



Performance Summary February 2017

SA Metropolitan Fire Service Superannuation 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.

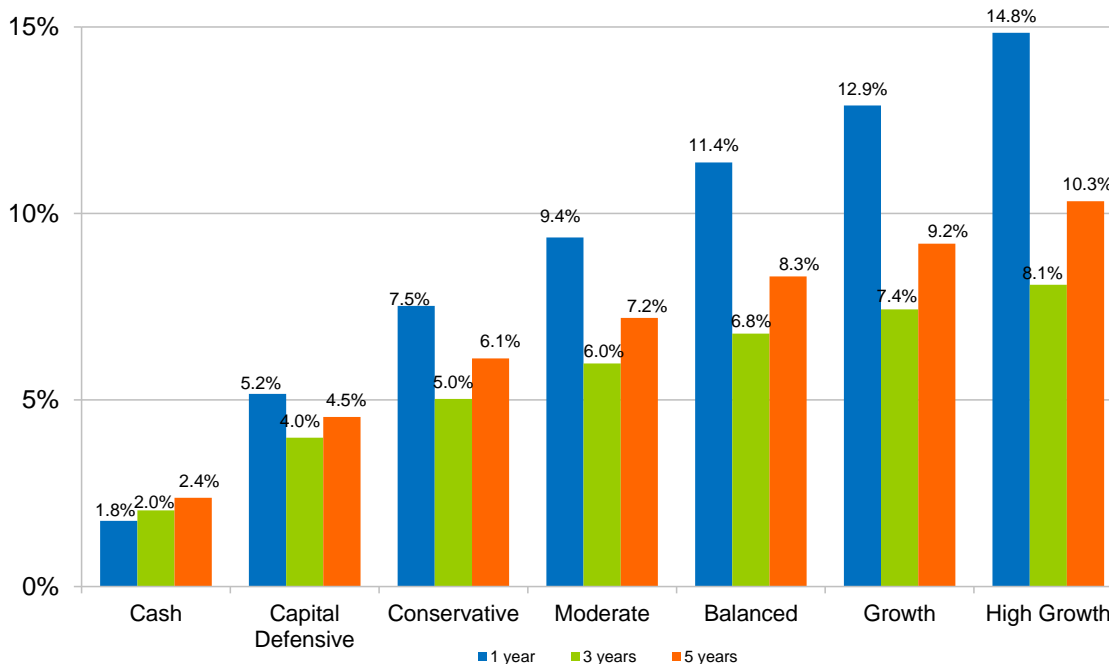
Table 1: Multi-sector fund returns net of fees and tax to 28 February 2017^{1, 2}

	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	1.1	1.8	2.0	2.4	2.9	3.4
Capital Defensive	0.6	1.6	2.7	5.2	4.0	4.5	5.3	4.4
Conservative	0.8	2.3	4.1	7.5	5.0	6.1	6.3	4.4
Moderate	1.0	2.8	5.2	9.4	6.0	7.2	6.8	4.4
Balanced	1.2	3.4	6.4	11.4	6.8	8.3	7.5	4.2
Growth	1.4	3.8	7.5	12.9	7.4	9.2	8.1	4.2
High Growth	1.6	4.2	8.7	14.8	8.1	10.3	8.7	4.3

1. Returns are based on the post tax unit pricing model detailed in the SLA.

2. 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 28 February 2017



Key drivers of performance during February 2017 included:

- Economic conditions were supportive for risk assets, with several key data releases exceeding market expectations.
- Political uncertainty remained a focus in Europe amidst upcoming elections in France and the Netherlands.

This environment proved favourable for portfolios with larger exposures to risk assets, including listed equities (both Australian and global) and non-government debt.

Asset Allocation

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

Table 2: Asset allocation as at 28 February 2017

	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.

Funds under management

The SA Metropolitan Fire Service Superannuation Scheme invests in Funds SA's multi-sector taxable funds.

Table 3: SA Metropolitan Fire Service Superannuation Scheme investments as at 28 February 2017

Funds under management	Cash	Capital Defensive	Conservative	Moderate	Balanced	Growth	High Growth	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	
Defined Benefit Scheme	0.0	0.0	48.2	0.0	0.0	237.1	0.0	285.3
Accumulation Scheme	5.8	5.2	7.9	2.7	2.9	40.1	2.6	67.2
Total	5.8	5.2	56.1	2.7	2.9	277.2	2.6	352.5

Note that due to rounding, the sum of the individual numbers within the table may not equal the totals quoted.

