

Investment commentary

June quarter investment update

The SA Metropolitan Fire Service Scheme experienced a difficult June 2024 quarter. Except for Cash, investment options posted negative returns for the period.

SAMFS Taxable investment options at 30 June 2024

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	0.3	1.0	3.9	3.9	2.2	1.5	1.5	1.7
Capital Defensive	0.2	-0.1	4.6	4.6	0.9	1.8	2.5	2.9
Conservative	0.2	-0.2	5.6	5.6	1.6	2.8	3.6	4.0
Moderate	0.3	-0.4	6.6	6.6	2.7	4.2	4.9	5.2
Balanced	0.3	-0.6	7.5	7.5	3.5	5.7	6.2	6.4
High Growth	0.1	-0.8	7.9	7.9	4.0	6.4	7.2	7.6

Note. Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns.

International and Australian share markets, and Property contributed to lower returns for the 3-month period to 30 June.

Geopolitical unrest and elections in Europe created a degree of uncertainty, but the dominant focus for investment markets continued to be inflation and central bank decisions on interest rates. The tightrope central banks must tread between lowering interest rates too early and risk inflation resurging or keeping rates high and risk weakness within economies and job markets, was highlighted during the period.

Early in the quarter higher-than-expected inflation reported in the US, and resilient job market conditions reduced expectations for official interest rate cuts. As the US leads global financial markets, most followed its downward trajectory. Interest rate sensitive sectors including Real Estate Investment Trusts and Consumer Discretionary along with fixed interest markets (such as longer dated bonds) were most impacted by the view that interest rates would remain higher for longer.

In Australia, concerns about resilient inflation added to market volatility. In April, the share market posted its worst monthly performance since October 2023. In the time since, share markets have been progressively rising in value. However, international share market performance has been extremely narrow, driven by a small number of US large cap technology companies.

Property was also a major performance detractor across all investment options. Office sector valuations continued to soften which resulted in a meaningful capital decline in June.

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