

# Performance Summary



SA Metropolitan Fire Service Super Scheme – Members  
31 October 2021

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 investment option returns based on the post-tax unit pricing model.

**Table 1: Taxable investment option returns to 31 October 2021**

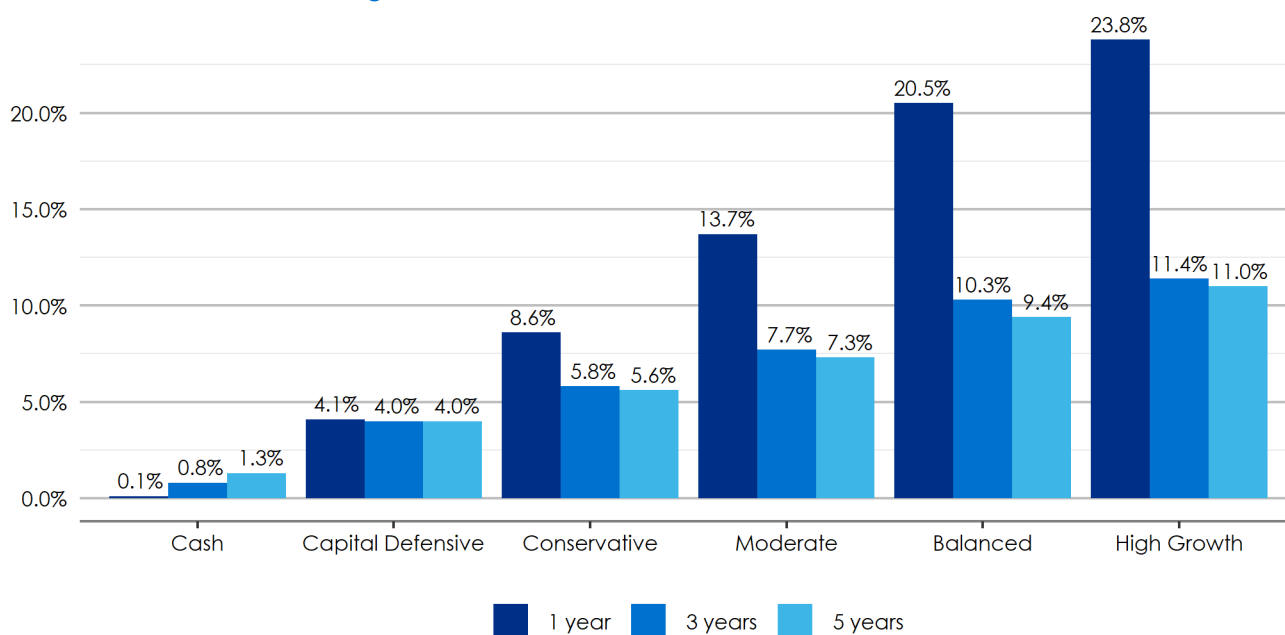
Returns are net of fees and gross of tax

| Investment option | 1 month % | 3 months % | FYTD % | 1 year % | 3 years % p.a. | 5 years % p.a. | 7 years % p.a. | 10 years % p.a. |
|-------------------|-----------|------------|--------|----------|----------------|----------------|----------------|-----------------|
| Cash              | -0.0      | 0.0        | 0.0    | 0.1      | 0.8            | 1.3            | 1.6            | 2.1             |
| Capital Defensive | -0.9      | -1.2       | -0.6   | 4.1      | 4.0            | 4.0            | 4.0            | 4.8             |
| Conservative      | -0.6      | -0.7       | -0.0   | 8.6      | 5.8            | 5.6            | 5.4            | 6.3             |
| Moderate          | -0.3      | 0.1        | 1.0    | 13.7     | 7.7            | 7.3            | 6.8            | 7.7             |
| Balanced          | 0.1       | 0.8        | 1.9    | 20.5     | 10.3           | 9.4            | 8.4            | 9.2             |
| High Growth       | 0.4       | 1.4        | 2.6    | 23.8     | 11.4           | 11.0           | 9.7            | 10.8            |