Single-sector Performance

The total return for each multi-sector fund is primarily determined by each fund's asset mix and the relative performance of the individual sectors comprising the mix.

Returns for Funds SA's single sector portfolios are shown below.

Table 4: Single sector returns net of fees to 28 February 2017

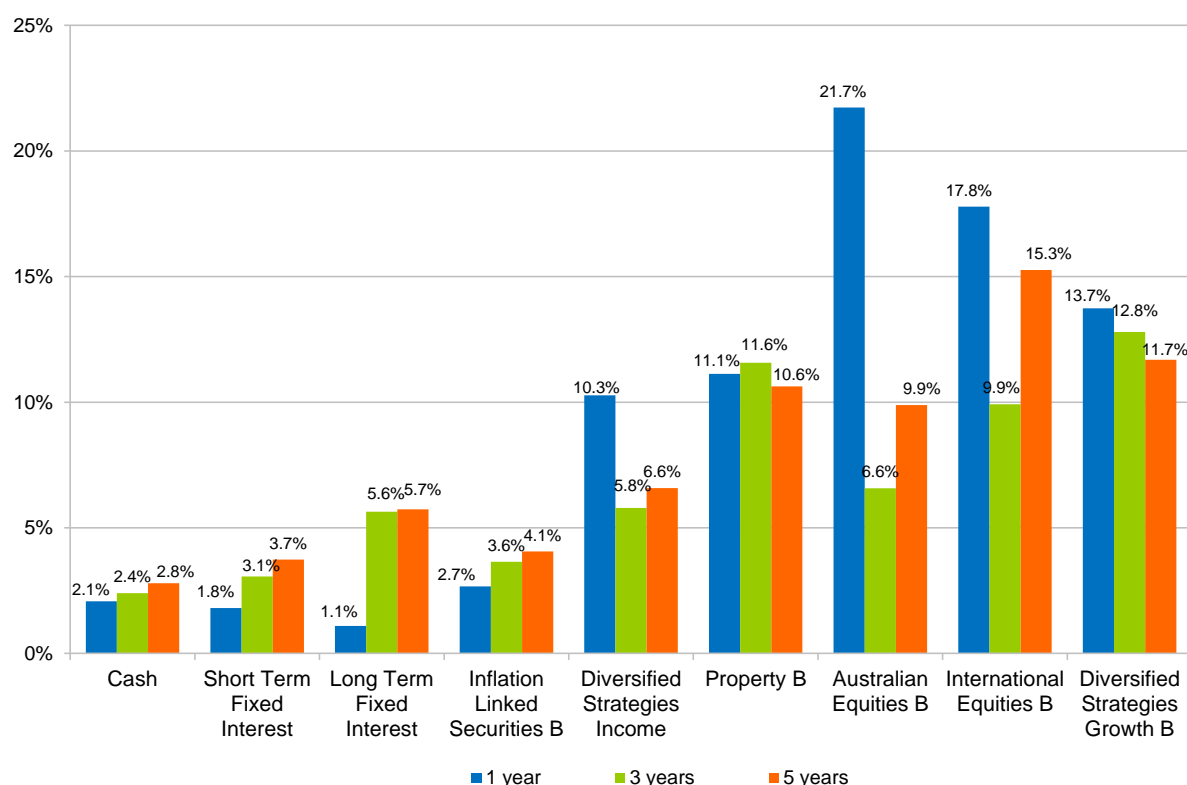
	1 mth %	3 mths %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Cash	0.1	0.5	1.3	2.1	2.4	2.8	3.4	4.0
Short Term Fixed Interest ⁽³⁾	0.1	0.5	0.5	1.8	3.1	3.7	n.a.	n.a.
Long Term Fixed Interest	0.6	0.9	-2.9	1.1	5.6	5.7	7.3	7.0
Inflation Linked Securities B ⁽²⁾	0.1	1.2	1.4	2.7	3.6	4.1	5.7	5.2
Diversified Strategies Income	1.1	3.0	5.2	10.3	5.8	6.6	8.1	7.9
Property B ⁽¹⁾	1.2	3.1	5.4	11.1	11.6	10.6	10.4	0.9
Australian Equities B ⁽¹⁾	2.0	5.7	12.0	21.7	6.6	9.9	6.9	3.5
International Equities B ⁽¹⁾	2.2	5.5	12.1	17.8	9.9	15.3	12.4	6.2
Diversified Strategies Growth B ⁽²⁾	0.9	3.3	7.5	13.7	12.8	11.7	12.7	8.1

1. Return series reflects investment in the respective A portfolios prior to the establishment of the B portfolios in October 2007.

