



Performance Summary June 2019

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

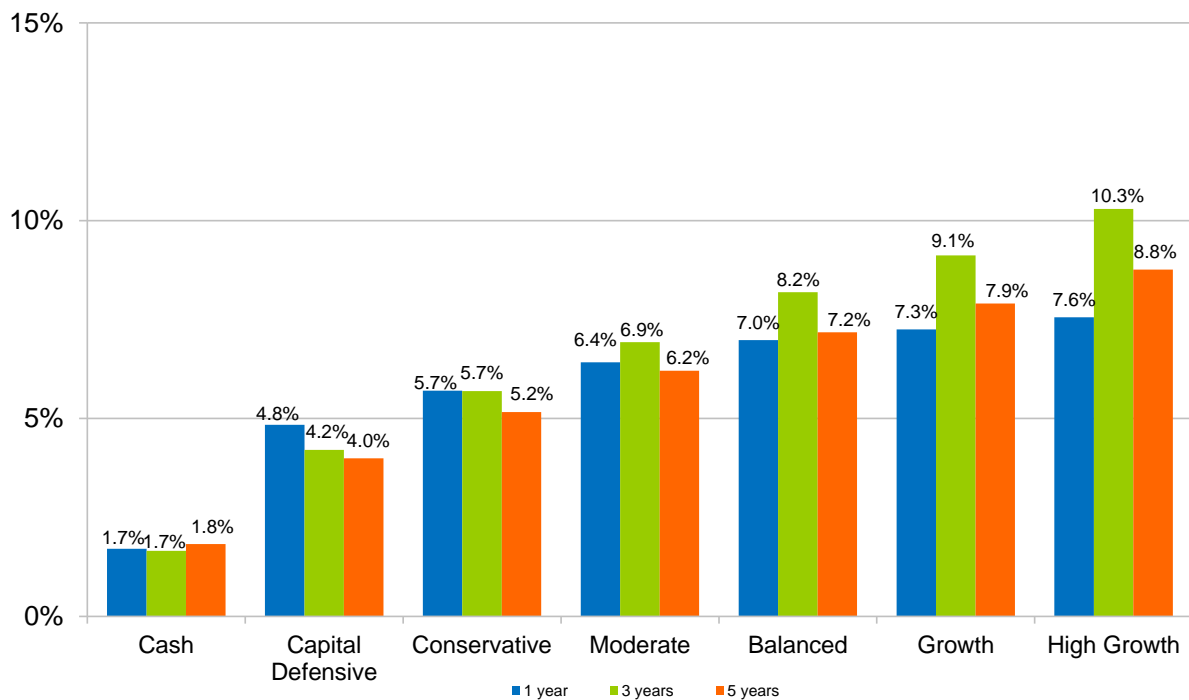
The table and chart below show Funds SA's multi-sector taxable fund returns based on the post tax unit pricing model detailed in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 30 June 2019 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	1.7	1.7	1.7	1.8	2.1	2.6
Capital Defensive	1.0	1.9	4.8	4.8	4.2	4.0	4.4	5.4
Conservative	1.5	2.4	5.7	5.7	5.7	5.2	6.0	6.6
Moderate	1.9	2.9	6.4	6.4	6.9	6.2	7.3	7.3
Balanced	2.3	3.3	7.0	7.0	8.2	7.2	8.5	8.2
Growth	2.5	3.5	7.3	7.3	9.1	7.9	9.4	8.8
High Growth	2.9	3.8	7.6	7.6	10.3	8.8	10.7	9.5

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 30 June 2019



Key drivers of performance during June 2019 included:

- Global equities outperformed government bonds.
- Australian equities were positive but underperformed most of their global counterparts.
- Non-government bonds outperformed government bonds.

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

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	5.0	11.0	14.0	19.0	22.0	27.0
International Equities B	0.0	7.0	13.0	18.0	23.0	26.0	33.0
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 30 June 2019

	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	0.1	0.4	2.0	2.0	1.9	2.1	2.3	3.0
Australian Government	1.1	3.4	11.0	11.0	4.3	5.3	4.5	5.7
Australian Inflation-Linked	-0.1	3.7	8.7	8.7	4.3	4.8	4.6	6.8
Global Treasuries ⁽¹⁾	1.2	2.6	7.0	7.0	2.8	5.0	5.3	6.4
Global Inflation-Linked ⁽¹⁾	0.6	2.7	6.1	6.1	4.2	5.6	5.0	7.2
Credit								
Global Credit ^{(1),(2)}	1.9	3.5	8.8	8.8	4.3	5.1	5.9	7.8
Global High-Yield ⁽¹⁾	2.7	2.6	8.0	8.0	7.2	5.9	8.3	11.8
Emerging Market Debt ⁽⁴⁾	3.0	3.8	11.3	11.3	4.6	4.5	4.9	7.4
Property								
Australian Listed Property	4.2	4.1	19.4	19.4	8.4	13.8	14.8	14.0
Equities⁽³⁾								
Australian Equities	3.6	8.0	11.4	11.4	12.8	8.9	11.8	9.9
Global Equities	5.9	3.6	6.7	6.7	12.0	8.2	11.9	11.3
US Equities	7.0	4.3	10.4	10.4	14.2	10.7	14.0	14.7
European Equities	4.6	4.0	4.3	4.3	9.3	5.7	9.4	8.9
Japanese Equities	2.9	-2.3	-7.4	-7.4	10.0	6.3	12.8	7.3
Asia (ex Japan) Equities	5.3	-0.7	-0.1	-0.1	11.4	6.2	7.8	8.0
Emerging Market Equities	4.7	0.3	2.2	2.2	11.5	6.5	7.5	8.2
Global Small Companies	5.5	2.4	-1.4	-1.4	11.0	7.5	12.4	12.7
Currency⁽⁵⁾								
Australian Dollar vs Developed Market Basket	0.5	-1.6	-5.0	-5.0	-1.8	-4.4	-4.3	-0.9

(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 June 2019 are summarised below.

Equity Markets

Equity market performance was positive in June, a reversal from the previous month's negative performance. A G20 meeting was held in Japan this month, which also resulted in the US and China agreeing to resume trade negotiations, with no escalation in tariffs. In Europe consumer price inflation remained steady with European Central Bank President Mario Draghi stating that unless inflation improves more interest rate cuts may be required. Sentiment improved as monetary policy moved to an easing bias, which proved a good environment for equity markets.

The Reserve Bank of Australia cut interest rates from 1.50 to 1.25 in June, the decision was based on supporting employment growth and providing confidence that inflation will be consistent with the target in the medium term. This helped domestic equities generate a positive return but underperformed most of their global counterparts.

Debt Markets

Global government bond markets produced positive returns over the month, but underperformed Non-government bonds. Corporate bonds, emerging market debt and high yield bonds all posted

strong positive returns. Domestic bonds posted positive returns but underperformed global given concerns around the global economic outlook and falling inflation expectations.

Currency

The Australian dollar appreciated due to increases in commodity prices.

Disclaimer

The information within this report has been prepared in good faith by Funds SA. However, Funds SA does not warrant the accuracy of the information and to the extent permitted by law, disclaims responsibility for any loss or damage of any nature whatsoever which may be suffered by any person directly or indirectly through relying upon it whether that loss or damage is caused by any fault or negligence of Funds SA or otherwise. The information is not intended to constitute advice and persons should seek professional advice before relying on the information.