

# Performance Summary

SA Metropolitan Fire Service Superannuation Scheme  
September 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

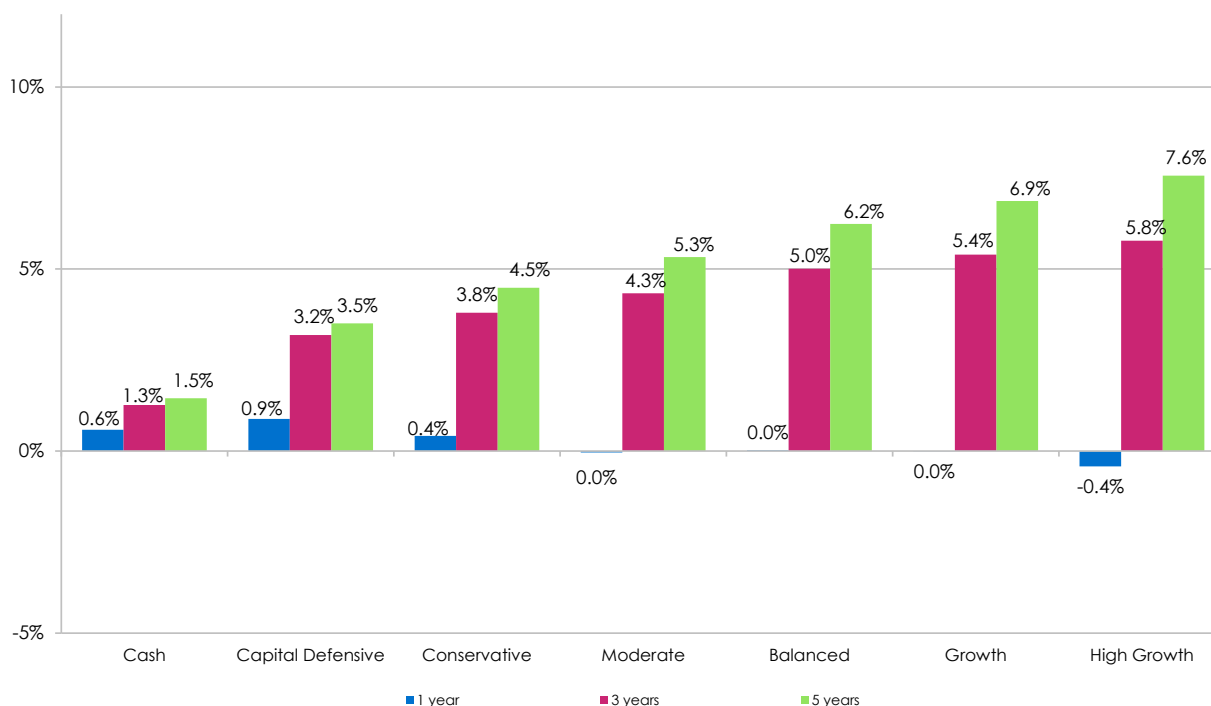
The table and chart below show Funds SA's Taxable investment option returns based on the post-tax unit pricing model.

**Table 1: Taxable investment option returns net of fees and tax to 30 September 2020 <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	0.0	0.1	0.1	0.6	1.3	1.5	1.7	2.3
Capital Defensive	-0.1	1.1	1.1	0.9	3.2	3.5	3.8	4.4
Conservative	-0.3	1.5	1.5	0.4	3.8	4.5	4.7	5.4
Moderate	-0.3	1.8	1.8	0.0	4.3	5.3	5.6	6.0
Balanced	-0.4	2.2	2.2	0.0	5.0	6.2	6.4	6.8
Growth	-0.6	2.4	2.4	0.0	5.4	6.9	7.0	7.4
High Growth	-0.6	2.6	2.6	-0.4	5.8	7.6	7.6	8.0

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

**Chart 1: Taxable investment option annualised returns net of fees and tax to 30 September 2020**



Key drivers of performance during September 2020:

- Share market selloffs, both domestically and internationally, had a negative impact on growth-oriented investment options.
- Government Bonds provided some protection, with further declines in yields edging bond prices higher.
- Investors have become more cautious amidst rising numbers of COVID-19 cases, particularly in the Northern Hemisphere, and increasing uncertainty surrounding the US Presidential Election.

