Funds SA Quarterly Comment

September 2025

Investment options

The SA Metropolitan Fire Service Superannuation Scheme (SAMFS) invests in Funds SA's Taxable investment options.

The September quarter delivered strong and broad-based returns across most asset classes, resulting in positive outcomes for all Funds SA diversified investment options.

Most options performed in line with their benchmarks, except for the High Growth option. This option was held back by its higher allocation to Australian equities, which underperformed in September and dragged overall returns below the benchmark for the quarter.

The diversified structure of the investment options enabled strong participation in the equity market rally, while maintaining balance through fixed income and unlisted assets. This approach continues to support long-term investment outcomes, helping to manage risk and deliver stability amid ongoing global uncertainty.

Asset class highlights

International equities outperformed for the quarter, led by gains in the IT sector and positive positioning in Europe and Asia. September was particularly strong, with notable contributions from the US, China, South Korea, and Taiwan.

Australian equities performed well in July and August, outpacing the benchmark in July thanks to solid results from Health Care and Materials. However, September saw a decline, with underperformance driven mostly by the lower exposure to gold.

Private markets stood out in August, supported by technology-focused private equity and US exposures.

The Property asset class delivered positive returns throughout the quarter. The office segment showed signs of recovery, while retail property continued to attract strong investor demand.

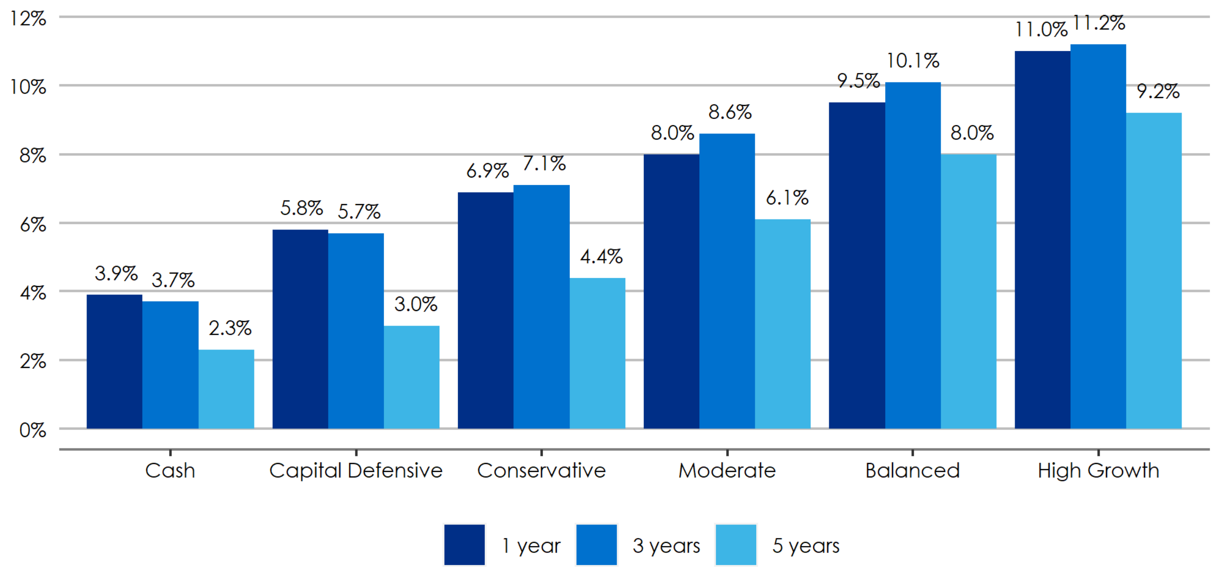
Fixed Interest and Credit were positive across all sectors, benefiting from steady income and tighter credit spreads. The asset class was further supported by falling long-dated yields and increasing expectations for future rate cuts.

Table 1. Taxable investment options as of 30 September 2025

Returns are net of fees and gross of tax, based on the SAMFS unit pricing formula

Investment option	3 months %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Cash	0.9	0.9	3.9	3.7	2.3	1.9	1.9
Capital Defensive	1.8	1.8	5.8	5.7	3.0	3.0	3.3
Conservative	2.4	2.4	6.9	7.1	4.4	4.0	4.5
Moderate	3.1	3.1	8.0	8.6	6.1	5.3	5.7
Balanced	3.8	3.8	9.5	10.1	8.0	6.7	7.1
High Growth	4.3	4.3	11.0	11.2	9.2	7.5	8.4

Chart 1. Taxable investment options annualised returns to 30 September 2025.
Returns are net of fees and tax



Asset allocation

Over the quarter, Funds SA's investment team continued to make structural portfolio adjustments to ensure the Long-Term Strategic Asset Allocation targets for 2025-26 are met.

These adjustments included further reducing active risk within the International Equities asset class and adding insurance-linked exposure to Alternatives. Increasing allocations to Infrastructure and the unlisted asset classes progressed over the quarter but will take more time given the illiquid nature of the underlying assets.

The allocation to the Credit asset class will rise in the months ahead the addition of Private Credit to the portfolio, funded by a reduction in Government Bonds.

