



Performance Summary August 2018

SA Metropolitan Fire Service Superannuation Scheme

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 multi-sector funds offered under the Scheme.

Performance

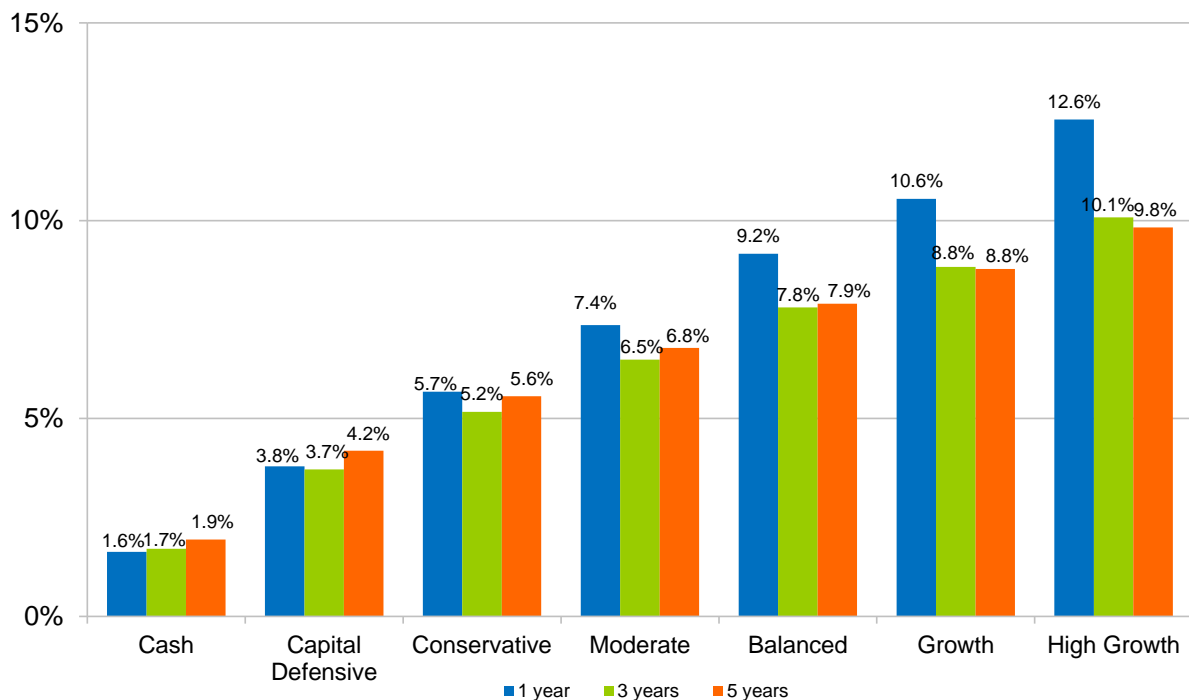
The table and chart below show Funds SA's multi-sector taxable fund returns based on the post tax unit pricing model detailed in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 31 August 2018 ¹

	1 mth %	3 mths %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Cash	0.1	0.4	0.3	1.6	1.7	1.9	2.3	2.8
Capital Defensive	0.2	1.2	0.7	3.8	3.7	4.2	4.6	4.6
Conservative	0.4	1.8	1.0	5.7	5.2	5.6	6.1	5.3
Moderate	0.6	2.4	1.4	7.4	6.5	6.8	7.3	5.7
Balanced	0.8	2.9	1.7	9.2	7.8	7.9	8.5	6.0
Growth	1.0	3.3	2.0	10.6	8.8	8.8	9.4	6.3
High Growth	1.2	4.0	2.4	12.6	10.1	9.8	10.5	6.9

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

Chart 1: Multi-sector fund annualised returns net of fees and tax to 31 August 2018



Key drivers of performance during August 2018 included:

- Global government bonds underperformed equities as corporate earnings remained strong.
 - US equities outperformed most of their global counterparts.
 - Emerging market bonds and stocks underperformed developed markets.
- This environment proved to be favourable for portfolios with relatively larger allocations to equities and property.

Asset Allocation

The targeted asset allocation of the multi-sector funds is shown in the table below.

Table 2: Targeted asset allocation for the 2018-2019 financial year

	Cash	Capital Defensive	Conservative	Moderate	Balanced	Growth	High Growth
	%	%	%	%	%	%	%
Cash	100.0	15.0	10.0	8.0	2.0	2.0	2.0
Short Term Fixed Interest	0.0	30.0	18.0	7.0	3.0	0.0	0.0
Long Term Fixed Interest	0.0	5.0	5.0	9.0	8.0	4.0	0.0
Inflation Linked Securities B	0.0	15.0	16.0	12.0	9.0	6.0	0.0
Diversified Strategies Income	0.0	17.0	18.0	17.0	16.0	16.0	12.0
Property B	0.0	6.0	9.0	10.0	12.0	14.0	16.0
Australian Equities B	0.0	7.0	13.0	17.0	23.0	26.0	33.0
International Equities B	0.0	5.0	11.0	15.0	19.0	22.0	27.0
Diversified Strategies Growth B	0.0	0.0	0.0	5.0	8.0	10.0	10.0
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 market performance.

