

Performance Summary

SA Metropolitan Fire Service Superannuation Scheme
October 2019



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

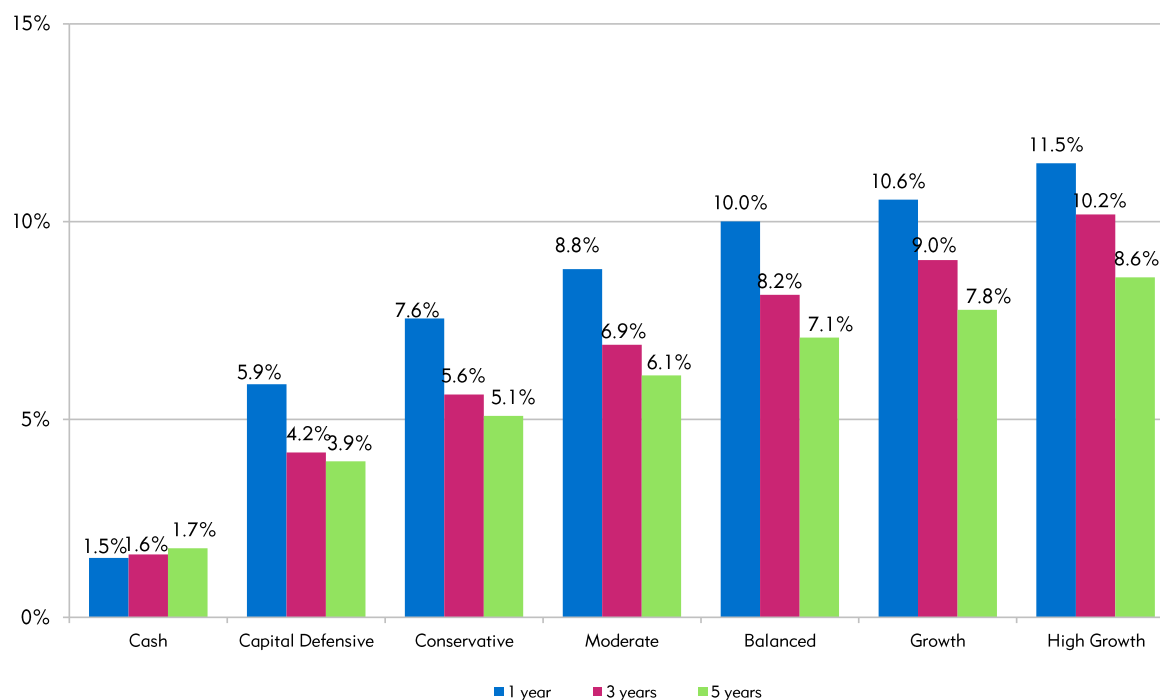
The table and chart below show Funds SA's multi-sector taxable fund returns based on the post tax unit pricing model detailed in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 31 October 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	0.3	0.4	1.5	1.6	1.7	2.0	2.6
Capital Defensive	0.1	0.4	1.1	5.9	4.2	3.9	4.1	5.1
Conservative	0.1	0.5	1.4	7.6	5.6	5.1	5.7	6.1
Moderate	0.2	0.7	1.7	8.8	6.9	6.1	6.9	6.8
Balanced	0.3	0.8	2.0	10.0	8.2	7.1	8.0	7.6
Growth	0.4	0.9	2.1	10.6	9.0	7.8	8.9	8.1
High Growth	0.4	0.9	2.3	11.5	10.2	8.6	10.1	8.8

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 31 October 2019



Key drivers of performance during October 2019 included:

- Global equities posted positive returns and outperformed government bonds
- Domestic equities delivered negative returns underperforming global equities
- Government bonds posted negative returns
- Australian dollar appreciated against most major currencies

This environment proved to be favourable for portfolios with relatively larger allocations to growth assets such as equities.