## Asset Allocation

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

**Table 2: Asset allocation as at 30 September 2020**

	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	Growth %	High Growth %
Cash	100.0	17.7	12.9	10.5	5.3	4.0	4.5
Short-Term Fixed Interest	0.0	29.6	17.5	6.5	1.5	0.0	0.0
Long-Term Fixed Interest	0.0	5.0	5.0	9.0	6.0	0.0	0.0
Inflation-Linked Securities	0.0	15.1	15.1	12.0	6.0	0.0	0.0
Taxable							
Diversified Strategies Income	0.0	16.9	17.9	11.7	7.8	12.6	11.5
Property Taxable	0.0	5.2	8.2	9.0	11.0	12.9	14.9
Australian Equities Taxable	0.0	4.4	10.3	16.3	25.2	27.2	26.1
International Equities Taxable	0.0	6.1	13.1	18.7	27.8	31.8	31.6
Diversified Strategies Growth	0.0	0.0	0.0	6.4	9.4	11.5	11.4
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 September 2020**

	1 mth %	3 mths %	FYTD %	1 Year %	3 Years % p.a.	5 Years % p.a.	7 Years % pa	10 Years % pa
<b>Cash and fixed income</b>								
Australian Cash	0.0	0.0	0.0	0.6	1.4	1.6	1.9	2.6
Australian Government	1.3	0.8	0.8	2.7	6.4	4.6	5.1	5.4
Australian Inflation-Linked	1.3	3.5	3.5	4.1	6.7	4.4	5.6	6.2
Global Treasuries <sup>(1)</sup>	0.6	0.5	0.5	3.0	4.8	4.4	5.3	5.7
Global Inflation-Linked <sup>(1)</sup>	0.4	1.2	1.2	4.3	5.8	5.9	5.9	6.4
<b>Credit</b>								
Global Credit <sup>(1),(2)</sup>	0.0	1.6	1.6	4.6	5.1	5.5	5.8	6.4
Global High-Yield <sup>(1)</sup>	-1.5	3.3	3.3	-0.2	2.1	6.1	5.8	7.8
Emerging Market Debt <sup>(4)</sup>	-1.7	2.3	2.3	2.5	3.3	6.0	5.2	5.2
<b>Property</b>								
Australian Listed Property	-1.1	7.4	7.4	-15.8	4.1	6.0	8.8	9.7
<b>Equities<sup>(3)</sup></b>								
Australian Equities	-3.6	-0.1	-0.1	-10.0	4.9	7.4	6.0	6.9
Global Equities	-2.9	6.7	6.7	8.5	7.8	10.3	9.4	10.2
US Equities	-3.8	8.9	8.9	15.1	12.3	14.1	12.7	13.7
European Equities	-0.9	0.3	0.3	-7.3	-0.2	4.6	4.8	5.7
Japanese Equities	0.8	4.8	4.8	4.5	1.5	5.1	6.7	9.1
Asia (ex Japan) Equities	-1.8	9.5	9.5	16.1	5.0	10.1	7.4	6.1
Emerging Market Equities	-1.6	8.8	8.8	12.8	5.2	10.0	7.3	6.0
Global Small Companies	-1.9	6.1	6.1	1.3	2.6	7.6	7.4	9.6
<b>Currency<sup>(5)</sup></b>								
Australian Dollar vs Developed Market Basket	-2.5	2.9	2.9	4.5	-2.9	0.3	-2.9	-2.3

(1) Australian dollar return (hedged)

(2) Includes obligations of corporates,

(3) Local currency return

(4) Hedged to USD

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

## Commentary

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### Financial markets

Concerns around rising numbers of COVID-19 cases, particularly in the Northern Hemisphere, and growing uncertainty around the US Presidential Election on 3 November had most impact on global markets in September.

Through the month there was a clear increase in COVID-19 cases globally. Whilst there has been a shift by policy makers to focus more on supporting the economy and reducing restrictions, concerns remain that decreasing temperatures in the Northern Hemisphere could see hospitalisations and deaths rise significantly in line with the flu season. On a positive note, vaccine trials have been progressing yet there has been little in the way of widely available treatments.

In light of the pandemic, and the recent inability of the Democrat-controlled House and Republican Senate to agree on additional fiscal stimulus to support the US economy, the US Presidential Election has gained even more importance than usual. Whether the US passes further fiscal stimulus post-election will be important not only for the US but the global economic recovery and market performance in the coming months.

With this combination of factors clouding the near-term outlook, investors have adopted a more cautious approach. Adding to this lack of direction is the absence of further stimulus by central banks. At their October meeting, the Reserve Bank of Australia (RBA) left the Official Cash Rate (OCR) and other policy settings unchanged. However, there is ever increasing anticipation of a rate cut in November to bring the OCR down from 0.25% to 0.10%. The US Federal Reserve and the European Central Bank left policy broadly unchanged over the month.

In Australia, data released showed that the unemployment rate fell from 7.5% to 6.8% in August reflecting the impact of the Government's JobKeeper program. Despite some positive signs for the national economy, the Australian Stock Exchange (ASX) erased its gains of July and August, falling 3.6% in September with the Financial Services, Information Technology, and Energy sectors amongst the poorer performers.

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