Note: The Taxable investment options were established in March 2005, with the exception of the Moderate investment option (established in June 2006)

**Chart 1: Taxable investment options annualised returns, net of fees to 31 October 2021**

Returns are net of fees and gross of tax



Key drivers of performance during October 2021:

- Returns for October were negative across the defensive-oriented investment options as the high allocation to Fixed Interest detracted from performance.
- Bond yields rose sharply towards the end of the month in response to the release of higher-than-expected inflation data and central banks signalling tightening, triggering notable underperformance from the Fixed Interest asset class.
- The growth-oriented investment options provided slightly positive returns as allocations to Fixed Interest were offset by small gains in growth assets.
- International Equities was a common contributor across the investment options as third quarter earnings results helped buoy sentiment.
- Diversified Strategies Growth (DSG) also added some value for more growth-orientated options as a result of September quarter valuations from Private Equity and rollforward valuations on Core Infrastructure.
- The Reserve Bank of Australia Cash Rate is very low, and likely to be low for some time, it is expected the Cash investment option will return close to zero over the medium-term after fees and taxes.

## Asset allocation

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

**Table 2: Asset allocation as at 31 October 2021**

| Asset class                           | Cash %       | Capital Defensive % | Conservative % | Moderate %   | Balanced %   | High Growth % |
|---------------------------------------|--------------|---------------------|----------------|--------------|--------------|---------------|
| Cash                                  | 100.0        | 13.7                | 10.7           | 9.4          | 4.7          | 4.0           |
| Fixed Interest                        | 0.0          | 36.3                | 22.2           | 14.2         | 7.2          | 0.0           |
| Inflation-Linked Securities Taxable   | 0.0          | 14.8                | 14.8           | 10.8         | 4.9          | 0.0           |
| Diversified Strategies Income         | 0.0          | 17.2                | 18.2           | 12.2         | 8.2          | 6.4           |
| Property Taxable                      | 0.0          | 5.1                 | 8.1            | 9.0          | 11.0         | 15.0          |
| Australian Equities Taxable           | 0.0          | 5.6                 | 11.5           | 18.5         | 26.4         | 29.3          |
| International Equities Taxable        | 0.0          | 7.4                 | 14.4           | 20.1         | 28.5         | 34.2          |
| Diversified Strategies Growth Taxable | 0.0          | 0.0                 | 0.0            | 5.8          | 9.1          | 11.2          |
| <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>  |

