



# Performance Summary February 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

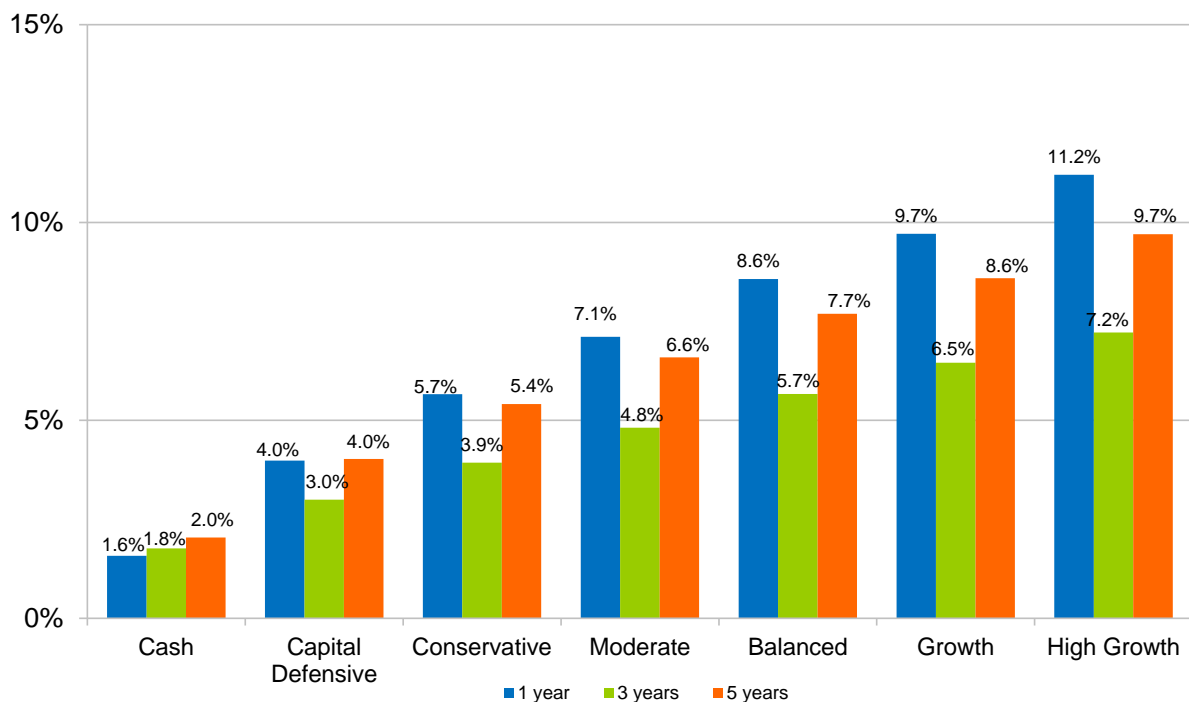
The table and chart below show Funds SA's multi-sector taxable fund returns based on the post tax unit pricing model detailed in the SLA.

**Table 1: Multi-sector fund returns net of fees and tax to 28 February 2018<sup>1</sup>**

	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	1.0	1.6	1.8	2.0	2.5	3.1
Capital Defensive	-0.1	0.3	2.5	4.0	3.0	4.0	4.9	4.6
Conservative	-0.2	0.5	3.6	5.7	3.9	5.4	6.0	5.0
Moderate	-0.2	0.6	4.5	7.1	4.8	6.6	6.7	5.2
Balanced	-0.2	0.8	5.5	8.6	5.7	7.7	7.5	5.3
Growth	-0.2	1.0	6.4	9.7	6.5	8.6	8.1	5.5
High Growth	-0.2	1.2	7.5	11.2	7.2	9.7	8.8	5.8

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 28 February 2018**



Key drivers of performance during February 2018 included:

- Risk assets posted negative returns on fears that the US Federal Reserve may increase interest rates faster than expected.
- Australian equities outperformed their global counterparts off the back of the company reporting season.

This environment proved to be favourable for portfolios with relatively larger allocations to unlisted assets.

## Asset Allocation

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

**Table 2: Targeted asset allocation for the 2017-2018 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
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

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 28 February 2018**

	1 mth %	3 mths %	FYTD %	1 Year %	3 Years % p.a.	5 Years % p.a.
<b>Cash and fixed income</b>						
Australian Cash	0.1	0.4	1.1	1.7	2.0	2.3
Australian Government	0.3	-0.9	1.0	2.6	2.0	3.7
Australian Inflation-Linked	0.0	-1.0	1.6	3.1	0.9	3.5
Global Treasuries <sup>(1)</sup>	0.1	-0.4	1.0	1.9	3.2	4.8
Global Inflation-Linked <sup>(1)</sup>	-0.2	-0.4	1.7	1.5	4.3	4.3
<b>Credit</b>						
Global Credit <sup>(1),(2)</sup>	-0.9	-1.0	1.0	2.9	3.7	5.0
Global High Yield <sup>(1)</sup>	-1.0	-0.1	2.7	5.2	7.5	7.5
Emerging Market Debt <sup>(4)</sup>	-2.0	-1.5	0.7	3.3	5.5	3.6
<b>Property</b>						
Australian Listed Property	-3.2	-6.2	3.0	0.5	5.0	10.2
<b>Equities<sup>(3)</sup></b>						
Australian Equities	0.3	1.8	8.5	10.3	5.2	7.9
Global Equities	-3.5	1.2	9.6	13.6	7.8	11.8
US Equities	-3.7	3.0	13.5	17.1	11.1	14.7
European Equities	-3.5	-1.5	2.2	7.7	4.0	8.3
Japanese Equities	-3.8	-1.4	10.2	16.7	6.6	14.6
Asia (ex Japan) Equities	-4.4	4.5	15.7	29.1	9.9	9.1
Emerging Market Equities	-3.9	5.3	16.9	27.2	10.2	8.9
Global Small Companies	-3.5	-0.2	9.0	13.4	9.1	12.8
<b>Currency<sup>(5)</sup></b>						
Australian Dollar vs Developed Market Basket	-2.7	2.0	-0.4	-1.8	-0.4	-4.5

(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 2018 are summarised below.

## Equity Markets

Global equity markets fell in February amidst concerns of faster than anticipated monetary policy normalisation, as well as lingering concerns around US trade policy. Domestic equities fared better, largely off the back of a robust company reporting season.

Global equities saw heightened volatility in February, with markets experiencing a sharp decline earlier on in the month. A raft of strong US economic data releases brought forward the possibility that the US Federal Reserve may increase interest rates faster than expected, while the prospect of the US introducing tariffs on imported goods further added to the uncertainty. Despite this, market sentiment picked up later in the month, with the US equity market recovering much of its lost ground.

Despite the global uncertainty, Australian equities posted a modest positive return, driven largely by the local company reporting season. While corporate earnings growth was subdued, investors drew some comfort from modest revenue growth.

## Debt Markets

Global government bond markets ended the month more or less unchanged, with bond yields fluctuating in response to investor expectations of inflation and monetary policy. Non-government bond markets and emerging market debt performed in line with risk assets, posting negative returns as the excess return that investors demand for bearing the additional risk expanded meaningfully.

## Currency

Currency markets responded to similar themes to risk assets over the month. The Australian dollar fell as markets priced in heightened uncertainty, while the US dollar rose, buoyed by expectations the US Federal Reserve may increase interest rates faster than anticipated. The Japanese Yen also rose as investors sought safe haven assets.

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