
Funds SA Quarterly Comment

December 2025

Investment options

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

All investment options posted positive quarterly outcomes, with every option meeting or exceeding its benchmark objective.

International Equities and Property provided strong returns for the quarter, supported by positive contributions from unlisted assets including Infrastructure and Private Markets.

The Indexed Balanced and Indexed High Growth options commenced in December, with first reported returns to appear in the March quarter.

Asset class highlights

Property delivered positive returns throughout the quarter. October and November benefited from stable valuations and ongoing strength in retail and industrial assets. December saw further gains, highlighted by a positive revaluation of Brandon Park in Melbourne as the redevelopment continues to perform strongly.

Private Markets and Infrastructure recorded strong valuation gains in October and November, driven by broad write ups across co investments and private equity. Unlisted assets contributed positively to all diversified options.

International Equities delivered strong relative performance despite mixed absolute returns. October was a standout month, supported by Financials, IT and Industrials sectors. While November and December produced negative absolute returns, the asset class continued to outperform its benchmark through strong stock selection in Health Care, Industrials and Information Technology.

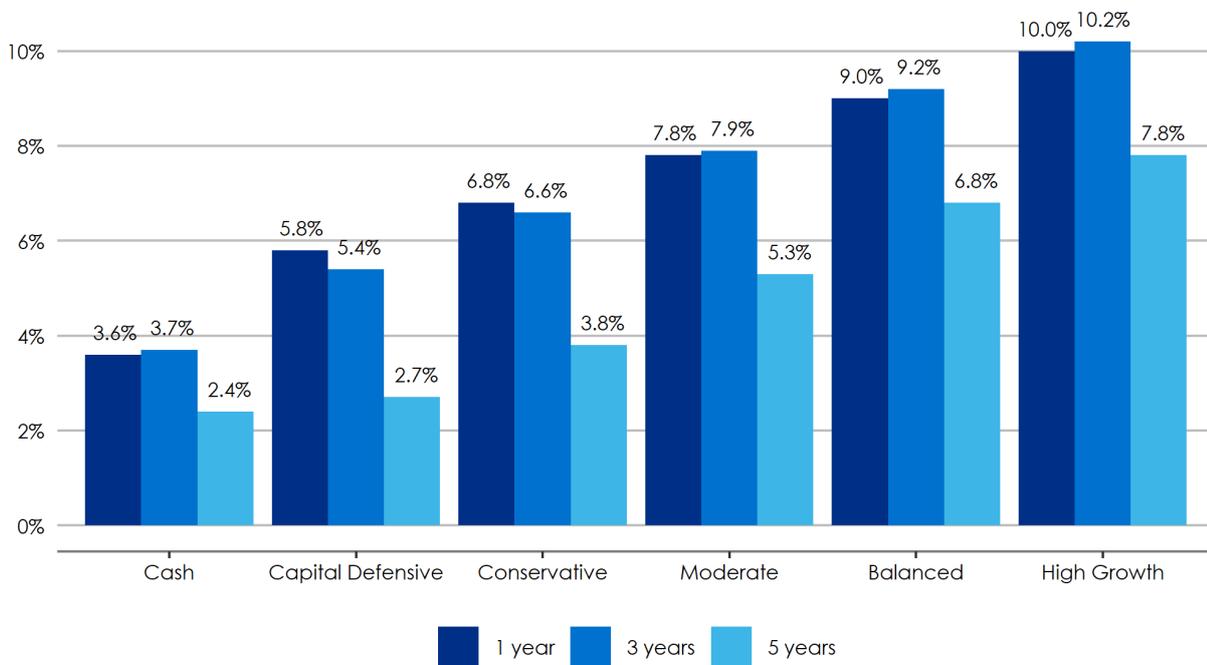
Table 1: Taxable investment option returns to 31 December 2025

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

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	0.8	1.7	3.6	3.7	2.4	2.0	1.9
Capital Defensive	0.1	0.9	2.7	5.8	5.4	2.7	3.2	3.3
Conservative	0.1	1.1	3.6	6.8	6.6	3.8	4.5	4.4
Moderate	0.2	1.2	4.3	7.8	7.9	5.3	5.8	5.7
Balanced	0.3	1.4	5.3	9.0	9.2	6.8	7.4	7.0
High Growth	0.4	1.6	6.1	10.0	10.2	7.8	8.5	8.2

Chart 1. Taxable investment options annualised returns to 31 December 2025

Returns are net of fees and tax



Investment update

Equities

United States equity markets rose for a third straight quarter. The S&P 500 index rose +2.4%, Nasdaq +2.6%, and the broader Russell 2000 +1.9%. Leading sectors included Healthcare, Semiconductors, Metals and Mining, Logistics, Airlines, Trucks, Banks and Retail. Lagging sectors were Homebuilders, Software, Consumer Staples, Telecom and AI infrastructure.

Stronger-than-expected earnings results, look-ahead earnings revisions and increasing AI capex plans all contributed to the positive performance. Federal Reserve policy rate cuts in September and December (0.5% cut in both months) and resilient economic data underpinned the gains.

European equities rallied to close at record highs. The broad-based STOXX Europe 600 index rose +6.1%, the FTSE 100 +6.2%, DAX +2.6%, and CAC 40 +3.2%. The Resources and Bank sectors led index gains while Technology, Media, Chemicals and Autos detracted from performance.

Asia equities (ex-Australia) were mixed over the quarter. The MSCI Asia-Pacific ex-Japan index gained +4.2%. Country index gains (local currency) were dominated by the South Korea KOSPI +23.1%, Taiwan TAIEX +12.2% and Japan NIKKEI 225 +12.0% mostly on the back of strength in AI-linked semiconductor companies. China CSI +2.2%, and Hong Kong HSI -4.6% were the region's significant laggards.

Australian equities were weaker for the quarter. The S&P ASX 300 index -1.4%. The Metals and Mining and Materials sectors surged in the quarter however this was more than offset by falls in Consumer Discretionary, Technology, Telcom Services, Financials and Utilities. The market weakness was exacerbated by a shift in investor focus to higher interest rates in 2026 after stronger inflation and growth data points.

Fixed Interest

Global government bonds were higher overall over the quarter. Geopolitical concerns seemed to create a floor for developed government bond yields while resilient economic data caused some country's yields to move higher.

The Australian government benchmark 10-year bond yield rose 0.44% to 4.8% over the period and the equivalent United States Treasury 0.08% to 4.2%. The increase in Australian bond yields reflected a repricing of market expectations for bond rates and the RBA target policy rate. This repricing was driven by persistent inflation data, strong domestic demand, and global investor caution around the long-term fiscal position of the federal government.

Credit (High Yield)

Credit performed strongly over the quarter with the Bloomberg Global High Yield Index gaining 0.9%. Two target policy rate cuts in the US from the Federal Reserve over the period were supportive of risk assets. Strong corporate fundamentals across developed markets also underpinned the continued appetite for risk from investors. Credit spreads (the difference between the yields on corporate bonds and government bonds of similar maturities) are near historical lows, suggesting there may be limited room for any disappointment in credit markets.

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