2. Return series reflects investment in the respective A portfolio prior to the establishment of the B portfolio in June 2008.

3. Data not available for several time periods as portfolio established July 2010.

Chart 2: Single sector annualised returns net of fees to 28 February 2017



Financial Market Snapshot

The table below summarises market performance.

Table 5: Major market index returns to 28 February 2017

	1 mth %	3 mths %	FYTD %	1 Year %	3 Years % p.a.	5 Years % p.a.
Cash and fixed income						
Australian Cash	0.1	0.4	1.2	2.0	2.3	2.7
Australian Government	0.1	0.5	-2.4	0.5	4.8	4.5
Australian Inflation-Linked	-0.1	0.8	-1.1	0.5	5.2	4.7
Global Treasuries ⁽¹⁾	0.9	0.6	-1.9	1.9	5.9	5.9
Global Inflation-Linked ⁽¹⁾	0.8	2.4	3.1	9.3	7.5	5.6
Credit						
Global Credit ^{(1),(2)}	1.2	2.1	1.3	6.7	5.9	6.5
Global High Yield ⁽¹⁾	1.6	5.2	10.1	20.9	7.6	9.8
Emerging Market Debt ⁽⁴⁾	2.1	5.0	2.9	12.1	6.0	5.2
Property						
Australian Listed Property	4.1	5.9	-3.4	8.2	15.9	16.6
Equities⁽³⁾						
Australian Equities	2.2	5.8	12.0	22.0	6.4	10.4
Global Equities	3.1	7.3	14.6	22.2	8.2	11.7
US Equities	4.0	5.7	14.2	25.0	10.6	14.0
European Equities	2.8	8.3	14.1	17.7	5.6	9.5
Japanese Equities	0.8	4.4	24.3	20.3	10.1	15.1
Asia (ex Japan) Equities	2.4	5.9	12.6	22.9	5.4	5.0
Emerging Market Equities	1.7	6.0	12.3	22.7	6.0	4.7
Global Small Companies	2.5	6.5	16.9	26.8	7.9	13.1
Currency⁽⁵⁾						
Australian Dollar vs Developed Market Basket	1.8	3.5	5.3	8.5	-2.3	-4.7

(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 February 2017 are summarised below.

Equity Markets

Global and Australian equity markets posted positive returns over the month. While political uncertainty was elevated, investors drew comfort from a broadly supportive economic backdrop and corporate landscape.

US equities surged over the month, reaching an all-time high against a favourable policy and economic backdrop. Expectations of tax cuts and other forms of fiscal stimulus from the Trump presidency buoyed market sentiment, as did labour market and inflation data, both of which exceeded market expectations. Amidst this backdrop, the US Federal Reserve indicated that it may increase interest rates at its upcoming meeting in March.

Domestic economic conditions bolstered the Australian equity market. Economic data was broadly supportive, with the unemployment rate falling and a record trade surplus providing a positive glimpse at the upcoming release of fourth quarter gross domestic product. A strong corporate

earnings season also bolstered investor sentiment, with corporate profits rising strongly, buoyed by the ongoing rise in commodity prices.

Political uncertainty remained a focus in Europe. Upcoming elections in France and the Netherlands created an element of concern, with nationalist candidates moving ahead in the polls. Despite this, markets drew some comfort from the broader political landscape, which is likely to temper the impact on trade and foreign policy.

Debt Markets

Global government bond prices rose over the month as interest rates fell. A fall in investor expectations of future inflation contributed heavily to this result. Non-government debt markets (corporate and emerging market bonds) also posted positive returns due to better corporate earnings, lower interest rates and higher commodity prices.

Currency

Currency movements were driven by similar themes to risk assets. The Australian dollar strengthened on better than expected economic data, while the US dollar also performed well as the US Federal Reserve signalled its willingness to increase interest rates. The Euro was broadly weaker amidst concerns around the European political landscape.

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