Table 3: Major market index returns to 31 August 2018

	1 mth %	3 mths %	FYTD %	1 Year %	3 Years % p.a.	5 Years % p.a.	7 Years % pa	10 Years % pa
Cash and fixed income								
Australian Cash	0.2	0.5	0.4	1.9	1.9	2.2	2.7	3.2
Australian Government	0.9	1.6	1.0	4.0	2.9	4.3	4.5	5.4
Australian Inflation-Linked	0.3	1.4	0.3	4.2	2.4	5.0	5.2	5.4
Global Treasuries ⁽¹⁾	0.1	0.3	-0.1	1.1	3.5	5.0	5.4	6.4
Global Inflation-Linked ⁽¹⁾	0.0	0.3	-0.1	1.4	5.0	5.7	5.7	6.5
Credit								
Global Credit ^{(1),(2)}	0.5	0.8	1.0	0.3	4.3	5.4	6.1	7.4
Global High Yield ⁽¹⁾	-0.9	0.3	0.7	0.3	7.3	7.1	9.1	10.4
Emerging Market Debt ⁽⁴⁾	-1.7	-0.7	0.3	-4.4	4.7	4.9	4.5	6.3
Property								
Australian Listed Property	2.6	5.9	3.6	15.7	10.8	13.2	14.8	6.0
Equities⁽³⁾								
Australian Equities	1.4	6.0	2.7	15.4	11.5	8.9	10.3	6.7
Global Equities	1.3	4.9	4.5	14.1	11.9	11.5	12.7	7.8
US Equities	3.3	7.8	7.1	19.7	16.1	14.5	15.6	10.9
European Equities	-2.4	0.6	0.8	4.4	7.1	8.0	9.8	5.5
Japanese Equities	-0.9	-0.1	0.6	9.7	5.9	11.3	14.5	5.1
Asia (ex Japan) Equities	-0.6	-3.2	0.4	4.1	12.7	8.9	7.8	7.4
Emerging Market Equities	-0.5	-1.2	1.3	4.7	12.4	8.8	7.7	6.8
Global Small Companies	2.8	4.1	4.1	17.5	13.3	12.8	14.0	9.9
Currency⁽⁵⁾								
Australian Dollar vs Developed Market Basket	-3.3	-4.6	-2.7	-8.8	0.3	-3.2	-4.1	-1.2

(1) Australian dollar return (hedged)

(2) Includes obligations of corporates, supranational agencies, and other government-related (e.g. government agencies, government guaranteed bank debt, etc)

(3) Local currency return

(4) Hedged to USD

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

Key factors impacting financial market performance during August 2018 are summarised below.

Equity Markets

Equity market performance was mixed during August. The Reserve Bank of Australia and the United States Federal Reserve continued to leave interest rates on hold. Domestic equities generated a positive return outperforming most of its global counterparts, other than the US which continued to lead global markets.

Trade tensions continued between the United States and the rest of the world, with more Trump initiated tariffs, and retaliatory tariffs from China. Progress was seen on the North American Free Trade Agreement (NAFTA) between the United States and Mexico as they resolved key issues. An exit from the European Union with no agreement in place remains a topic of conversation for the United Kingdom. Higher US interest rates, currency and trade uncertainty weighed on Emerging markets over the period. Notwithstanding these concerns, the global economic backdrop remained supportive with ongoing solid economic growth.

Despite the political uncertainty associated with Prime Minister Malcom Turnbull being challenged for leadership, Australian equities in aggregate outperformed most of their global counterparts as low interest rates and strong growth supported earnings.

Debt Markets

Global government bond markets were positive but underperformed equities in a month where the economic data showed signs of further improvement and interest rate policy expectations continued to factor in further tightening in the US. Australian government bonds outperformed global as domestic conditions did not warrant any change to official cash rates. Non-government bond performance was mixed, highly rated corporates posted a positive return whilst emerging market debt and high yield bonds posted negative returns over the period.

Currency

The US dollar continued to rise over the period, as trade tariffs and expectations for the United States Federal Reserve to raise interest rates continued to support its attractiveness. Australian dollar along with emerging market currencies, underperformed reflecting the strength of the US dollar and concerns surrounding Chinese and Asian growth.

Disclaimer

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