Asset Allocation

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

Table 2: Asset allocation as at 31 October 2019

	Cash	Capital					High
	%	Defensive	Conservative	Moderate	Balanced	Growth	Growth
	%	%	%	%	%	%	%
Cash	100.0	14.8	9.8	8.7	3.7	3.6	1.6
Short-Term Fixed Interest	0.0	30.2	18.2	6.3	2.3	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	14.4	15.4	11.4	8.4	5.4	0.0
Diversified Strategies Income	0.0	17.2	18.2	14.9	11.9	11.8	11.7
Property B	0.0	5.3	8.3	9.1	11.1	13.0	14.9
Australian Equities B	0.0	5.9	11.8	15.8	21.8	24.6	27.4
International Equities B	0.0	6.6	12.1	16.6	21.2	23.8	30.1
International Passive Equities B	0.0	0.6	1.0	1.4	1.8	2.0	2.6
Diversified Strategies Growth B	0.0	0.0	0.0	6.7	9.7	11.8	11.8
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 October 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	0.2	0.4	1.7	1.8	2.0	2.2	2.9
Australian Government	-0.7	0.6	1.6	11.6	5.2	5.2	4.7	5.8
Australian Inflation-Linked	-0.4	0.3	1.8	10.3	4.9	4.9	4.4	6.7
Global Treasuries ⁽¹⁾	-0.6	1.4	2.1	9.6	3.8	4.8	5.2	6.3
Global Inflation-Linked ⁽¹⁾	-1.7	0.2	2.0	9.1	3.7	5.4	4.9	6.9
Credit								
Global Credit ^{(1),(2)}	0.2	1.8	2.7	11.8	4.7	5.2	5.4	7.3
Global High-Yield ⁽¹⁾	0.3	-0.7	0.1	7.3	5.2	6.0	7.1	9.9
Emerging Market Debt ⁽⁴⁾	0.4	0.6	1.7	13.7	4.5	4.8	4.1	6.5
Property								
Australian Listed Property	1.4	-0.1	2.5	23.9	13.0	12.7	13.3	12.3
Equities⁽³⁾								
Australian Equities	-0.4	-0.8	2.2	19.5	12.5	8.6	10.4	8.2
Global Equities	1.9	2.2	3.4	12.5	11.8	8.5	11.6	10.4
US Equities	2.2	2.4	3.9	14.3	14.9	10.8	13.9	13.7
European Equities	0.4	1.8	2.5	11.6	8.1	6.6	8.7	7.5
Japanese Equities	4.8	7.6	8.4	4.1	8.5	6.7	14.6	8.5
Asia (ex Japan) Equities	3.7	1.5	0.1	12.1	8.6	5.8	6.8	6.5
Emerging Market Equities	3.0	1.9	1.0	11.9	8.9	6.2	6.8	6.6
Global Small Companies	2.1	0.6	1.6	7.8	10.0	8.2	11.8	11.5
Currency⁽⁵⁾								
Australian Dollar vs Developed Market Basket	1.5	-0.2	-1.4	-2.9	-3.4	-4.0	-4.6	-1.9

(1) Australian dollar return (hedged)

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

(3) Local currency return

(4) Hedged to USD

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

Commentary

Key factors impacting financial market performance during October 2019 are summarised below.

Equity Markets

Equity market performance was positive in October, continuing from the previous month's positive performance. In the US, the Federal Reserve cut interest rates from 2.00 to 1.75, noting implications of global developments for the economic outlook as well as muted inflation pressures. The manufacturing sector of the US economy remains weak and continues to impact business activity, while consumer confidence is starting to show signs of weakening for the first time. Progress on trade talks was made between the US and China, with President Trump announcing a 'Phase One Trade Deal' which involves China committing to purchases of US agricultural products, the opening up of its financial sector, and increasing transparency regarding the currency markets.

In Australia, the RBA cut interest rates from 1.00 to 0.75, noting supporting employment, providing greater confidence in meeting the inflation target and the global trend that Central Banks are lowering interest rates and the impact this is having on the Australia economy. Financials had a negative month, with one bank announcing declining profits and reducing franking on dividend payments. These factors caused domestic equities to underperform global equities.

Debt Markets

Global government bond markets produced negative returns over the month with long duration securities underperforming. Negative sentiment that dominated markets over the past few months eased, as Central banks continued to cut interest rates creating expectations that growth will improve and geo-political pressures easing somewhat. Corporate bonds, high yield bonds and emerging market debt posted positive returns. Domestic bonds underperformed global bonds given concerns around growth in the global economy.

Currency

The Australian dollar appreciated due to de-escalation of the trade war between the US and China.

Disclaimer

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