



Performance Summary May 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

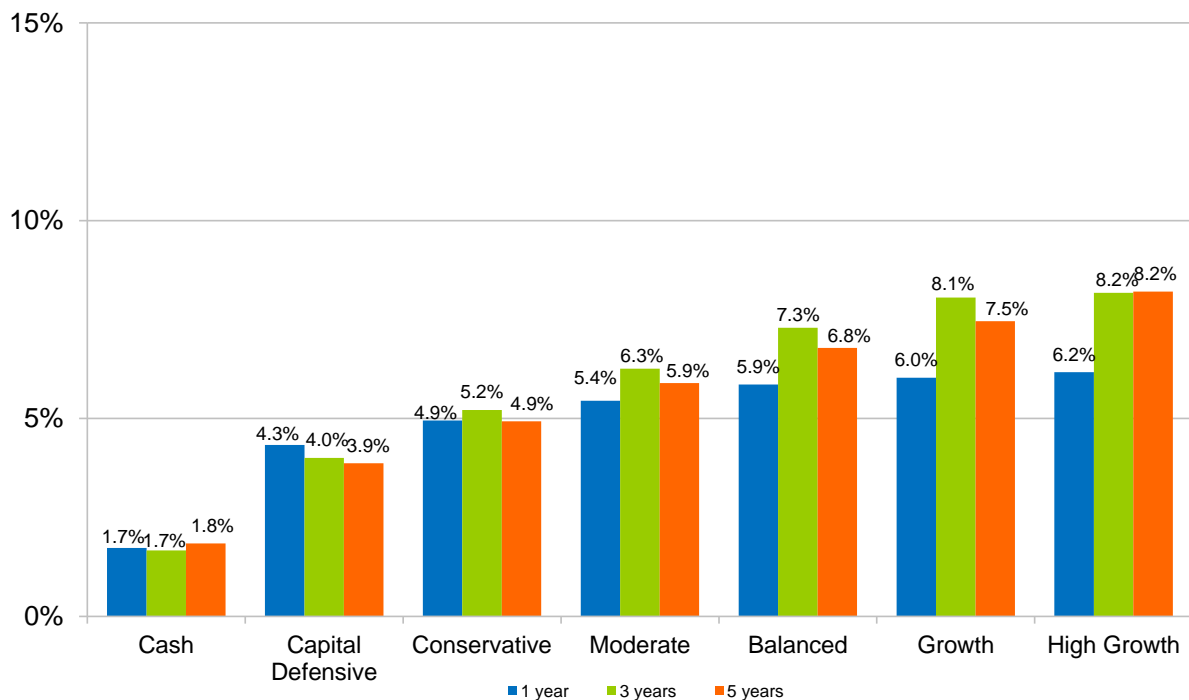
The table and chart below show Funds SA's multi-sector taxable fund returns based on the post tax unit pricing model detailed in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 31 May 2019¹

	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	1.6	1.7	1.7	1.8	2.1	2.6
Capital Defensive	0.1	1.6	3.8	4.3	4.0	3.9	4.2	5.4
Conservative	-0.1	1.7	4.1	4.9	5.2	4.9	5.8	6.6
Moderate	-0.3	1.8	4.4	5.4	6.3	5.9	7.0	7.3
Balanced	-0.5	1.9	4.6	5.9	7.3	6.8	8.2	8.1
Growth	-0.7	1.8	4.6	6.0	8.1	7.5	9.1	8.7
High Growth	-1.1	1.7	4.5	6.2	8.2	8.2	10.3	9.4

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 May 2019



Key drivers of performance during May 2019 included:

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

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

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 31 May 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	0.2	0.5	1.8	2.0	1.9	2.1	2.4	3.0
Australian Government	2.1	4.5	9.7	10.3	4.5	5.2	4.3	5.5
Australian Inflation-Linked	3.0	5.6	8.8	10.0	4.7	5.1	4.4	7.0
Global Treasuries ⁽¹⁾	1.6	3.1	5.7	6.0	3.2	4.9	5.1	6.3
Global Inflation-Linked ⁽¹⁾	2.2	5.2	5.5	5.9	5.4	5.5	4.8	7.3
Credit								
Global Credit ^{(1),(2)}	1.1	3.7	6.8	6.6	4.3	4.8	5.7	7.9
Global High-Yield ⁽¹⁾	-0.9	0.6	5.1	4.6	6.7	5.6	8.3	11.8
Emerging Market Debt ⁽⁴⁾	0.6	2.2	8.0	6.9	4.9	4.0	5.0	7.2
Property								
Australian Listed Property	2.3	6.0	14.6	17.2	8.2	13.6	14.8	14.1
Equities⁽³⁾								
Australian Equities	1.7	5.0	7.5	10.9	10.6	7.8	11.3	9.9
Global Equities	-5.7	-0.6	0.8	1.1	9.4	7.3	11.6	10.6
US Equities	-6.4	-0.7	3.1	3.8	11.7	9.7	13.5	13.9
European Equities	-4.5	1.4	-0.3	-0.6	7.0	4.5	9.5	8.2
Japanese Equities	-6.6	-4.8	-9.9	-10.6	5.3	6.8	13.5	7.3
Asia (ex Japan) Equities	-7.9	-4.1	-5.1	-8.6	10.1	5.6	7.3	7.5
Emerging Market Equities	-6.6	-2.8	-2.3	-4.7	10.4	6.0	7.2	7.5
Global Small Companies	-6.2	-3.5	-6.5	-6.6	8.2	7.0	12.0	12.2
Currency⁽⁵⁾								
Australian Dollar vs Developed Market Basket	-1.7	-1.8	-5.4	-7.3	-1.1	-4.4	-3.8	-0.8

(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 May 2019 are summarised below.

Equity Markets

Equity market performance was negative in May, a reversal from the previous month's positive performance. Trade negotiations between the United States and China broke down, with the United States announcing additional tariffs and China retaliating with tariffs of its own. In the United Kingdom uncertainty continues with Theresa May announcing that she will be stepping down as Prime Minister, despite the Brexit issue remaining unresolved. This proved to be a poor environment for equity markets.

The Reserve Bank of Australia again left interest rates on hold, however expectations were building for a cut in interest rates as housing market and household consumption continue to show signs of weakness. RBA stated that there could be an interest rate cut in the situation where there was no further improvement in the labour market in the period ahead. The Federal Election resulted in the Liberal Party being elected, which provided political and tax certainty over the short term. Previous market concerns over changes to negative gearing, dividends and the tax code are no longer relevant. This helped Domestic equities generate a positive return and outperformed most of their global counterparts.

Debt Markets

Global government bond markets produced strong positive returns over the month. Non-government bond performance was mixed: corporate bonds and emerging market debt posting positive returns whilst high yield bonds posted negative returns. Domestic bonds outperformed global posting positive returns given concerns continuing around the Australian residential property market and the potential for lower interest rates.

Currency

The Australian dollar depreciated marginally as the potential for lower domestic interest rates lowered the attractiveness of the domestic currency.

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