

December quarter investment update

SA Metropolitan Fire Service Superannuation Scheme delivered positive investment returns for all investment options in the December 2023 quarter.

Investment markets continued to have ups and downs. Listed share markets fell in October and then had strong gains in November and December. This resulted in the High Growth Option returning 4.1% for the quarter and still providing a robust return of 9.5% over the last 12 months.

Performance to 31 December 2023

Investment option	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.
Cash	0.9	3.4	1.5	1.3	1.6
Capital Defensive	2.8	5.4	0.9	2.4	3.0
Conservative	3.3	6.7	2.0	3.6	4.1
Moderate	3.9	8.1	3.6	5.0	5.2
Balanced	4.1	9.2	5.2	6.7	6.4
High Growth	4.1	9.5	6.0	7.7	7.5

Returns are based on SA Metropolitan Fire Service Superannuation Scheme unit pricing formula.

For the past year, financial market performance has been driven by changes in inflation and speculation around how central banks will respond with interest rates. This quarter was no different. Listed shares fell in October, and then had solid gains in November and December due to inflation in the US being lower than expected. Lower inflation increases the probability that interest rates have peaked and may provide global central banks the capacity to cut interest rates. To date, economic growth has been resilient and remains positive.

Australian shares delivered a strong return over the December quarter, notwithstanding some volatility. Multiple sectors returned over 10%, including Real Estate, Healthcare, Financials, and Materials. Energy and Utilities were the only sectors that had negative returns.

Global developed market equities were also positive as the inflation rate slowed leading to expectations of interest rate cuts. US equities were particularly strong over the quarter, Information Technology, Real Estate and Consumer Discretionary the best performing sectors. The Energy sector was the notable laggard with oil prices weaker over the quarter.

Bonds also had positive returns. With higher interest rates, bonds are providing increased cash payments that are supporting their performance.

Navigating Prolonged Market Volatility

History shows that in times of economic uncertainty, we can expect investment markets to be volatile.

Key concerns are inflation, interest rates and economic growth. Inflation has moderated from its recent peak but remains at elevated levels. High interest rates have broader consequences for the economy, affecting both consumers and businesses. The Reserve Bank of Australia is projecting lower than average economic growth over the next year.

Funds SA continually monitors financial markets closely and positioned the portfolio to navigate through the current market and economic conditions, with long term investment objectives.

What does this mean for your super?

It is important to remember that your superannuation is a long-term investment. Pleasingly, our investment options continue to provide strong long-term returns over 5 and 10 years.

We encourage our members to seek financial advice before making any changes to their superannuation investments.

If you have any questions in relation to this matter, please contact *SA Metropolitan Fire Service Superannuation Scheme* on (08) 8204 3826 or e-mail via darren.royals@eso.sa.gov.au

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