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 31 October 2021**

| Market index                                 | 1 month<br>% | 3 months<br>% | FYTD<br>% | 1 year<br>% | 3 years<br>% p.a. | 5 years<br>% p.a. | 7 years<br>% p.a. | 10 years<br>% p.a. |
|--|--------------|---------------|-----------|-------------|-------------------|-------------------|-------------------|--------------------|
| <b>Cash and Fixed Income</b>                 |              |               |           |             |                   |                   |                   |                    |
| Australian Cash                              | 0.0          | 0.0           | 0.0       | 0.0         | 0.7               | 1.2               | 1.5               | 2.0                |
| Australian Government                        | -3.8         | -5.4          | -3.5      | -6.1        | 2.7               | 2.5               | 3.2               | 3.9                |
| Australian Inflation-Linked                  | -2.3         | -5.2          | -2.7      | -1.6        | 4.3               | 3.4               | 3.9               | 4.9                |
| Global Treasuries                            | -0.3         | -1.7          | -0.2      | -2.1        | 3.6               | 2.6               | 3.6               | 4.7                |
| Global Inflation-Linked                      | 1.8          | 0.1           | 4.0       | 5.7         | 7.0               | 4.6               | 5.6               | 5.8                |
| <b>Credit</b>                                |              |               |           |             |                   |                   |                   |                    |
| Global Credit                                | -0.1         | -1.3          | -0.1      | 1.0         | 5.6               | 3.9               | 4.5               | 5.7                |
| Global High-Yield                            | -0.5         | -0.5          | -0.4      | 8.6         | 5.1               | 4.8               | 5.4               | 7.7                |
| Emerging Market Debt                         | 0.1          | -1.0          | -0.5      | 4.1         | 6.5               | 3.9               | 4.3               | 5.0                |
| <b>Property</b>                              |              |               |           |             |                   |                   |                   |                    |
| Australian Listed Property                   | 0.6          | 4.9           | 5.4       | 31.8        | 10.6              | 9.5               | 10.3              | 13.1               |
| <b>Equities</b>                              |              |               |           |             |                   |                   |                   |                    |
| Australian Equities                          | 0.1          | 0.8           | 1.9       | 28.6        | 12.3              | 11.0              | 8.6               | 10.0               |
| Global Equities                              | 5.5          | 4.3           | 6.1       | 40.4        | 17.7              | 15.2              | 11.8              | 13.3               |
| US Equities                                  | 7.0          | 5.1           | 7.6       | 42.9        | 21.5              | 18.9              | 14.7              | 16.2               |
| European Equities                            | 3.7          | 2.8           | 4.3       | 39.1        | 10.7              | 9.0               | 7.6               | 9.2                |
| Japanese Equities                            | -1.4         | 6.3           | 3.8       | 30.1        | 9.5               | 10.1              | 8.3               | 12.5               |
| Asia (ex Japan) Equities                     | 1.1          | -0.5          | -7.5      | 13.0        | 13.1              | 10.6              | 8.0               | 8.2                |
| Emerging Market Equities                     | 0.9          | 0.3           | -5.7      | 16.5        | 13.2              | 10.8              | 8.4               | 8.2                |
| Global Small Companies                       | 3.5          | 2.5           | 1.7       | 44.9        | 16.1              | 14.1              | 10.9              | 12.2               |
| <b>Currency</b>                              |              |               |           |             |                   |                   |                   |                    |
| Australian Dollar vs Developed Market Basket | 4.2          | 3.0           | 0.7       | 7.1         | 1.7               | -0.5              | -1.8              | -2.5               |

Note:

Returns hedged to the Australian Dollar: Global Treasuries, Global Inflation-Linked, Global Credit, Global High-Yield.

Equity returns are expressed in local currency.

Emerging Market Debt is hedged to the US Dollar.

Currency: A positive number represents appreciation of the Australian Dollar. A negative number represents a depreciation of the Australian Dollar.

## Financial market commentary

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Central banks remain in focus as markets concentrated on the big themes of inflation and economic growth. Government bonds experienced increased volatility and posted large negative returns in October. Global and domestic bond yields rose sharply over concerns of rising inflation and prospect of central bank's accelerating the path of interest rate hikes.

Fuelled by the release of higher-than-expected inflation data, the Australian bond market ran ahead of the Reserve Bank of Australia's (RBA) timing of holding the cash rate at 0.1% until 2024. By the end of the month, markets were pricing in the first interest rate rise as early as April 2022, as well as a sequence of rate hikes taking the cash rate to 1.50% by early 2023. The RBA reiterated that they did not expect to raise rates earlier than 2024. However, they did abandon their yield curve control policy but maintain that, in this cycle, they are justified in being patient to ensure a sustainable result.

Other central banks around the world behaved similarly. Tightening expectations increased and bond rates rose as the US Federal Reserve signalled Quantitative Easing (QE) tapering could start this year and finish in mid-2022. The Bank of Canada ended its bond purchase program earlier than expected, the Bank of England prepared the market for a November rate hike, and the European Central Bank while leaving policy settings unchanged, signalled that QE would be reduced.

While bond markets fell, global equity markets, particularly the US, had a positive month. Equity markets largely ignored concerns around global supply constraints and inflation pressures. Third quarter earnings results were positive and helped buoy sentiment.

Markets seemed less focused on COVID-19 as vaccine rollouts continued around the world. Over October, cases declined globally with vaccination coverage continuing to be successful in breaking the exponential case trajectory seen in many countries last year.

### Disclaimer

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