at which it would sell market securities it currently holds. This drove bond yields and the US dollar lower and growth assets, such as listed equities, higher.

The Reserve Bank of Australia again left interest rates on hold which helped Domestic equities generated a positive return but underperformed most other global bourses. Concerns around the slowing residential property market and the outcome of the Royal Commission weighed on the domestic equity market.

In the UK Brexit uncertainty remains, parliament voted on a deal that had been negotiated with the EU by Prime Minister May. That vote resulted in the deal failing by a significant margin, further votes were then taken to establish a way forward. This showed that if Prime Minister May is able to renegotiate certain factors with the EU, the deal has potential to be passed by parliament.

Debt Markets

Global government bond markets produced positive returns over the month, with the global economic environment showing signs of slowing. Non-government bond performance was also positive, with emerging market debt and high yield bonds posting strong positive returns as the excess returns that investors demand for bearing the additional risk decreased meaningfully.

Currency

The Australian dollar rose due to increases in commodity prices.

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