Investment update

Global equity markets continued to advance in the September quarter, with technology and artificial intelligence themes remaining key drivers. In the United States, major indices reached record highs: the S&P 500 rose 7.8%, the Nasdaq gained 11.2%, and the Dow was up 5.2%. Within the technology sector, performance was mixed - Tesla and Nvidia stood out, while Meta and Amazon lagged. The Federal Reserve delivered a 25-basis point rate cut in September, and while further easing is expected, there is ongoing debate about how quickly and how much rates will move.

Asian equity markets also delivered strong gains, led by China's technology sector and AI-related stocks in South Korea and Taiwan, which outperformed despite softer economic data across the region. Improved sentiment towards China's economy helped offset declines in retail sales, industrial production, and property, while Japan's Nikkei 225 and Topix reached record highs, surpassing the 1989 bubble peak thanks to robust corporate results and a weaker yen. Other markets such as South Korea, Taiwan, Singapore, and Indonesia also hit record or multi-year highs, while India lagged due to steep US tariffs and higher visa fees impacting its IT sector. Overall, trade uncertainties with the US eased as new deals were struck.

European share markets moved closer to all-time highs, supported by positive momentum from the US and the Fed's first rate cut since December. The STOXX 600 rose 3.1% and the FTSE 100 gained 6.7%. However, the euro's strong rise against the dollar created challenges for exporters, while companies focused on domestic markets benefited.

Late in the quarter, new US tariffs on European goods—including pharmaceuticals, kitchen cabinets, and trucks—added some uncertainty for businesses, despite earlier trade agreements.

Political and fiscal issues remained in focus, with France facing a fiscal crisis and leadership changes, and the UK experiencing bond market volatility and ongoing discussions about tax reforms. Despite these challenges, European company valuations remained attractive, and there was growing optimism around stabilising earnings.

In Australia, the equity market delivered a 5% gain for the quarter, with strong results in July and August offset by a modest pullback in September. Materials led the way, returning 21%, as gold miners outperformed on the back of gold surging 16.8% for the quarter. Aussie small caps also enjoyed a strong month, benefiting from sector rotation and renewed investor interest. In contrast, the energy and healthcare sectors lagged, with healthcare stocks experiencing heightened volatility during reporting season and several large names posting disappointing results.

Fixed interest and credit markets were broadly positive, as global bond yields declined in response to dovish signals from central banks and expectations of further policy easing.

Several Asia-Pacific central banks cut rates during the quarter, and credit spreads tightened to historically low levels, supporting returns across most sectors. In Australia, sovereign yields rose after inflation and employment data came in stronger than expected. This increase in rates often signals that investors expect inflation to remain higher or that the Reserve Bank of Australia may keep interest rates on hold for longer. The central bank maintained its hawkish stance and the Australian dollar strengthened.

Disclaimers:

The information within this document has been prepared in good faith by Funds SA based on information available as at the date of publication. However, Funds SA does not warrant the accuracy of the information and to the extent permitted by law, disclaims responsibility for any loss or damage of any nature whatsoever which may be suffered by any person directly or indirectly through relying upon it whether that loss or damage is caused by any fault or negligence of Funds SA or otherwise. The information is not intended to constitute advice. Before relying on any information contained in this document, you should consider whether the information is appropriate to your particular objectives, financial situation and needs, and obtain professional financial, taxation and legal before relying on the information.

Past performance is not a reliable indicator of future performance. Forward-looking statements are predictions only and may be affected by inaccurate assumptions and/or known and unknown risks and uncertainties and other factors which may be beyond the control of Funds SA. Actual results or performance may vary materially.

S&P. The S&P500 index is a product of S&P Dow Jones Indices LLC and/or its affiliates and has been licensed for use by Funds SA. Copyright ©2025 S&P Dow Jones Indices LLC, a division of S&P Global, Inc., and/or its affiliates. All rights reserved. Redistribution or reproduction in whole or in part are prohibited without written permission of S&P Dow Jones Indices LLC. For more information on any of S&P Dow Jones Indices LLC's indices please visit www.spdji.com. S&P® is a registered trademark of S&P Global and Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC. Neither S&P Dow Jones Indices LLC, Dow Jones Trademark Holdings LLC, their affiliates nor their third party licensors make any representation or warranty, express or implied, as to the ability of any index to accurately represent the asset class or market sector that it purports to represent and neither S&P Dow Jones Indices LLC, Dow Jones Trademark Holdings LLC, their affiliates nor their third party licensors shall have any liability for any errors, omissions, or interruptions of any index or the data included therein.

Bloomberg. BLOOMBERG®" and the Bloomberg indices listed herein (the "Indices") are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL"), the administrator of the Indices (collectively, "Bloomberg") and have been licensed for use for certain purposes by the distributor hereof (the "Licensee"). Bloomberg is not affiliated with Licensee, and Bloomberg does not approve, endorse, review, or recommend the financial products named herein (the "Products"). Bloomberg does not guarantee the timeliness, accuracy, or completeness of any data or information relating to the Products.